

# **Compendium of Forensic Accounting and Investigation Standards**

(As on 1<sup>st</sup> July, 2023)



**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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# Foreword

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Over the years, the Institute of Chartered Accountants of India (ICAI) through its Digital Accounting and Assurance Board (DAAB) has developed 20 Forensic Accounting and Investigation Standards (FAIS). These Standards provide ICAI members with a comprehensive understanding of forensic accounting and investigations, guiding them on how to plan and undertake engagements and assignments in these domains, conclude their work, and report their findings in an organised manner. These Standards have proven to be very valuable, not only to our members but also to Law Enforcement Agencies, Corporates, Banks, and other stakeholders, helping them to understand the common practices and finer nuances of Forensic Accounting and Investigation Engagements. These Standards are authoritative in nature.

With a view to provide the text of all these 20 Standards, along with Preface, Framework and basic Principles to the members at one place, the DAAB has issued a Compendium of Forensic Accounting and Investigation Standards in August 2021.

Over the time, the Council of ICAI has seen keen interest and realised the increasing demands of these Standards in various assignments undertaken by the members of ICAI. Accordingly, the Council of ICAI has now decided to make mandatory these standards from 1st July, 2023. Further, the DAAB of ICAI has also observed various changes that need to be incorporate in the text of these standards based on various consultations and feedback. Accordingly, the DAAB of ICAI has issued revised version of the Compendium, which now contains updated text of Preface, Framework, Basic Principles and all 20 FAISs with effective date.

I would like to express my appreciation to CA. Charanjot Singh Nanda, Chairman, CA. Dayaniwas Sharma, Vice-Chairman, and all other members of the Digital Accounting and Assurance Board along with the team of forensic accounting professionals for revising the Forensic Accounting and Investigation Standards and issuing this revised Compendium of Forensic Accounting and Investigation Standards. I am confident that professionals working in this domain will find these Standards immensely valuable.

Wishing you all a productive learning experience!

**CA. Aniket Sunil Talati**  
President, ICAI



## Preface

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We take great pride in the leadership of the Institute of Chartered Accountants of India (ICAI) in establishing the Forensic Accounting and Investigation Standards (FAIS). The issue of measurement and quality upon completion has been repeatedly raised for consideration. These Standards will establish the parameters for assessing those expectations.

The scope of these Standards is to provide ICAI members with a comprehensive overview of the domains of Forensic Accounting and Investigations. They cover topics such as engagement and assignment management, conducting work procedures, and reporting findings to stakeholders.

The Board had issued the FAIS which outline the framework, the fundamental principles, key concepts and a range of subjects covering the whole process of conducting assignments in this area. In August 2021, the Board released a complete set of the Compendium of FAIS comprising of all the 20 Standards and three Over-arching documents. The continuous improvement and adaptation of standards are essential in the dynamic domain of Forensic Accounting and Investigation (FAI). Recognizing this need, the Digital Accounting and Assurance Board has now revised the FAIS and issued them in this new Compendium.

Through a collaborative effort involving industry experts, stakeholders, and regulators, the Board had undertaken a review and update of the existing standards. This revision process aimed to address emerging trends, technological advancements, and evolving regulatory requirements in the field of forensic accounting. The revised FAIS encompass the latest best practices, methodologies, and guidance to ensure that our members are equipped with the most up-to-date tools and knowledge. The focus is on enhancing clarity, effectiveness, and relevance to meet the ever-increasing demands of the profession.

At this juncture, we would like to express our sincere appreciation to the members of the study group, namely CA. Manu Agrawal, CA. (Dr.) Durgesh Pandey, CA. Uday Kulkarni, CA. Sailesh Cousik, CA. Nikunj Shah, CA. Anand Prakash Jangid, CA. Satish Shenoy, CA. Sandeep Baldava, CA. Sumit Makhija, CA. Jagvinder Brar, CA. Surath Mukherjee, CA. Vikram Agarwal,

CA. Bharat Jeswani, CA. Rahul Jindal, CA. Jyot Baxi, CA. Sanjay Poddar, CA. Puneet Grewal, CA. Sanket Dawda, CA. Lokesh Chopra, CA. Jeshwanth V., CA. Ayush Jain, CA. Naval Bajaj, CA. Himanshu Sarpal, CA. Aashna Khanna, CA. Rajiv Gupta, CA. Ashish Makhija and CA. Gaganpreet Puri. Their valuable time, despite their busy schedules, and their contributions in revising the Standards and providing feedback on the draft Standards are greatly appreciated.

We would like to extend our deep gratitude to CA. Aniket Sunil Talati, President of ICAI, and CA. Ranjeet Kumar Agarwal, Vice-President of ICAI, for their unwavering support and encouragement towards the initiatives of the Board. We would also like to thank our colleagues from the Council, for their invaluable guidance, support, and 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 would also extend our sincere thanks to Mr. Harish Dua, Advisor, CA. Amit Gupta, Secretary, DAAB and their team for the efforts put in by them to work in revising the Forensic Accounting and Investigation Standards.

We sincerely wish that this updated 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 a willingness to adapt and prosper.

**CA. Charanjot Singh Nanda**  
Chairman, DAAB

**CA. Dayaniwas Sharma**  
Vice- Chairman, DAAB.

# Table of Contents

---

Foreword .....	iii
Preface .....	v
<b>Section I: Preface</b>	
Preface to the Forensic Accounting and Investigation Standards.....	3
<b>Section II: Framework</b>	
Framework Governing Forensic Accounting and Investigations .....	15
<b>Section III: Basic Principles</b>	
Basic Principles of Forensic Accounting and Investigations.....	23
<b>Section IV: Standards on Key Concepts (100 Series)</b>	
FAIS 110: Nature of Engagement.....	33
FAIS 120: Fraud Risk.....	37
FAIS 130: Laws and Regulations.....	40
FAIS 140: Applying Hypotheses .....	45
<b>Section V: Standards on Engagement Management (200 Series)</b>	
FAIS 210: Engagement Objectives .....	51
FAIS 220: Engagement Acceptance and Appointment .....	57
FAIS 230: Using the Work of An Expert.....	64
FAIS 240: Engaging with Agencies.....	70
FAIS 250: Communication with Stakeholders.....	76
<b>Section VI: Standards on Executing Assignments (300 Series)</b>	
FAIS 310: Planning the Assignment .....	85
FAIS 320: Evidence and Documentation.....	91
FAIS 330: Conducting Work Procedures.....	96
FAIS 340: Conducting Interviews .....	102
FAIS 350: Review and Supervision.....	106
FAIS 360: Testifying Before a Competent Authority .....	110
<b>Section VII: Standards on Specialised Areas (400 Series)</b>	
FAIS 410: Applying Data Analysis .....	117
FAIS 420: Evidence Gathering in Digital Domain .....	122

FAIS 430: Loans or Borrowings .....	127
<b>Section VII: Standards on Reporting (500 Series)</b>	
FAIS 510: Reporting Results .....	135
<b>Section IX: Standards on Quality Control (600 Series)</b>	
FAIS. 610: Quality Control .....	143
<b>Section X: Reference Material</b>	
Glossary of Terms .....	151
Abbreviations.....	164

## **SECTION I**

# **PREFACE TO THE FORENSIC ACCOUNTING AND INVESTIGATION STANDARDS**



# Preface to the Forensic Accounting and Investigation Standards

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## Contents

	Paragraph(s)
Introduction and Objectives .....	1
Digital Accounting and Assurance Board .....	2
Framework Governing Forensic Accounting and Investigations.....	3
Forensic Accounting and Investigation Standards .....	4
Mandatory Nature of Framework and Standards .....	5
Standard Setting Process .....	6
Contents of the Standards .....	7
Guidance .....	8
Annexure 1: Details of the Standard Setting Process .....	9
Annexure 2: List of Stakeholders for Inputs on Exposure Drafts .....	10

## **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 or the “Board”), under the authority of the Council of the Institute of Chartered Accountants of India (ICAI).
- 1.2 The FAIS, 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 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 FAI 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 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 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 FAI 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 FAIS are a minimum set of requirements that apply to all members of the ICAI when conducting FAI assignments 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

## Compendium of Forensic Accounting and Investigation Standards

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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 FAIs, 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 DAAB develops and when appropriate, revises the Standards. Exposure Drafts (EDs) 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 and approval. The Standards, once approved by the Council, are issued thereafter for implementation.
- 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.
- 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.

## Preface to the Forensic Accounting and Investigation Standards

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- 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 Reporting.
  - 7.3.6 **600 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.
  - 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

## **Compendium of Forensic Accounting and Investigation Standards**

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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 and do not represent the official position of the ICAI. The 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 FAI, 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 ED 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 bodies as well as the general public. The ED may also be published in the monthly

## **Compendium of Forensic Accounting and Investigation Standards**

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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 ED is also circulated to other external Stakeholders as listed in **ANNEXURE 2** for their comments.

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

### **5. Finalisation and Submission to ICAI Council**

After taking into consideration the comments received on the ED, the DAAB will update the draft of the proposed Standard, take inputs of the SG (if required), and finalise 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 (MCA)
- 2) The Ministry of Home Affairs (MHA)
- 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 (ICMAI)
- 21) The Institute of Company Secretaries of India (ICSI)
- 22) Recognised Stock Exchanges in India
- 23) The Indian Banks' Association (IBA)
- 24) The Standing Conference of Public Enterprises (SCOPE)

### **Compendium of Forensic Accounting and Investigation Standards**

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

## **SECTION II**

# **FRAMEWORK GOVERNING FORENSIC ACCOUNTING AND INVESTIGATIONS**



# Framework Governing Forensic Accounting and Investigations

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## Contents

	Paragraph(s)
Introduction and Scope .....	1
Objectives .....	2
Definitions .....	3
The Framework .....	4
Code of Ethics .....	5
Components of the Framework .....	6

## 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 (FAI) services. This Framework needs to be read in conjunction with the Preface to the Forensic Accounting and Investigation Standards (FAIS or the “Standards”).
- 1.2 **Scope:** The Framework covers all types of FAI 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 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:
- (a) Provide an overall understanding of FAI and its key components.
  - (b) Outline the manner in which these components come together in an inter-related cohesive manner when providing FAI services.
  - (c) 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 undertakes forensic accounting and investigation assignments using accounting, auditing and investigative skills.
- 3.2 Other key terms forming part of the FAIS framework are as follows:

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## Framework Governing Forensic Accounting and Investigations

- 3.2.1 **Forensic Accounting** is gathering and evaluation of evidence by a professional to interpret and report findings before a Competent Authority.
- 3.2.2 **Investigation** is the systematic and critical examination of facts, records and documents for a specific purpose.
- 3.2.3 **Litigation**: Litigation is a process of handling or settling a dispute before a Competent Authority or before a Regulatory Body. Litigation could include mediation and alternative dispute resolution mechanisms.
- 3.2.4 **Fraud**: Fraud is any intentional or deliberate act to deprive another of property or money through deception or other unfair means.
- 3.3 Brief explanation of some of the terms defined above is as follows:
  - 3.3.1 **Forensic Accounting**: The overriding objective of Forensic Accounting is to gather 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 legal proceedings.
  - 3.3.2 **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 before a Competent Authority or a Regulatory Body.
- 3.4 The definitions of Forensic Accounting and Investigation contained in Para 3.2 form the overarching basis of all the Standards on FAI, issued by the ICAI. These, and other definitions used in the FAIS, are included in the Glossary of Terms.

