



Standards on Forensic Accounting

14th December 2024

FAIS at broad level seek to provide:

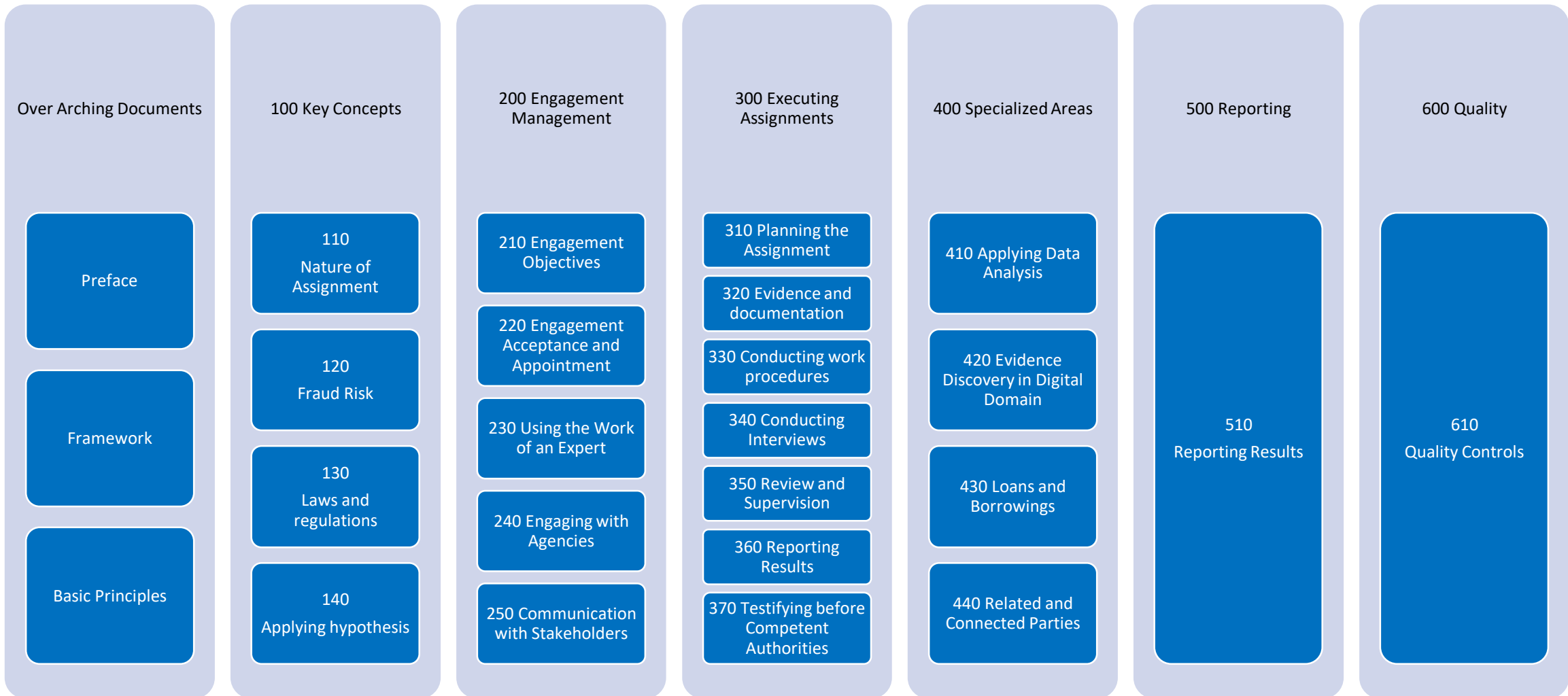
- Professionals with minimum standards for undertaking Forensic Accounting and Investigation engagements.
- The Users of FAI services, with an indication of the quality of service that can be expected from such engagements.
- The regulators and agencies, with an appreciation of what can be expected from FAI services
- In general guidance on matters of implementation and related practical issues.

Forensic Accounting and Investigation Standards are a minimum set of requirements that apply to all members of ICAI when conducting FAI assignments of any entity.