## 4.0 The Framework

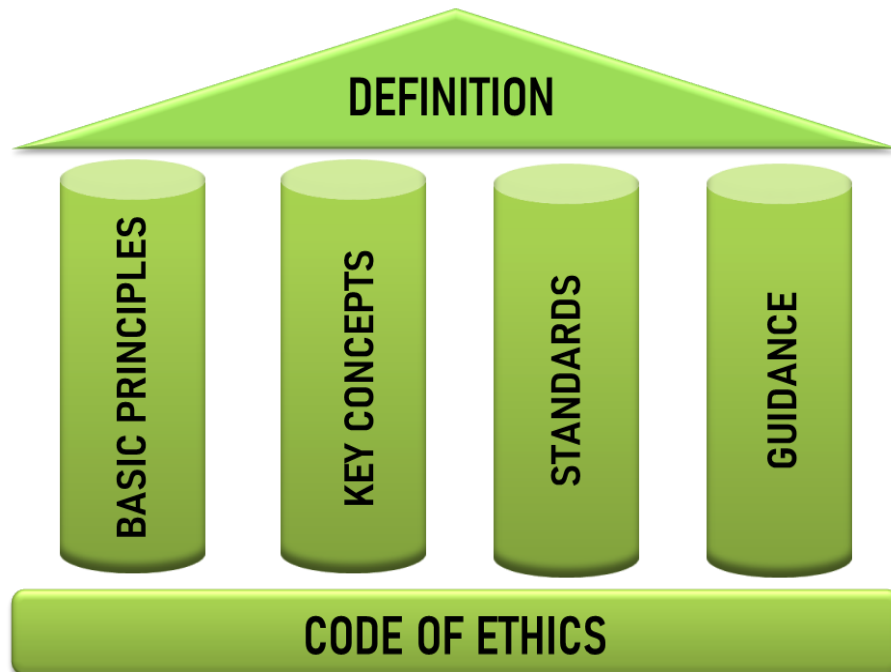
- 4.1 The Framework establishes the structure which governs the domain of FAI. It comprises of the "Definition of Forensic Accounting and Investigation" (as defined under Para 3, above), four key components, and the underlying Code of Ethics. Each of the four components are

## **Compendium of Forensic Accounting and Investigation Standards**

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inherent to FAI 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 FAI.
  - (ii) Key Concepts.
  - (iii) Standards on FAI.
  - (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 FAI 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.

- 5.2 A member of the ICAI, 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 ICAI,
  - 5.2.3 Other relevant pronouncements of the ICAI.

## **6.0 Components of the Framework**

### **6.1 Basic Principles of Forensic Accounting and Investigations**

The Basic Principles of FAIs (referred to as the “Basic Principles”) 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 FAI, 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 FAI domain and therefore, apply to most engagements. The key concepts are in the nature of (indicative list):

## **Compendium of Forensic Accounting and Investigation Standards**

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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 establish uniform performance and evaluation criteria, methods, processes and practices. The Standards are pronouncements which form the basis for conducting all FAI 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 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 investigation 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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## Contents

	Paragraph(s)
Introduction and Scope .....	1
Objectives .....	2
Basic Principles .....	3
Effective Date .....	4

## 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 FAI, 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 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 gathering 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;

## **Compendium of Forensic Accounting and Investigation Standards**

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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 have 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.

## **Basic Principles of Forensic Accounting and Investigations**

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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 FAI 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.

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

## **Compendium of Forensic Accounting and Investigation Standards**

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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 case, 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 of FAIS. 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 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 1<sup>st</sup> July 2023.



## **SECTION IV**

### **STANDARDS ON KEY CONCEPTS (100 SERIES)**



# **Forensic Accounting and Investigation Standard No. 110:**

## **Nature of Engagement**

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### **Contents**

	<b>Paragraph(s)</b>
Introduction and Scope .....	1
Objectives .....	2
Requirements .....	3
Explanatory Comments .....	4
Documentation of Work Procedures .....	5
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 gathering of evidences, especially in the area of financial transactions and operational arrangements, to report findings of violations, deviations and breaches, before a Competent Authority.
  - (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 testimony.
- 1.3 **Scope:** This Standard applies to all engagements related to Forensic Accounting, Investigations, and Litigation Support, 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 gather evidence and present these to the Client, or the Competent Authorities, the concept of Forensic Accounting shall apply (refer Para 4.2).
- 3.3 Where the mandate requires the need to gather and evaluate evidence for a specific purpose, such as to help establish possible fraudulent intent, or 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 FAI 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 gathering of evidences admissible before a Competent Authority. The focus area is critical examination of transactions, funds and balances in the books of account or with third parties.

- 4.3 **Concept of Investigation (refer Para 3.3):** The purpose of the Investigation is to examine facts and circumstances and gather 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 1<sup>st</sup> July 2023.

# **Forensic Accounting and Investigation Standard No. 120: Fraud Risk**

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## **Contents**

	<b>Paragraph(s)</b>
Introduction and Scope .....	1
Objectives .....	2
Requirements .....	3
Explanatory Comments .....	4
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 FAIs 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 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 510 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 1<sup>st</sup> July 2023.

# **Forensic Accounting and Investigation Standard No. 130: Laws and Regulations**

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## **Contents**

	<b>Paragraph(s)</b>
Introduction and Scope .....	1
Objectives .....	2
Requirements .....	3
Explanatory Comments .....	4
Documentation of Work Procedures .....	5
Effective Date .....	6

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 FAI engagements may arise either:
  - (a) where the Professional is appointed in accordance with some specific law or regulation (e.g., by a Competent Authority) – which may provide both, the mandate and the process, of conducting the engagement; or
  - (b) 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 gather evidence and laws concerning how evidence needs to be admissible before a Competent Authority. 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 before a Competent Authority.
  - 5.1.3 Documentation for Chain of Custody of the evidence gathered.
  - 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 gathering evidence and drafting the report.

## **6.0 Effective Date**

- 6.1 This Standard is applicable for all engagements beginning on or after 1<sup>st</sup> July 2023.

# **Forensic Accounting and Investigation Standard No. 140: Applying Hypotheses**

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## **Contents**

	<b>Paragraph(s)</b>
Introduction and Scope .....	1
Objectives .....	2
Requirements .....	3
Explanatory Comments .....	4
Documentation of Work Procedures .....	5
Effective Date .....	6

**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.
  - (a) In Forensic Accounting engagements, the hypothesis is generally verified by testing certain transactions and balances to prove or disprove the possibility of some exceptions.
  - (b) 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 gathering more methodical and effective. Although the hypothesis may not be referred to in the Report, the quality of the evidence gathered as a result of such application, makes the outcome more reliable and suitable before a Competent Authority.
- 1.5 **Scope:** This Standard applies to all FAI engagements where evidence is gathered 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 gathered 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 FAI 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 gathering exercise, the Professional shall collect 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 1<sup>st</sup> July 2023.

## **SECTION V**

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



# **Forensic Accounting and Investigation Standard No. 210:**

## **Engagement Objectives**

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### **Contents**

	<b>Paragraph(s)</b>
Introduction and Scope .....	1
Objectives .....	2
Requirements .....	3
Explanatory Comments .....	4
Documentation of Work Procedures .....	5
Effective Date .....	6
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 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 Client.
- 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 Primary Stakeholder.
  - (b) Scope of the engagement (along with any limitations) is consistent with the objectives, clearly defined and agreed with the Primary Stakeholders.
  - (c) Nature of expected outcomes is discussed with the Primary 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 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 ascertainment of facts and gathering 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 gathering of facts and evidences. The Professional can however, help draw reasonable conclusions based on the evidence gathered, where this is part of the mandate.

## **4.0 Explanatory Comments**

- 4.1 The understanding of the mandate agreed with the Primary 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:

## **Compendium of Forensic Accounting and Investigation Standards**

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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 Primary 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 1<sup>st</sup> July 2023.

## 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 gathering of evidences suitable before a Competent Authority. 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 Insolvency and Bankruptcy Code (IBC)

#### **(B) INVESTIGATION SERVICES:**

**POSSIBLE OBJECTIVE:** The purpose of the Investigation is to examine facts and circumstances and gather 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

## **Compendium of Forensic Accounting and Investigation Standards**

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- 5 Asset theft/bribery/corruption
- 6 Data breach/theft of Intellectual Property

### **(C) LITIGATION SUPPORT SERVICES:**

**POSSIBLE OBJECTIVE:** Provide testimony before a Competent Authority, based on FAI expertise and/or to help facilitate some resolution to legal disputes based on facts/circumstances.

#### ***NATURE OF SERVICES (Indicative List)***

- 1 Alternate dispute resolution
- 2 Testimony before Competent Authority

# **Forensic Accounting and Investigation Standard No. 220: Engagement Acceptance and Appointment**

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## **Contents**

	<b>Paragraph(s)</b>
Introduction and Scope .....	1
Objectives .....	2
Requirements .....	3
Explanatory Comments .....	4
Documentation of Work Procedures.....	5
Effective Date .....	6
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 FAI 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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## Standards on Engagement Management (200 Series)

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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 agencies or regulatory bodies, 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 and scope 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;

## Compendium of Forensic Accounting and Investigation Standards

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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 Primary Stakeholders.

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## **Standards on Engagement Management (200 Series)**

- 5.2 Key contents of an Engagement Letter are those where both the Primary 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 Primary Stakeholders represent an agency, 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 Primary Stakeholders.

### **6.0 Effective Date**

- 6.1 This Standard is applicable for all engagements beginning on or after 1<sup>st</sup> July 2023.

## 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 or exclusions.
  - 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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### **Standards on Engagement Management (200 Series)**

- 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.
  - Governing law, jurisdiction and dispute resolution.
  - Force majeure clause.

# **Forensic Accounting and Investigation Standard No. 230: Using the Work of An Expert**

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## **Contents**

	<b>Paragraph(s)</b>
Introduction and Scope .....	1
Objectives .....	2
Requirements .....	3
Explanatory Comments .....	4
Documentation of Work Procedures .....	5
Effective Date .....	6

**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 gathering relevant and reliable 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, gathering 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 the Standard on 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) Relevant and reliable evidence may be gathered with the help of the Expert.

## **Compendium of Forensic Accounting and Investigation Standards**

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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 gathered constitutes relevant and reliable evidence to support the overall conclusions being reported (refer Para 4.4).

- 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 their Report, the Professional shall participate in defining the scope and expected deliverables, as follows (indicative list):

## **Compendium of Forensic Accounting and Investigation Standards**

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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:

## **Standards on Engagement Management (200 Series)**

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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, Indemnification, Deliverable Timelines, Limitation of Liability 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, financial 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 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 1<sup>st</sup> July 2023.

# **Forensic Accounting and Investigation Standard No. 240: Engaging with Agencies**

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## **Contents**

	<b>Paragraph(s)</b>
Introduction and Scope .....	1
Objectives .....	2
Requirements .....	3
Explanatory Comments .....	4
Documentation of Work Procedures .....	5
Effective Date .....	6
Annexure 1: Indicative List of Agencies in India	

**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 and Regulatory Bodies (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, laws and regulations for the benefit of public at large.

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

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 testimony before a Competent Authority, for which refer to FAIS 360 on “Testifying before a Competent Authority”.

## **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 provide information to 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, Integrity, Objectivity and Confidentiality (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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## **Standards on Engagement Management (200 Series)**

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 gathering in the digital domain (as per FAIS 420), 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 before the Competent Authority.

### **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

## **Compendium of Forensic Accounting and Investigation Standards**

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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 1<sup>st</sup> July 2023.

## **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) Directorate General of Income Tax Investigation (DGIT)
- (f) Directorate General of Goods and Service Tax Intelligence (DGGSTI)

#### **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)
- (d) Insolvency and Bankruptcy Board of India (IBBI)

# **Forensic Accounting and Investigation Standard No. 250:**

## **Communication with Stakeholders**

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### **Contents**

	<b>Paragraph(s)</b>
Introduction and Scope .....	1
Objectives .....	2
Requirements .....	3
Explanatory Comments .....	4
Documentation of Work Procedures .....	5
Effective Date .....	6

This Forensic Accounting and Investigation Standard (FAIS) 250, on “Communication with Stakeholders” 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) deals with the Professional's responsibility to have an effective communication with the Stakeholders. A clear, unambiguous, continuous, two-way communication with Stakeholders at various stages of the engagement, is essential to achieve the objectives of the engagement.

### 1.2 Definitions:

(a) **Communication:** Communication refers to sharing of any information or data between the Professional and the Stakeholders, in any form (e.g., verbal, written, electronic/digital, etc.) or format (e.g., documents, images, videos, text messages, etc.).

(b) **Primary Stakeholder:** The appointing authority is the Primary Stakeholder, who is also referred to as "the Client" in some cases. The appointing authority can be identified from the content of the engagement or the appointment letter and their signatory(ies).

**NOTE:** The Primary Stakeholder could either be a section of the entity's executive management or the governing body of an organisation (e.g., the board of directors or the audit committee), or a Competent Authority (such as a court of law, an adjudicating authority or any other quasi-judicial body) empowered under law to act as such.

(c) **Other Stakeholders:** All Stakeholders other than Primary Stakeholders are considered as Other Stakeholders and includes third parties (e.g., lenders, customers, suppliers, business partners, consumers, current or past employees, etc.).

(d) **Stakeholders:** A general term which refers to both the Primary Stakeholders and Other Stakeholders, as defined above.

1.3 This Standard clarifies the responsibility of the Professional to communicate directly with the Primary Stakeholders. It is generally the responsibility of the Primary Stakeholders to communicate with

Other Stakeholders, (especially the government bodies and agencies). However, sometimes the Professional is expected to undertake this activity on behalf of the Primary Stakeholder, if this is a term of the engagement or otherwise as required under any law or an order of the Competent Authority or regulatory body empowered to issue directions for production and gathering of documents in any form or as per the principles of natural justice.

- 1.4 The manner in which the Professional communicates with the agencies is covered under FAIS 240 on “Engaging with Agencies”. Providing testimony to competent authorities is covered under FAIS 360 on “Testifying before a Competent Authority”.
- 1.5 **Scope:** This Standard applies to all FAI engagements. The communication regarding reporting of the results or findings of an engagement is outside the scope of this Standard since it is covered by FAIS 510 on “Reporting Results”.

## **2.0 Objectives**

- 2.1 The overall objective of this Standard on Communication with Stakeholders is to emphasise the need for a continuous conversation and exchange of important information between the Professional and the Stakeholders during all phases of the engagement.
- 2.2 The other objectives of this Standard are to:
  - (a) Establish the need to conduct communication in a process driven manner using a pre-established communication protocol.
  - (b) Define the nature and content of communication required to achieve the engagement objectives and to document this wherever necessary.
  - (c) Provide clarity on and distinguish between, essential and significant matters which should be communicated.

## **3.0 Requirements**

- 3.1 Communication with Stakeholders concerning all matters of the engagement shall be in accordance with a laid-down process and a pre-defined, pre-agreed protocol, which shall clarify the responsibility

## **Standards on Engagement Management (200 Series)**

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- of the Professional to communicate directly with Primary Stakeholders on matters relating to the engagement (refer Para 4.1).
- 3.2 Communication with Other Stakeholders shall be pre-defined and duly included in the process and protocol, keeping in mind that any communication with the government authorities and agencies could be protracted in nature and may require to be part of the terms of the engagement (refer Para 4.2).
- 3.3 All communication by the Professional shall be clear, direct, independent, objective and effective, conducted with an open mind and take into account the relevant laws and regulations, principles of confidentiality, natural justice, etc. (refer Para 4.3).
- 3.4 The form and content of matters to be communicated and the time-frame of communication are based on the best judgment of the Professional unless the law provides for any specific form and content. This is generally defined on the basis of engagement requirements, relevant laws, regulations and agreed terms. However, the Professional shall communicate certain matters considered to be "Essential Matters" (refer Para 4.4).
- 3.5 The Professional shall exercise good communication etiquettes at all times and ensure that the communication is on-going, accurate, complete and timely. Where appropriate, the Professional shall communicate certain matters considered to be "Significant Matters" (refer Para 4.5).
- 3.6 The Professional shall not disclose or divulge any information obtained during the engagement without the prior express permission of the Primary Stakeholders or unless otherwise required by any law. The Professional should desist from making any communication regarding any information with public or media unless and until expressly authorised by the Primary Stakeholders or the Competent Authority and, if necessary, in consultation with a legal advisor.

## **4.0 Explanatory Comments**

- 4.1 **Communication Process and Protocol (refer Para 3.1):** The Professional shall ensure that an effective communication process and protocol is agreed with the Primary Stakeholders and adopted during the engagement. This process and protocol shall underscore

## **Compendium of Forensic Accounting and Investigation Standards**

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the criticality of a two-way information flow between the Professional and the Stakeholders and outline various modes and channels of communications, along with the frequency and timelines of communication. All communications, in whatever form or mode, shall be adequately secured and maintained confidential at all times.

4.2 **Communication with Other Stakeholders (refer Para 3.2):**

Communication with other Stakeholders shall be with the prior knowledge of the Primary Stakeholders. However, the Professional may have to assess the requirement of communicating directly with other Stakeholders for the purpose of enquiry, confirmation of facts, collection of evidence or such other matters, for effective execution of the engagement. Where the Professional has agreed to communicate directly with external agencies, this understanding shall be formalised in the terms of engagement as per FAIS 240 on “Engaging with Agencies”.

4.3 **Communications mandated by Laws and Regulations (refer Para 3.3):**

By understanding the subject matter, the Professional shall identify whether any communication requirements are mandated by any relevant statutory or regulatory provisions and wherever necessary, such communication shall comply with those provisions.

In certain matters, statutory or regulatory provisions may place restrictions on the Professional while communicating to the Stakeholders. Additionally, there may be circumstances wherein potential conflicts may arise between Professional’s obligation of confidentiality and obligation to communicate with Stakeholders. In such events, the Professional may proceed as per the law and the legal advice, if necessary.

4.4 **Essential Matters of Communication (refer Para 3.4):**

Essential matters are those matters which are necessary for the efficient execution of the engagement. These are decided by the Professional using best judgment, considering the nature of the engagement and the agreed objectives. Essential Matters are generally in the nature of the following (indicative list):

- (a) Scope and methodology of engagement.
- (b) Written process and protocol of communication.

## **Standards on Engagement Management (200 Series)**

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- (c) Laws and regulations applicable to the engagement.
- (d) Support and cooperation required from Primary and other Stakeholders for access to information sources and for gathering evidence.
- (e) Engagement fees and any resourcing requirements or constraints.
- (f) Periodic reporting of engagement progress as per requirements.
- (g) Reporting format which may be specific to the engagement or prescribed by legal and regulatory provisions.

4.5 **Significant Matters of Communication (refer Para 3.5):** Significant matters are those which may impact or restrict the scope, methodology, performance and/or results of the engagement. These matters may be known at the time of finalizing the engagement plan or may surface during the execution phase of the engagement. Significant Matters are generally in the nature of the following (indicative list):

- (a) Lack of co-operation by Stakeholders, causing significant delays.
- (b) Prevention of access, withholding of information.
- (c) General repression, domination or intimidation by Stakeholders.
- (d) Potential conflict of interest with any Stakeholder.
- (e) Alteration or destruction of evidences.
- (f) Break in chain of custody of evidences.
- (g) Safety or life-threatening situations.

## **5.0 Documentation of Work Procedures**

The Professional shall keep a record of all important communication and document appropriately, which may be required for any subsequent production of evidence. Some of the documentation required to be maintained are as follows:

## **Compendium of Forensic Accounting and Investigation Standards**

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- 5.1 Communication process and protocol documentation (refer Para 4.1).
- 5.2 Documentation to demonstrate compliance with legal and regulatory provisions wherever applicable (refer Para 4.3).
- 5.3 Documentation confirming the communication of Essential and Significant Matters (refer Para 4.4 and 4.5).
- 5.4 Communication documents shall remain in the possession of the Professional and will be shared with authorized users only on a “need to know” basis.
- 5.5 Oral communication should be documented as minutes of meetings.

### **6.0 Effective Date**

- 6.1 This Standard is applicable for all engagements beginning on or after 1<sup>st</sup> July 2023.

## **SECTION VI**

### **STANDARDS ON EXECUTING ASSIGNMENTS (300 SERIES)**



# **Forensic Accounting and Investigation Standard No. 310: Planning the Assignment**

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## **Contents**

	<b>Paragraph(s)</b>
Introduction and Scope .....	1
Objectives .....	2
Requirements .....	3
Explanatory Comments .....	4
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 Primary 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 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 them.
  - (c) Determine the appropriate work methodology to be deployed considering nature of the assignment.
  - (d) To identify the diverse sources for gathering 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).
  - 3.2.3 Discussion with the Stakeholders (refer para 4.4).