Each standards maintains a fixed six section format:

- Introduction and Scope
- Objective
- Requirements
- Explanatory comments
- Documentation
- Effective Date

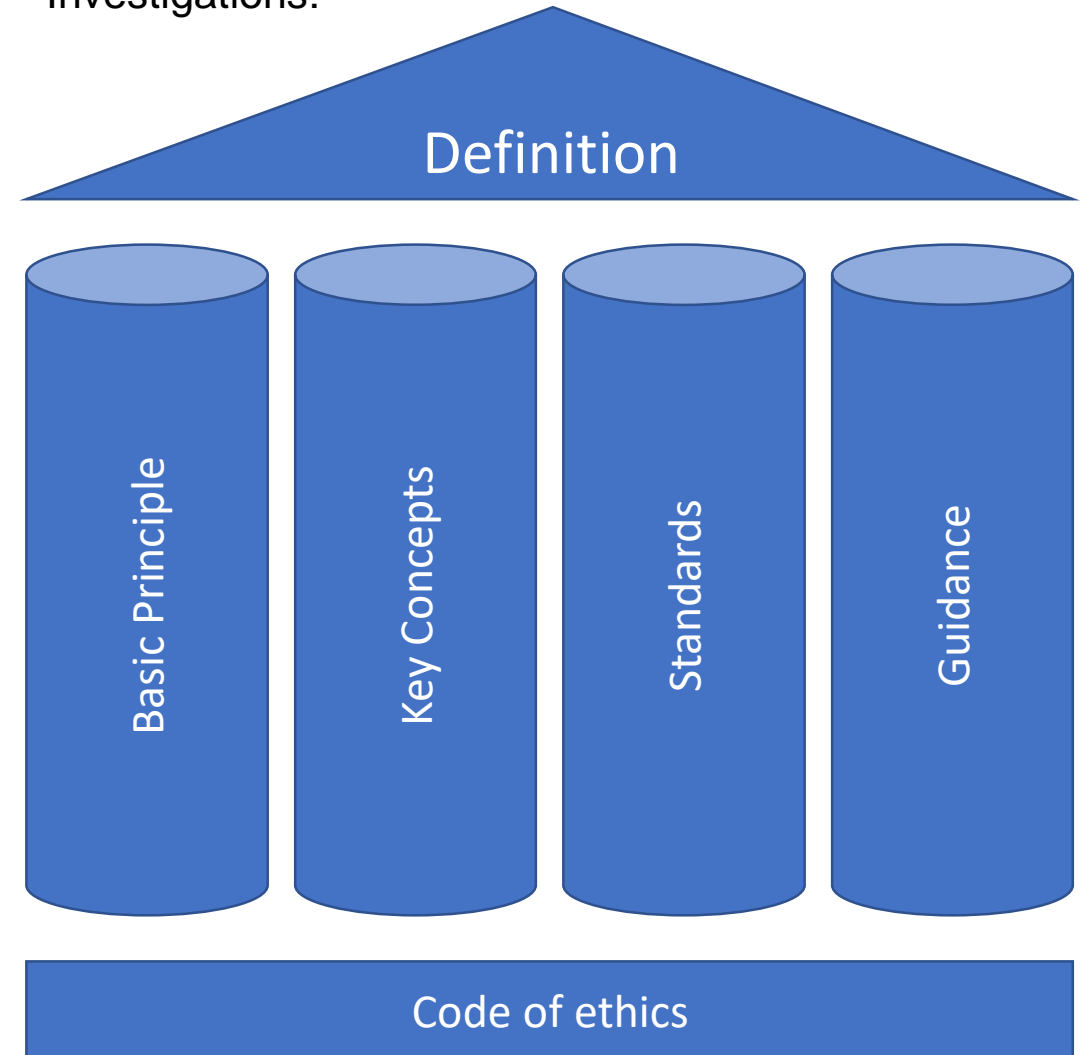
The standard structure



Basic Principles and Framework



Framework Governing Forensic Accounting and Investigations:



Basic Principles

1. Independence
2. Integrity and Objectivity
3. Due Professional Care
4. Confidentiality
5. Skills and Competence

ATTRIBUTES

Credibility of the Professional

6. Contextualisation of Situation
7. Primacy of Truth
8. Respecting Rights and Obligations
9. Separating facts from opinions
10. Quality and Continuous Improvement.

PERFORMANCE

Credibility of the Engagement

Key Concept Standards

100 Series

Series 100 – Key Concepts

SI No	FAIS No	Subject Matter
1	110	Nature of Engagement
2	120	Fraud Risk
3	130	Laws & Regulations
4	140	Applying Hypotheses

FAIS 110 – Nature of Engagement

Scope

- The nature of engagement may include forensic accounting, investigation, litigation support and this standard applies to all such FAI engagements