## Compendium of Forensic Accounting and Investigation Standards

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- 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 at what point in time of the assignment, are key aspects in this regard,

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### Standards on Executing Assignments (300 Series)

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 gathering 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 gathering 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 1<sup>st</sup> July 2023.

# **Forensic Accounting and Investigation Standard No. 320:**

## **Evidence and Documentation**

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### **Contents**

	<b>Paragraph(s)</b>
Introduction and Scope .....	1
Objectives .....	2
Requirements .....	3
Explanatory Comments .....	4
Documentation of Work Procedures .....	5
Effective Date .....	6

**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 gather relevant and reliable evidence and maintain appropriate and sufficient documentation.
- 1.2 Considering the nature of Forensic Accounting and Investigation (FAI) assignments, the Stakeholders often take a legal recourse for concluding the matters. Therefore, the Professional is expected to gather relevant and reliable evidence and maintain appropriate and 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 before a Competent Authority.
  - 1.3.2 **Documentation** refers to the aggregate of all evidences gathered 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 FAI engagements. However, the manner of gathering 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 gathers relevant and reliable evidence, which can stand on its own and may not require follow-up clarification or additional information to arrive at the same conclusion as drawn by the Professional.
  - (b) appropriate 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 gathered is relevant to the objectives of the assignment and admissible before a Competent Authority. 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 appropriate and sufficient documentation is maintained explaining the manner in which the evidence was gathered, reviewed, recorded and stored along with its chain of custody. Where documentation is in digital or some other format, it should be reproducible as hard-copy documents suitable before a Competent Authority (refer Para. 4.3).
- 3.3 The ownership and custody of the documentation shall remain with the Professional. 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 **Relevant Evidence (refer Para 3.1):** The Professional shall ensure that the evidences collected through multiple sources are relevant 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 admissable before a Competent Authority.
- 4.3 **Appropriate and Sufficient Documentation (refer Para 3.2):** Documentation shall be appropriate and sufficient. For example, it could, consist of details of procedures performed, hypotheses developed and tested, purpose and outcome of such procedures, information relied on, source of the information, chain of custody maintained, minutes of the meetings conducted during the course of the assignment, testimony of witnesses, 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 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 of FAIS 230 on "Using the work of an Expert" are complied with (refer Para 5 of that Standard).

Considering the litigative 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 1<sup>st</sup> July 2023.

# **Forensic Accounting and Investigation Standard No. 330: Conducting Work Procedures**

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## **Contents**

	<b>Paragraph(s)</b>
Introduction and Scope .....	1
Objectives .....	2
Requirements .....	3
Explanatory Comments .....	4
Documentation of Work Procedures .....	5
Effective Date .....	6
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 **Definition: Work Procedures** refer to a number of FAI activities to collect, analyse and interpret data and information, gather relevant and reliable 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 Phase 1 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 FAI 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

## **Compendium of Forensic Accounting and Investigation Standards**

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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 gathering 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 gather relevant and reliable 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 on “Planning the Assignment”, 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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## Standards on Executing Assignments (300 Series)

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 gather relevant and reliable evidence to either prove or disprove the hypothesis formulated. However, at times, the Professional is not able to gather adequate 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 gather 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 1<sup>st</sup> July 2023.

## 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.

### **Standards on Executing Assignments (300 Series)**

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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**

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## **Contents**

	<b>Paragraph(s)</b>
Introduction and Scope .....	1
Objectives .....	2
Requirements .....	3
Explanatory Comments .....	4
Documentation of Work Procedures .....	5
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) 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 within the framework of applicable laws and these Standards 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) Ensure independence, impartiality, objectivity and expertise of the interviewer.

## **Standards on Executing Assignments (300 Series)**

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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 1<sup>st</sup> July 2023.

# **Forensic Accounting and Investigation Standard No. 350: Review and Supervision**

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## **Contents**

	<b>Paragraph(s)</b>
Introduction and Scope .....	1
Objectives .....	2
Requirements .....	3
Explanatory Comments .....	4
Documentation of Work Procedures .....	5
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 execution of assignment.
- 1.2 **Definitions:** The following definitions have been used in this Standard.
- 1.2.1 **Review** refers to the examination of planning and work procedures, gathering of evidence, conclusions drawn therefrom and documentation of working papers.
- 1.2.2 **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 gathering 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 gathered, and the documentation prepared 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.

## **Standards on Executing Assignments (300 Series)**

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- (c) Ensuring the completion of planned work procedures and evidence gathered is relevant and reliable.
- (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 1<sup>st</sup> July 2023.

# **Forensic Accounting and Investigation Standard no. 360:**

## **Testifying Before a Competent Authority**

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### **Contents**

	<b>Paragraph(s)</b>
Introduction and Scope .....	1
Objectives .....	2
Requirements .....	3
Explanatory Comments .....	4
Documentation of Work Procedures .....	5
Effective Date .....	6

This Forensic Accounting and Investigation Standard Number 360, on “Testifying before a Competent Authority,” 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) 360 on “Testifying before a Competent Authority” deals with the requirements to be followed by the Professional when testifying before a Competent Authority.
- 1.2 In Forensic Accounting and Investigation (FAI) engagements, a Professional may be called upon to testify before a Competent Authority in relation to legal proceedings.
- 1.3 **Definitions:**
- (a) **Adjudicating Authority:** Adjudicating Authority refer to a Tribunal or Judicial Authority established to interpret the law and pass necessary judgements in case of disputes.
  - (b) **Competent Authority:** Competent Authority refers to a court of law (or their designated persons), an adjudicating authority or any other judicial or quasi-judicial regulatory body empowered under law to act as such.
  - (c) **Proceedings:** The legal process pursuant to directions given by a Competent Authority, a regulatory body or an enforcement agency designed to hear the case.
  - (d) **Testimony:** A statement of the Professional whether oral, written or contained in electronic form, testifying before the Competent Authority on the facts in relation to a subject matter.
  - (e) **Testifying Professional:** The Professional testifying before the Competent Authority either in own capacity or representing a firm having the competency to testify on the assignments completed by them.

## 2.0 Objectives

- 2.1 The objective of this Standard on Testifying Before a Competent Authority is to set the requirements to be followed by the Testifying Professional when required to provide information and evidence to Competent Authorities pursuant to legal proceedings pertaining to the engagement.

- 2.2 This Standard also sets the competencies expected and principles to be adhered to by the Testifying Professional providing such services.

### **3.0 Requirements**

- 3.1 The Testifying Professional shall be independent and be objective in approach and ensure that there is no conflict of interest in taking on the role prior to accepting an engagement in line with the Basic Principles of FAIS, which also mandate the need for confidentiality (refer Para 4.1).
- 3.2 Where there is any conflict, the Testifying Professional's paramount duty shall be towards the Competent Authority and not towards the Client, notwithstanding the fact that the Testifying Professional may have been appointed by, or on behalf of, the party being investigated (refer Para 4.2).
- 3.3 The Testifying Professional shall limit the scope of the testimony to only the facts and evidences gathered during the course of the assignment and not be presumptive in nature (refer Para 4.3).
- 3.4 To provide impartial testimony, the Testifying Professional shall:
- (a) be involved throughout the assignment and lead the exercise;
  - (b) direct and supervise the team helping to gather the facts and evidences;
  - (c) be involved in the preparation and finalization of the report; and
  - (d) devote reasonable time to demonstrate involvement throughout the duration of the assignment.
- 3.5 The Testifying Professional shall adhere to the statutory provisions for deposition, as per applicable law and adhere to the relevant Standards issued by the ICAI including Accounting Standards, Guidance Notes, etc. where matters relating to accounting are concerned.

### **4.0 Explanatory Comments**

- 4.1 **Basic Principles (refer Para 3.1):** Where circumstances arise raising doubts over the Basic Principles of FAI, such as independence, objectivity or conflict of interest of the Testifying Professional, the Professional shall intimate the circumstances to the Primary

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## Standards on Executing Assignments (300 Series)

Stakeholders and the Competent Authority as this may impact the testimony to be provided.

Further, the Testifying Professional's compensation shall not be contingent upon the outcome of the proceedings.

- 4.2 **Duty towards the Competent Authority (refer para 3.2):** A unique feature for the Testifying Professional is that they shall have a fundamental responsibility to aid and assist the Competent Authority with the facts gathered, irrespective of the conclusions. Hence, it is imperative for the Testifying Professional to remain impartial and demonstrate utmost integrity during the proceedings.

The professional testimony should not tantamount to advocacy.

- 4.3 **Scope of testimony (refer Para 3.3):** The objective of the Testifying Professional shall be to narrate the facts related to the subject matter, confirm or refute any other facts presented, and provide a report on the evidence gathered through work procedures conducted on matters within the scope of the assignment.

In case, certain aspects of the matter have not been covered during the course of the assignment, the Testifying Professional shall clearly identify the same in the testimony, state the relevant facts discovered and refrain from providing a conclusion on the same.

## 5.0 Documentation of Work Procedures

- 5.1 The Testifying Professional shall maintain adequate documentation which forms part of the assignment, including the following (indicative list):
- (a) Details of the scope of service agreed, purpose of the assignment, nature and process of testimony to be provided, its uses beyond any legal proceedings, remuneration for services, etc.
  - (b) Details of data, documentation and information used for testimony provided, including the source and custody of the documents and information.
  - (c) Deliverables including any reports and written submissions made; underlying evidence (written, oral and digital) gathered and used for the testimony.

## **Compendium of Forensic Accounting and Investigation Standards**

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- (d) Directives as received through procedural orders from the Competent Authority and details sought from the Testifying Professional pursuant to the same.
- (e) Documents submitted and representations made by the Testifying Professional to the Competent Authority pursuant to the directives received.

### **6.0 Effective Date**

- 6.1 This Standard is applicable for all engagements beginning on or after 1<sup>st</sup> July 2023.

## **SECTION VII**

### **STANDARDS ON SPECIALISED AREAS (400 SERIES)**



# **Forensic Accounting and Investigation Standard No. 410: Applying Data Analysis**

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## **Contents**

	<b>Paragraph(s)</b>
Introduction and Scope .....	1
Objectives .....	2
Requirements .....	3
Explanatory Comments .....	4
Documentation of Work Procedures .....	5
Effective Date .....	6

**This Forensic Accounting and Investigation Standard (FAIS) Number 410, on “Applying Data Analysis,” 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 application of Data Analysis (DA) techniques to aid the work procedures of the Professional.
- 1.2 DA is applied in Forensic Accounting and Investigation (FAI) engagements for examining basic information, to analyse and discover patterns of irregular and inconsistent activities or other anomalies. Data used for this purpose is generally obtained from application systems or underlying databases of the organisation and at times, even from external sources. The result of the DA work is used to support the hypotheses and observations which may form part of the conclusions to be reported.
- 1.3 **Definitions:** Some of the key terms used in the context of DA are as follows:
- (a) **Data Source:** Data Source includes various places from where data can be collected or retrieved. A Data Source may either be the initial location where data is created, or from where it is stored, or accessed for use by another process or where it is reported (including in digital/electronic form).
  - (b) **Data Acquisition:** Data Acquisition is the process of retrieving data from Data Source for DA, storage or reporting.
  - (c) **Data Validation:** Data Validation is the process of inspecting the accuracy, completeness and quality of data collected.
  - (d) **Data Integrity:** The attribute of data that ensures its reliability and trust worthiness.
  - (e) **Data Preparation:** The process of validating the data for the purpose of DA without compromising on Data Integrity.
  - (f) **Data Profiling:** The process of exploring data to understand key data elements, data structure and content, for the purpose of analysis.
  - (g) **Data Analysis:** The process of examining data using logical, statistical and mathematical techniques, deploying visualization or other techniques to identify relationships,

trends, patterns, anomalies and exceptions within data (including potential fraud indicators) and thereby provide insights to the user.

- (h) **Data Preservation:** The process of storing, conserving and archiving data to maintain its safety and protecting its integrity.
- (i) **Test of Reproducibility:** The principle which states that DA run on an identified data set should produce the same results in case the same tests are performed by another competent person on that identified data set.
- (j) **Data Boundary:** The process of restricting the source and period of data to acquire only the relevant data sets on the basis of the objectives of the FAI assignment.

- 1.4 **Scope:** This Standard on Applying Data Analysis is applicable to all assignments which use DA to help achieve the assignment objectives.

## **2.0 Objectives**

- 2.1 The primary objectives of this Standard on Applying Data Analysis are to:
- (a) Improve the probability of evidence gathering based on intelligence inherent in the DA techniques.
  - (b) Enhance consistency across forensic assignments with the use of similar processes, approaches and methodologies.
  - (c) Enable identification of fraud indicators for further investigation.
  - (d) Gain confidence over the reliability of results derived from DA techniques.

## **3.0 Requirements**

- 3.1 The Professional shall prepare and follow a Data Analysis Plan, containing certain essential elements required to achieve the objectives of applying DA techniques (refer Para 4.1).
- 3.2 The Professional shall include pre-processing steps such as data acquisition, data validation and data preparation, while ensuring data integrity and adherence to data boundary, with adequate precautions to ensure admissibility before a Competent Authority. (refer Para 4.2)

- 3.3 The Professional shall undertake the process of performing DA in line with the objective, ensuring test of reproducibility and reporting results in an effective format (refer Para 4.3). Upon obtaining results, the Professional may access additional data and perform iterative procedures until reliable and satisfactory results are obtained.
- 3.4 The Professional shall undertake adequate measures to maintain data confidentiality, integrity, archival and retrieval over the course of the assignment and till such time as required under relevant laws and regulations (refer Para 4.4).
- 3.5 Members of the assignment team as a whole should possess adequate DA expertise and experience of applying DA techniques for conducting FAI assignments.

## **4.0 Explanatory Comments**

- 4.1. **Data Analysis Plan (refer Para 3.1):** The Professional shall prepare and deploy a Data Analysis Plan (DAP) which may include elements such as DA objectives, assumptions, hypothesis, planned work procedures, nature or type of reporting etc.
- 4.2. **Data Preparation (refer Para 3.2):** To reduce or filter out the “contamination” in the data to be analysed, the Professional shall undertake important pre-processing steps of Data Preparation involving data sanitisation, validation, completeness, accuracy etc in relation to the data gathered.
- 4.3. **Data Analysis and Reporting (refer Para 3.3):** Based on the DAP and the outcome of the Data Preparation exercise referred to above, the Professional shall undertake the most critical Data Analysis and Reporting (DAR) steps to help gain insights from the DA work procedures. The Professional shall familiarise with the various tools and techniques which can be deployed in this DAR process.
- 4.4. **Data Preservation (refer Para 3.4):** Data Preservation is critical to the admissibility of DA findings before a Competent Authority. The Professional shall ensure essential data preservation steps and also fulfil the requirements of test of reproducibility to provide credibility to the outcome of the DA exercise.

## 5.0 Documentation of Work Procedures

5.1 The following documentation shall be maintained by the Professional:

- (a) **Data Analysis Plan** -The document which includes elements of items indicated under Para 4.1.
- (b) **Data Preparation** – The document which includes file names of relevant data, data acquisition details, chain of custody.
- (c) **Data Analysis and Reporting** – The document shall record details of analysis performed (with logic), algorithm/codes/queries/models used to perform the analysis, along with a log of procedures performed.
- (d) **Data Preservation** – The document shall list and identify the details as to how the data is preserved for future access and reference.

## 6.0 Effective Date

6.1 This Standard is applicable for all engagements beginning on or after 1<sup>st</sup> July 2023.

# **Forensic Accounting and Investigation Standard No. 420: Evidence Gathering in Digital Domain**

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## **Contents**

	<b>Paragraph(s)</b>
Introduction and Scope .....	1
Objectives .....	2
Requirements .....	3
Explanatory Comments .....	4
Documentation of Work Procedures .....	5
Effective Date .....	6

This Forensic Accounting and Investigation Standard Number 420, on “Evidence Gathering in Digital Domain,” 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 practices to be followed by the Professional for gathering of electronic evidence. The electronic evidence must be capable of satisfying the requirements of judicial scrutiny.
- 1.2 As most business activities and transactions shift to the Digital Domain (DD), the evidential matters required to complete Forensic Accounting and Investigations (FAI) assignments need to be gathered in a new way, referred to as “electronic gathering” or sometimes as “electronic discovery” (or e-discovery).
- 1.3 The Professional is expected to have or acquire the expertise necessary to undertake e-discovery and conduct assignments in the DD.
- 1.4 **Definitions:**
  - (a) **Digital Domain (DD):** The electronic environment where digital evidence is present, is referred to as the ‘digital domain’. This may be in the form of Information Systems (IS) used by an organisation or Cyberspace (which includes the communication network connecting the organisation’s IS to the internet and rest of the digital domain).
  - (b) **Digital Evidence (DE):** This term refers to data or information acquired, stored, accessed, examined, transmitted and used in electronic form. DE needs to comply with applicable laws and proper chain of custody in order to be admissible as evidence before a Competent Authority.
  - (c) **Electronic Gathering (or e-Discovery):** The process used for gathering and collecting evidence in the Digital Domain, which is to be used by a Professional conducting an FAI assignment or by parties other than the Professional or party subject to legal proceedings.
  - (d) **Digital Chain of Custody:** This term refers to the procedures applied to track the sequential movement of evidence through the gathering process from collection, storage, securing, safeguarding and analysis lifecycle. Each step is recorded and each person who handled the evidence

## Compendium of Forensic Accounting and Investigation Standards

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is documented, noting the date and time it was collected, stored, transferred, and the purpose of such transfers.

- (e) **Digital footprint:** This term refers to the unique set of actions and activities, including communications, recorded on the Digital Domain or devices which can be traced to a particular user. These footprints are in the nature of the user's web-browsing history or social media activity.

- 1.5 **Scope:** This Standard applies to all FAI assignments which rely on the need to gather digital evidence to complete the work procedures in the Digital Domain.

## 2.0 Objectives

- 2.1 The objectives of this Standard on Evidence Gathering in DD are as follows:
  - (a) To consider the unique risk factors in e-discovery of evidence, along with limitations and steps required to mitigate or manage those risks.
  - (b) Evaluate the resources, skill and timeline required for evidence gathering in the DD.

## 3.0 Requirements

- 3.1 The Professional working in the Digital Domain shall maintain and deploy a documented process for e-discovery of evidence, stipulating relevant technical standards and legal requirements to be followed in this regard (refer Para 4.1).
- 3.2 The Professional shall undertake an overall understanding of the prevalent information systems (IS) environment and its linkage to the Digital Domain in so far as it is relevant to the assignment objectives (refer Para 4.2).
- 3.3 Gathering of evidence in the Digital Domain shall be conducted by those who have the requisite skills, expertise and experience of working in such a domain so as to preserve the reliability and admissibility of digital evidence before a Competent Authority (refer Para 4.3).

- 3.4 Evidence gathered in the Digital Domain shall comply with the domestic laws (or international laws, where applicable) concerning the Digital Domain and respective data privacy laws which place restrictions on the e-discovery and custody of digital evidence (refer Para 4.4).
- 3.5 Where necessary, the Professional shall deploy appropriate forensic tools and techniques to authenticate the evidence, analyse the data and maintain a reliable chain of custody over the evidence (refer Para 4.5).

## **4.0 Explanatory Comments**

- 4.1. **E-Discovery Process (refer Para 3.1):** The Professional shall undertake work in the Digital Domain through a laid down process which takes into account the good practices in the domain. These practices are in the nature of identifying the digital data needs, their sources, and proper manner of collecting DE, including the digital tools (if any) which need to be deployed.
- 4.2. **Understanding the Digital Domain (refer Para 3.2):** The professional shall undertake a brief overview of the IS environment and understand the elements of the domain which may be relevant to plan and execute the assignment.
- 4.3. **Expert (refer Para 3.3):** Based on the needs of the assignment, the Professional shall use best judgement to establish the sufficiency of credentials of the person conducting the e-discovery. This determination may result in the need to acquire temporary technical experts for the assignment, in line with FAIS 230 on “Using the Work of an Expert”.
- 4.4. **Compliance with Laws & Regulations (refer Para 3.4):** It is essential to comply with the statutory requirements during the process of gathering of Digital Evidence due to the unique risks in the Digital Domain.
- 4.5. **Forensic Tools and techniques (refer Para 3.5):** Working in the DD to gather Digital Evidence requires the use of certain digital (software) tools and unique forensic techniques. The Professional (or the Expert) is expected to recognise and deploy the appropriate tool and techniques for this purpose.

## **5.0 Documentation of Work Procedures**

- 5.1 The Digital Domain process documentation shall be maintained as indicated under para 4.1 above, the contents of which shall include all the unique procedures which need to be performed in the Digital Domain.
- 5.2 The assignment documentation shall include the chain of custody information for all the evidence gathered. This may be an electronic chain of custody which can be tested and relied upon independently with logs etc.

## **6.0 Effective Date**

- 6.1 This Standard is applicable for all engagements beginning on or after 1<sup>st</sup> July 2023.

# **Forensic Accounting and Investigation Standard No. 430:**

## **Loans Or Borrowings**

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### **Contents**

	<b>Paragraph(s)</b>
Introduction and Scope .....	1
Objectives .....	2
Requirements .....	3
Explanatory Comments .....	4
Documentation of Work Procedures .....	5
Effective Date .....	6

**This Forensic Accounting and Investigation Standard (FAIS) 430, on “Loans or Borrowings”, 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 specific types of engagements related to disputed transactions of loans or borrowings.
- 1.2 The subject matter of these engagements generally requires an examination of compliance with contractual, statutory, or regulatory provisions of loans or borrowings.
- 1.3 **Definitions:**
- (a) **Loans:** Include all types of funded or non-funded facilities sanctioned and disbursed or accepted to pay in certain circumstances by the lender.
  - (b) **Borrowings:** Include all types of funded or non-funded facilities requested and transacted by the borrower.
  - (c) **Misutilisation of Funds:** Funds are not utilised as per intended purposes or as per agreed terms and conditions. Fund utilisation may be on activities unrelated to the operations and activities of the business and to the detriment of the financial health of the entity.
- 1.4 It is assumed here that the Professional is familiar with the applicable regulations of the Reserve Bank of India (RBI) and other applicable laws as per FAIS 130 on “Laws and Regulations”.
- 1.5 **Scope:** This Standard is applicable to all FAI engagements relate to transactions of Loans extended by financial or other institutions or by individuals, including but not limited to, banking and Non-Banking Financial Companies (NBFCs). It would apply to borrowing assumed by any individual or entity.

## 2.0 Objectives

- 2.1 The objectives of this Standard on Loans or Borrowings are to gather evidences, facts and report on the following:
- (a) Nature of Loans or Borrowing transactions and the nature and reasons for which they are under dispute.

- (b) Violations and the intent with respect to availment and utilization of the funds during the complete life cycle of the loan or borrowing.

### **3.0 Requirements**

- 3.1 The Professional shall, as per FAIS 220 on “Engagement Acceptance and Appointment”, identify and confirm the nature of dispute, Primary Stakeholder’s expectations and agree on the scope and requirements of the engagement with regard to the Loans or Borrowings, addressing specifically the unique aspects of each appointing authority, such as a Resolution Professional (RP), lending bank, or an investigating agency. Any area specifically agreed to be out of the scope shall be clearly mentioned in the Letter of Engagement or Appointment (refer Para 4.1).
- 3.2 While compliance with legal, regulatory and contractual requirements is a key aspect of the Professional’s work procedures, specific methodology and work procedures for asset-tracing shall be considered, especially to identify the flow of transactions in dispute through diversion or siphoning (refer Para 4.2).
- 3.3 The Professional shall make reasonable efforts to collect additional information from other sources which can help to corroborate facts found beyond accounting records and made available by the appointing authority (refer Para 4.3).

### **4.0 Explanatory Comments**

- 4.1. **Nature of disputes relating to Loans or Borrowings:** Loans or Borrowing transactions can be subject to dispute for various reasons. An indicative list of such disputed transactions is as follows:
  - (a) Loan extended or obtained through inappropriate or unethical means or not in conformity with the established procedures.
  - (b) Assets offered as securities for Loans are either not owned, not in existence or misappropriated without the knowledge of lender.
  - (c) Funds not utilized as per contractual terms and conditions.

## **Compendium of Forensic Accounting and Investigation Standards**

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- (d) Loans or Borrowings are mis-utilised in a fraudulent manner.
- (e) The borrower submits falsified documents related to fund utilization.
- (f) Disputes relating to timely repayment of interest and principal.

The Professional shall identify and communicate the information requirements (including financial or non-financial data, documents, records, etc.) to the Primary Stakeholders, especially information critical to the nature of dispute and achievement of engagement objectives. The Professional shall be guided by the regulatory directions and also understand the life-cycle of the project being financed.

- 4.2. **Asset Tracing:** Asset tracing is designed to discover the trail of money, the assets offered as securities and any assets or activities created out of diversion of funds. The Professional may need to trace the movement of funds from the point of disbursement to their ultimate utilization. As part of asset tracing, the Professional may consider the relationship of parties involved (e.g., related/connected parties), the means deployed for fund movements (e.g., shell or group companies) and the possibilities of various fund diversion techniques which may have been deployed.

- 4.3. **Additional information from other sources:**

- (a) The Professional shall consider the need to review external information sources and external controls indicators, such as statutory payments and tax returns to match with relevant transactions and balances in books of accounts. To verify the arm's length nature of the transactions supporting the fund movements, the Professional may consider gathering market intelligence (e.g., pricing or valuation of the assets).
- (b) The Professional shall consider the need to review the digital footprints of the borrower through the application of forensics in the digital domain such as social media, conducting field investigations, performing integrity due diligence checks and such other techniques as deemed appropriate.
- (c) As per the terms of engagement, and in exceptional cases,

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## **Standards on Specialised Areas (400 Series)**

the Professional shall consider the need to examine possible / perceived nexus between the borrower and the loan sanctioning authority.

- (d) The Professional, shall consider the need to engage other professionals in line with FAIS 230 “Using the Work of an Expert”, in order to review areas where the Professional does not possess the required expertise.

### **5.0 Documentation of Work Procedures**

- 5.1 The Professional shall gather and maintain documents which confirm the lender–borrower relationship and the true nature of the relationship.
- 5.2 The Professional shall maintain all necessary documents related to the disputed transactions, confirming the nature of the dispute (refer Para 4.1).
- 5.3 The Professional shall obtain and maintain documents from the lender, the borrower and the appointing authority, wherever available.

### **6.0 Effective Date**

- 6.1 This Standard is applicable for all engagements beginning on or after 1<sup>st</sup> July 2023.



## **SECTION VIII**

### **STANDARDS ON REPORTING (500 SERIES)**



# **Forensic Accounting and Investigation Standard No. 510: Reporting Results**

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## **Contents**

	<b>Paragraph(s)</b>
Introduction and Scope .....	1
Objectives .....	2
Requirements .....	3
Explanatory Comments .....	4
Documentation of Work Procedures .....	5
Effective Date .....	6

**This Forensic Accounting and Investigation Standard (FAIS) Number 510, on “Reporting Results”, 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 issue a written report to the Primary Stakeholders at the conclusion of the assignment.
- 1.2 Reporting results of the work procedures completed and the findings from those procedures, is the concluding part of the assignment. Since one engagement may include multiple assignments, multiple reports may have to be issued; one for each assignment.
- 1.3 The written report seeks to fulfil the requirement of FAIS 210 on “Engagement Objectives” and address the mandate provided in the Engagement Letter as per FAIS 220 on “Engagement Acceptance and Appointment”.
- 1.4 **Scope:** This Standard applies to all FAI engagements, unless the need for a written report is expressly excluded through engagement terms, for example in litigation support engagements.

## 2.0 Objectives

- 2.1 The objectives of this Standard on Reporting Results are to ensure that:
  - (a) A written report is issued at the completion of an assignment as per the agreed terms of engagement and as per the legal requirements.
  - (b) The results of the assignment are derived from a reliable and relevant evidence gathering process which are duly captured in the report.
  - (c) Where appropriate, the report incorporates relevant key elements, with applicable assumptions and limitations.
  - (d) The report communicates, in sufficient detail, how the engagement mandate is fulfilled.

## 3.0 Requirements

- 3.1 The Professional shall issue a written report which is precise and unambiguous (refer Para 4.1).

## **Standards on Reporting (500 Series)**

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- 3.2 The report shall be addressed to the Primary Stakeholders and shared with Other Stakeholder(s) if required or otherwise permissible (refer Para 4.2).
- 3.3 While no fixed form or content of the report is mandated by this Standard, the report shall include certain key elements to enable the recipient to understand the purpose of the assignment, the extent and scope of work performed by the Professional, any limitations, assumptions or disclaimers, the facts and evidence gathered during the course of the engagement and the conclusions drawn (refer Para 4.3).
- 3.4 Where the form and content of the report is mandated by the Primary Stakeholders, or specified by the statutory or regulatory requirements, the Professional shall report in line with those requirements, while keeping in mind the key elements (refer Para 4.3).
- 3.5 Where the mandate of the engagement requires a discussion of the findings with the subject party prior to finalisation, a summary of the responses received from them shall be included in the report (refer Para 4.4).
- 3.6 The report shall highlight any key assumptions made and whether any limitations were faced by the Professional during the course of the assignment. This would allow the Stakeholders to correlate the report conclusions with those assumptions and limitations and evaluate their impact on the conclusions (refer Para 4.5).
- 3.7 The report shall not express an opinion or pass any judgement on the guilt or innocence. Determination of culpability is either a disciplinary process internal to the organization under review, or a judicial process depending on the specific situation under review. The report can, at best, highlight the circumstances and facts that may aid a Stakeholder decision or further a civil or criminal investigation.
- 3.8 In circumstances where the assignment could not be completed due to unforeseen or unavoidable reasons, the Professional shall provide a status report with an assessment of the results, including due limitations and disclaimers, and reasons for the incomplete nature of the assignment.

- 3.9 The report shall be issued within reasonable time frame as per the engagement terms (refer Para 4.6).

## **4.0 Explanatory Comments**

- 4.1 **Written Report (refer Para 3.1):** The Professional shall issue a written report which conveys the results of the assignment clearly and accurately. The findings reported shall be based on evidence gathered which are reliable and relevant and in line with FAIS 320 on “Evidence and Documentation”.
- 4.2 **Report addressee and distribution (refer Para 3.2):** The Professional shall address the report to the Primary Stakeholders as per FAIS 250 on “Communication with Stakeholders”, unless the engagement terms state otherwise. If required, a copy of the report may be shared with Other Stakeholders, but with the prior approval of the Primary Stakeholders.
- 4.3 **Key Elements of the Report (refer Para 3.3 and 3.4):** The Professional shall consider the inclusion of the following key elements in the report (indicative list):
- (a) Title, addressee and distribution list (if any)
  - (b) Scope and objectives of the assignment
  - (c) Approach and broad work procedures undertaken
  - (d) An Executive Summary of the results, covering all important aspects and the essence of the findings
  - (e) Reference to use of an Expert, where applicable
  - (f) The fact that the assignment has been conducted in accordance with FAIS, or any material departures therefrom
  - (g) List of findings supported by key evidences, sources of evidences, and other relevant matter;
  - (h) Assumptions, limitations and disclaimers of the assignment
  - (i) Conclusions (if any) drawn from the assessment undertaken.
- 4.4 **Discussion of Draft report (refer Para 3.5):** The principles of natural justice requires a discussion of the observations with the subject party. In some cases, this is done by the Primary Stakeholders

through their own internal processes (e.g., disciplinary committee, show-cause notice, etc.). At times, the Professional is requested to incorporate the discussion of draft findings as part of the interview process with the subject. Where the engagement mandate requires a discussion of the draft findings with the subject party, any response received from them shall also be included in the written report issued by the Professional.

- 4.5 **Assumptions and Limitations (refer Para 3.6):** The Professional shall list any relevant assumptions made during the course of the engagement having a significant bearing on the subject matter. In addition, the Professional may encounter limitations that restrict the methodologies or procedures applied in carrying out the assignment. Such limitations can be in the form of lack of (or limited) management support, restricted (or denied) access to required records, information or people, due to any reason such as order of Competent Authority, short timelines, etc. These disclaimers would be covered in the report as a key element of the report.
- 4.6 **Reporting Timelines (refer Para 3.9):** The report shall be issued within reasonable time frame as per the engagement terms. The Professional may be required to provide interim reports as per the engagement terms which can be given to the extent practicable without compromising the progress of the Investigation. Such interim reports are also subject to this Standard.

## **5.0 Documentation of Work Procedures**

- 5.1 Findings included in the report shall be duly supported by reliable and relevant evidence gathered by the Professional.
- 5.2 Copies of draft, interim and final written reports shall be maintained, along with detailed working papers, details of evidences relied upon during the Investigation, quality check procedures implemented, name of the reviewer, etc. in line with FAIS 320 on "Evidence and Documentation".
- 5.3 Relevant communication and documentation trail which supports the limitations, disclaimers and assumptions shall form part of work papers.

## **6.0 Effective Date**

- 4.2 This Standard is applicable for all engagements beginning on or after 1<sup>st</sup> July 2023.

## **SECTION IX**

### **STANDARDS ON QUALITY CONTROL (600 SERIES)**



# **Forensic Accounting and Investigation Standard no. 610: Quality Control**

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## **Contents**

	<b>Paragraph(s)</b>
Introduction and Scope .....	1
Objectives .....	2
Requirements .....	3
Explanatory Comments .....	4
Documentation of Work Procedures .....	5
Effective Date .....	6

This Forensic Accounting and Investigation Standard Number 610, on “Quality Control,” 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 ensure a consistent approach for an acceptable quality of work performed.
- 1.2 Quality as a general term is well understood, as is the fact that the Stakeholders are the best judges of acceptable quality. FAI assignments generally have multiple Stakeholders, and recognising their quality expectations is important in this respect.
- 1.3 Delivering quality output requires a systematic and disciplined approach. This approach needs a combination of the right people, robust processes and a Quality Control System (QCS), regardless of the size of the organisation or budget.
- 1.4 **Scope:** This Standard applies to all FAI engagements.

## 2.0 Objectives

- 2.1 The objectives of this Standard on Quality Control are to ensure that:
  - (a) Quality Control requirements are in place and well understood.
  - (b) Work performed by the Professional and their staff follows a systematic and disciplined approach to achieve the quality control requirements.
- 2.2 The Standard also sets out the requirements in the areas of Quality Control Review (QCR) and Continuing Professional Education (CPE) which need to be adhered to by the Professional providing FAI services.

## 3.0 Requirements

- 3.1 The Professional shall establish a QCS designed to specify the quality control requirements and how these requirements will be met during all stages of an assignment (Refer Para 4.1).
- 3.2 The Professional shall ensure that assignments are appropriately staffed with individuals having relevant experience and technical capabilities. Since each assignment is unique in nature, and in order

to keep-up with evolving trends, an ongoing Competency Development Plan (CDP) shall be put in place. (Refer Para 4.2).

- 3.3 The QCS shall be communicated and disseminated amongst all the staff working on the assignments and where appropriate, with the Experts engaged on the assignment. (Refer Para 4.3).
- 3.4 The Professional shall establish policies and procedures for QCR that sets out timely evaluation of the work performed before the report is issued (Refer Para 4.4).
- 3.5 A process to ensure regular monitoring of CPE requirements of the ICAI shall be implemented (Refer Para 4.5). Particularly, for the Professional conducting FAI engagements, at least 5 (five) of the annual CPE hours shall be in the area of FAI subjects.

## **4.0 Explanatory Comments**

### **4.1 Quality Control System (refer Para 3.1):**

The QCS shall consist of the quality control requirements and the policies and procedures which will ensure the compliance of these requirements. These would apply during all stages of an assignment. While the elements and components of the QCS depend on the best judgement of the Professional, these shall be designed to achieve certain essential objectives, as follows:

#### **4.1.1. Before accepting the assignment:**

- (a) Independence of the Professional.
- (b) Skills and competency of the Professional.
- (c) Appropriateness of the scope and objectives of the engagement.

#### **4.1.2. During execution of assignment:**

- (a) The objectivity of work performance, especially through application of hypothesis, where applicable.
- (b) Processes for complying with applicable FAIS, especially regarding the review and supervision of quality of work performed.

## **Compendium of Forensic Accounting and Investigation Standards**

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- (c) Quality of evidence gathered and its linkage with conclusions drawn and reported.

### **4.1.3. Pre-completion of assignment:**

An independent review of quality parameters, prior to report issuance.

### **4.1.4. Post-completion of assignment:**

- (a) An independent quality review of a sample of assignments.
- (b) An independent “peer-review” type of mechanism to periodically (at least once in three years) review the whole QCS.
- (c) Continuously review and improve the QCS.

## **4.2. Staffing and Competency (refer Para 3.2):**

Capabilities and competencies are developed through a variety of methods, including the following (indicative list):

- (a) Professional education.
- (b) Continuing professional development, including training programs.
- (c) On-the-job work experience.
- (d) Coaching of junior staff by more experienced professionals.

## **4.3. Communication of QCS (refer Para 3.3):**

The quality control policies and procedures shall be documented and communicated to all Professionals and other staff (and, if appropriate, the Experts) working on the assignment. Such communication shall describe the quality control requirements, policies and procedures, and the objectives they are designed to achieve.

## **4.4. Quality Control Review (refer para 3.4):**

A QCR is undertaken prior to the completion of the assignment by the Professional himself, or a Professional not involved with the assignment. This shall include but not limited to review of significant findings, evidence gathered, and conclusions reached in formulating

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## Standards on Quality Control (600 Series)

the report. The QCR provides an opportunity to address any quality related concerns which may get highlighted at this stage.

### **4.5. Continuing Professional Education (refer para 3.5):**

The Professional shall have in place a process to monitor the CPE compliance requirements and take necessary steps to:

- (a) Develop plans to ensure timely completion of CPE programs during a set time-frame.
- (b) Annually obtain written confirmation from everyone of compliance with CPE requirements.

## **5.0 Documentation of Work Procedures**

5.1 The Professional shall maintain adequate documentation, including the following (indicative list):

- (a) Policies and procedures in the form of an QCS & QCR manual.
- (b) Relevant correspondence, and communication documentation which evidences that sufficient quality control procedures were performed.

## **6.0 Effective Date**

6.1 This Standard is applicable for all engagements beginning on or after 1<sup>st</sup> July 2023.



## **SECTION X**

### **REFERENCE MATERIAL**



## Glossary of Terms

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Listed below are some of the defined terms used in the Forensic Accounting and Investigation Standards (FAIS) and therefore form the basis of the subject matter covered in all the FAIS.

Term	Source (FAIS/Para)	Definition/ Primary Meaning
Adjudicating Authority	360 / 1.3 (a)	Adjudicating Authority refers to a Tribunal or Judicial Authority established to interpret the law and pass necessary judgements in case of disputes.
Agency	<u>240</u> 1.2	Law Enforcement Agencies and Regulatory Bodies (collectively referred to as "Agencies").
Appropriate and Sufficient Documentation	<u>320</u> 4.3	Documentation shall be appropriate and sufficient. For example, it could, consist of details of procedures performed, hypotheses developed and tested, purpose and outcome of such procedures, information relied on, source of the information, chain of custody maintained, minutes of the meetings conducted during the course of the assignment, testimony of witnesses, 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.
Asset Tracing	<u>430</u> 4.2	Asset Tracing: Asset tracing is designed to discover the trail of money, the assets offered as

## Compendium of Forensic Accounting and Investigation Standards

Term	Source (FAIS/Para)	Definition/ Primary Meaning
		securities and any assets or activities created out of diversion of funds.
Assignment	<u>310</u> 1.4 (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.
Audit	<u>110</u> 4.1	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.
Borrowings	<u>430</u> 1.3 (b)	Borrowings: Include all types of funded or non-funded facilities requested and transacted by the borrower.
Chain Of Custody		See Digital Chain of Custody
Client (also Primary Stakeholder)	<u>250</u> 1.2 (b)	The appointing authorities are the primary stakeholders, who are also referred to as “the Client” in some cases.
Communication	<u>250</u> 1.2 (a)	Communication refers to sharing of any information or data between the Professional and the stakeholders, in any form (e.g., verbal, written, electronic/digital, etc.) or format (e.g., documents, images, videos, text messages, etc.).

## Reference Material

Term	Source (FAIS/Para)	Definition/ Primary Meaning
Competent Authority	<u>360</u> 1.3 (b)	Competent Authority refers to a court of law (or their designated persons), an adjudicating authority or any other judicial or quasi-judicial regulatory body empowered under law to act as such.
Data Acquisition	<u>410</u> 1.3 (b)	Data acquisition: The process of retrieving data from data source for data analysis, storage or reporting.
Data Analysis	<u>410</u> 1.3 (g)	Data analysis: The process of examining data using logical, statistical and mathematical techniques, deploying visualization or other techniques to identify relationships, trends, patterns, anomalies and exceptions within data (including potential fraud indicators) and thereby provide insights to the user.
Data Analysis Plan	<u>410</u> 4.1	The Professional shall prepare and deploy a data analysis plan (DAP) which may include elements such as DA objectives, assumptions, hypothesis, planned work procedures, nature or type of reporting etc.
Data Boundary	<u>410</u> 1.3 (j)	Data boundary: The process of restricting the source and period of data to acquire only the relevant data sets on the basis of the objectives of the FAI assignment.
Data Integrity	<u>410</u> 1.3 (e)	Data integrity: The attribute of data that ensures its reliability and trust worthiness.
Data Preparation	<u>410</u> 1.3 (d)	Data preparation: The process of validating the data for the purpose of

## Compendium of Forensic Accounting and Investigation Standards

Term	Source (FAIS/Para)	Definition/ Primary Meaning
		data analysis without compromising on data integrity.
Data Preservation	<u>410</u> 1.3 (h)	Data preservation: The process of storing, conserving and archiving data to maintain its safety and protecting its integrity.
Data Profiling	<u>410</u> 1.3 (f)	Data profiling: The process of exploring data to understand key data elements, data structure and content, for the purpose of analysis.
Data Source	<u>410</u> 1.3 (a)	Data source: Data source includes various places from where data can be collected or retrieved. A data source may either be the initial location where data is created, or from where it is stored, or accessed for use by another process or where it is reported (including in digital/electronic form).
Data Validation	<u>410</u> 1.3 (c)	Data validation: The process of inspecting the accuracy, completeness and quality of data collected.
Digital Chain Of Custody	<u>420</u> 1.4 (d)	(Digital) Chain of Custody: This term refers to the procedures applied to track the sequential movement of evidence through the gathering process from collection, storage, securing, safeguarding and analysis lifecycle. Each step is recorded and each person who handled the evidence is documented, noting the date and time it was collected, stored, transferred, and the purpose of such transfers.

## Reference Material

Term	Source (FAIS/Para)	Definition/ Primary Meaning
Digital Domain	<u>420</u> 1.4 (a)	The electronic environment where digital evidence is present, is referred to as the 'digital domain'. This may be in the form of Information Systems (IS) used by an organisation or Cyberspace (which includes the communication network connecting the organisation's IS to the internet and rest of the digital domain) connecting the organisation's IS to the internet and rest of the digital domain).
Digital Evidence	<u>420</u> 1.4 (b)	This term refers to data or information acquired, stored, accessed, examined, transmitted and used in electronic form. DE needs to comply with applicable laws and proper chain of custody in order to be admissible as evidence before a Competent Authority.
Digital Footprint	<u>420</u> 1.4 (e)	Digital footprint: This term refers to the unique set of actions and activities, including communications, recorded on the Digital Domain or devices which can be traced to a particular user. These footprints are in the nature of the user's web-browsing history or social media activity.
Direct Impact Laws	<u>130</u> 4.1	Certain laws which are specifically applicable to FAI engagements. These laws form an essential basis for the Professional to conduct the engagement.
Documentation	<u>320</u> 1.3.2	Documentation refers to the aggregate of all evidences gathered along with written record of work procedures conducted, conclusions reached and

## Compendium of Forensic Accounting and Investigation Standards

Term	Source (FAIS/Para)	Definition/ Primary Meaning
		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.
e-Discovery		See Electronic Gathering
Electronic Gathering (or e-Discovery)	<u>420</u> 1.4 (c)	The process used for gathering and collecting evidence in the Digital Domain, which is to be used by a Professional conducting an FAI assignment or by parties other than the Professional or party subject to legal proceedings.
Engagement	<u>310</u> 1.4 (a)	An Engagement shall mean the overall contractual mandate between the Professional and the Primary Stakeholder, stipulating the terms of reference, scope of work, coverage, and expected deliverables.
Engagement Letter (also Letter of Appointment)	<u>220</u> 4.4	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.
Engagement Specific Laws	<u>130</u> 4.2	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.
Essential Matters of Communication	<u>250</u> 4.4	Essential Matters of Communication (refer Para 3.4): Essential matters are those matters which are necessary for the efficient execution of the

## Reference Material

Term	Source (FAIS/Para)	Definition/ Primary Meaning
		engagement. These are decided by the Professional using best judgment, considering the nature of the engagement and the agreed objectives.
Evidence	<u>320</u> 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 before a Competent Authority.
Expert	<u>230</u> 1.2	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.
FAIS	<u>Preface</u> 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.

## Compendium of Forensic Accounting and Investigation Standards

Term	Source (FAIS/Para)	Definition/ Primary Meaning
Forensic Accounting	<u>Framework</u> 3.2.1 and 3.3.1	Forensic Accounting is gathering and evaluation of evidence by a professional to interpret and report findings before a Competent Authority.  The overriding objective of Forensic Accounting is to gather 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 legal proceedings.
Fraud	<u>Framework</u> 3.2.4	Fraud: Fraud is any intentional or deliberate act to deprive another of property or money through deception or other unfair means.
Fraud Risk	<u>120</u> 1.4	Fraud Risk is 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.
Fraud Indicators (also Red Flags)	<u>120</u> 4.1	Events or conditions that indicate an incentive or pressure to commit fraud (the motive) or provide the situations to perpetrate one (the opportunity).
Implementation Guide	<u>Preface</u> 8.2.1	Best practices, methodologies, or approach on how best to apply the prescribed requirements to achieve the objectives of the FAIS.
Hypothesis	<u>140</u> 1.2	A hypothesis is a provisional, unproven theory, supposition or proposed explanation, based on limited facts, assumptions and

## Reference Material

Term	Source (FAIS/Para)	Definition/ Primary Meaning
		observations, the merits of which needs to be established through further examination and study of evidences.
Interview	<u>340</u> 1.2	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.
Investigation	<u>Framework</u> 3.2.2 and 3.3.2	Investigation is the systematic and critical examination of facts, records and documents for a specific purpose.  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 before a Competent Authority or a Regulatory Body.
Law Enforcement Agency	<u>240</u> 1.3 (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

## Compendium of Forensic Accounting and Investigation Standards

Term	Source (FAIS/Para)	Definition/ Primary Meaning
Letter of Appointment		See Engagement Letter
Litigation	<u>Framework</u> 3.3.2	Litigation is a process of handling or settling a dispute before a Competent Authority or before a regulatory body. Litigation could include mediation and alternative dispute resolution mechanisms.
Loans	<u>430</u> 1.3 (a)	Include all types of funded or non-funded facilities sanctioned and disbursed or accepted to pay in certain circumstances by the lender.
Misutilisation of Funds:	<u>430</u> 1.3 (c)	Funds are not utilised as per intended purposes or as per agreed terms and conditions. Fund utilisation may be on activities unrelated to the operations and activities of the business and to the detriment of the financial health of the entity.
Other Stakeholder	<u>250</u> 1.2 (c)	All stakeholders other than Primary Stakeholders are considered as Other Stakeholders and includes third parties (e.g., lenders, customers, suppliers, business partners, consumers, current or past employees, etc.).
Predication	<u>Basic Principles</u> 3.6	Predication 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.
Primary Stakeholder (also Client)	<u>250</u> 1.2 (b)	The appointing authority is the primary stakeholder, who is also referred to as "the Client" in some cases. The appointing authority can be identified

## Reference Material

Term	Source (FAIS/Para)	Definition/ Primary Meaning
		from the content of the engagement or the appointment letter and their signatory(ies). NOTE: The Primary Stakeholder could either be a section of the entity's executive management or the governing body of an organisation (e.g., the Board of Directors or the Audit Committee), or a Competent Authority (such as a court of law, an adjudicating authority or any other quasi-judicial body) empowered under law to act as such.
Principles Of Natural Justice	<u>Basic Principles</u> 3.8	The principles of natural justice give the other party full right to be heard with opportunity to present their version of the facts.
Proceeding	<u>360</u> 1.3 (c)	Proceedings: The legal process pursuant to directions given by a Court of law, a regulatory body or an enforcement agency designed to hear the case.
Professional	<u>Framework</u> 3.1	Professional: A professionally qualified accountant, carrying membership of a professional body, such as the ICAI, who undertakes forensic accounting and investigation assignments using accounting, auditing and investigative skills.
Quality Control System (QCS)	<u>610</u> 4.1	The Quality Control System (QCS) shall consist of the quality control requirements and the policies and procedures which will ensure the compliance of these requirements.

## Compendium of Forensic Accounting and Investigation Standards

Term	Source (FAIS/Para)	Definition/ Primary Meaning
Quality Control Review (QCR)	<u>610</u> 4.4	A quality control review (QCR) includes but not limited to review of significant findings, evidence gathered, and conclusions reached in formulating the report.
Red Flags		See Fraud Indicators
Regulatory Body	<u>240</u> 1.3 (b)	Regulatory Bodies are established to govern and enforce rules and regulations for the benefit of public at large.
Review	<u>350</u> 1.2.1	Review refers to the examination of planning and work procedures, gathering of evidence, conclusions drawn therefrom and documentation of working papers.
Significant Communication Matters	<u>250</u> 4.5	Significant matters are those which may impact or restrict the scope, methodology, performance and/or results of the engagement. These matters may be known at the time of finalizing the engagement plan or may surface during the execution phase of the engagement.
Stakeholder	<u>250</u> 1.2 (d)	A general term which refers to both the Primary and Other Stakeholders.
Supervision	<u>350</u> 1.2.2	Supervision refers to the oversight of the activities conducted by the team and the provision of overall guidance for achievement of assignment objectives.
Test Of Reproducibility	<u>410</u> 1.3 (i)	Test of reproducibility: The principle which states that data analysis run on an identified data set should produce the same results in case the same tests are performed by another

## Reference Material

Term	Source (FAIS/Para)	Definition/ Primary Meaning
		competent person on that identified data set.
Testifying Professional	<u>360</u> 1.3 (d)	Testifying Professional: The Professional testifying before the Competent Authority either in own capacity or representing a firm having the competency to testify on the assignments completed by them.
Testimony	<u>360</u> 1.3 (c)	Testimony: A statement of the Professional whether oral, written or contained in electronic form, testifying before the Competent Authority on the facts in relation to a subject matter.
Work Procedures	<u>330</u> 1.2	Work Procedures refer to a number of FAI activities to collect, analyse and interpret data and information, gather relevant and reliable evidence in order to prove or disprove formulated hypotheses.

## Abbreviations

#	Acronym	Full Form / Names
1	ADR	Alternate Dispute Resolution
2	Board	Digital Accounting and Assurance Board
3	CBI	Central Bureau of Investigation
4	CoE	Code of Ethics (of ICAI)
5	CPE	Continuing Professional Education
6	DA	Data Analysis
7	DAAB	Digital Accounting and Assurance Board
8	DAP	Data Analysis Plan
9	DAR	Data Analysis and Reporting
10	DD	Digital Domain
11	DE	Digital Evidence
12	DGIT	Directorate General of Income Tax Investigation
13	e.g.	For example (Exempli Gratia)
14	e-Discovery	Electronic Discovery (of evidence)
15	ED	Exposure Drafts
16	EOW	Economic Offence Wing
17	etc.	et cetera
18	FA	Forensic Accounting
19	FAI	Forensic Accounting and Investigation
20	FAIS	Forensic Accounting and Investigation Standards
21	FRI	Fraud Risk Indicator
22	i.e.	That is to say (id est)
23	IBBI	Insolvency and Bankruptcy Board of India
24	IBC	Insolvency and Bankruptcy Code
25	ICAI	The Institute of Chartered Accountants of India
26	IEA	Indian Evidence Act

**Reference Material**

27	IG	Implementation Guide
28	IPC	Indian Penal Code
29	IRDAI	Insurance Regulatory and Development Authority of India
30	IS	Information Systems
31	IT	Information Technology
32	LEA	Law Enforcement Agency
33	MCA	Ministry of Corporate Affairs
34	NBFC	Non-Banking Financial Company
35	OAD	Over-Arching Documents (Preface, Framework & Basic Principles)
36	QCR	Quality Control Review
37	QCS	Quality Control System
38	RBI	Reserve Bank of India
39	RPT	Related Party Transaction
40	SEBI	Securities and Exchange Board of India
41	SFIO	Serious Fraud Investigation Office
42	SG	Study Group
43	Standards	Forensic Accounting and Investigation Standards

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