Documentation

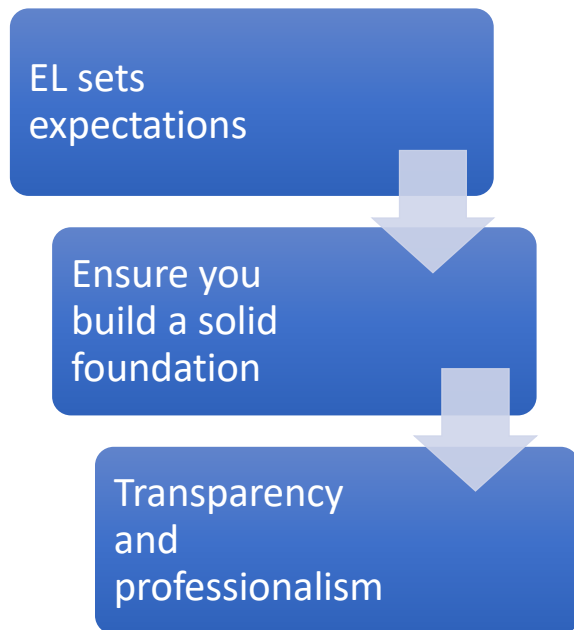
- Audit reports in line with the nature of engagement
- Initial correspondence, minutes of meeting with stakeholders and communications leading to finalization

Objectives

- This Standard lays down the key concepts relating to nature of engagement and their relevance to the work to be performed by the Professional.
- Main Objectives are to ensure that the Professional (and other stakeholders):
 - Clarity on engagement and what it seeks
 - Defines appropriate scope and approach
 - Identifies skills and resources required for quality execution

Requirements

- Professional must understand requirement
- Apply accounting skills to discover evidence in presentable way to court and other authorities
- Apply investigation techniques and methods where required



NATURE OF ENGAGEMENTS

▶ **Forensic Accounting**

▶ **Investigation**

▶ **Litigation support**

KEY PROVISIONS (REQUIREMENTS)

- Understand the mandate, which is setting the requirements of the engagement. This mandate shall not be in the nature of an audit.
- Where the mandate requires the application of accounting skills to gather evidence, the concept of **Forensic Accounting** shall apply.
- 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.
- 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**

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 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.

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)

Forensic Accounting Services

Example: Fund Diversion/Asset tracing

In a typical Oppression & Mismanagement case in NCLT the petitioner seek forensic expert's help to cover the following:

- to identify siphoning/diversion/mismanagement of funds
- to identify areas of statutory non-compliance
- to identify areas of fiscal indiscipline
- to confirm if there have been violations under FEMA and if so, track the same to the Key Managerial Personnel responsible for such violations, based on a review of the records, documents, software applications etc.
- any other matter that may arise during the course of review.

Example: Suspicious transactions under Insolvency and Bankruptcy Code (IBC)

Typical objectives of services in related party transactions with specific focus on PUFÉ (Preferential, Undervalued, fraudulent and Extortionate) transactions under IBC 2016.

- All related party transactions and high value transactions for the last 5 years to be reviewed and supporting papers to be reviewed to justify that the payments were genuine.
- Wherever the payments are not genuine, the end use of such funds to be captured to the maximum possible extent.
- Money Trail has to be established wherever required.
- The diligence exercised by the Board for approving RPT to be validated.
- PUFÉ transactions to be identified.
- Amount of revenue loss to the government due to the above transaction.
- To support filling of necessary application in NCLT by providing data in the required format.

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 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
5. Asset theft/bribery/tax evasion
6. Data breach/theft of Intellectual property

Example: Whistle-blower complaints

“Complaint was received on xxxx (Date of complaint) from Ex PSR through email to Compliance Officer & Chief Ombudsperson regarding irregularities in Offer orders by way of special discounts (Free supplies) provided to Doctors/Institutions in North Zone (Delhi). The matter was referred by Associate Director & Head – Ethics & Compliance to investigate the concerns raised.”

“An anonymous letter was received by Chief Financial Officer alleging certain irregularities and fraudulent activities in Travel Division, Kolkata. The matter was referred by Chief Financial Officer to Group Internal Audit for a detailed investigation and audit of internal controls at Travels Divisions.”

POSSIBLE OBJECTIVE:

Provide testimony before a Competent Authority based on Forensic Accounting & Investigation 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

Example:

Professional has completed the Forensic assignment on the basis of scope and objective provided by the Minority shareholder. Forensic report has been submitted to NCLT and to the majority shareholders. Criminal case has been filed by the Minority shareholder against the Directors on the basis of cash siphoning and other allegations. The minority shareholders have appointed the Professional to further support for the Police proceedings and Witness in the Court". Scope of the additional services is give below:

- To draft the forensic audit report for police investigation purpose. Preferably like a flow chart to establish a money trail and point out how the money has been siphoned by the accused. (This will essentially mean redrafting the present forensic audit report and shortening it)
- To accompany the lawyers when the complaint is filed before the Crime branch. Following which, the Chartered Accountant will be called individually by the investigation officer to explain the contents of the forensic audit report
- The chartered accountant will give a statement, stating his appointment, methodology in conducting the audit as well as his findings.
- The Chartered Accountant will appear as Witness before the Court to provide testimony before the competent authority.

Scope

- To understand fraud risk concepts and its applications in fraudulent scenarios. To help professional focus and prioritize the work on important areas.

Objectives

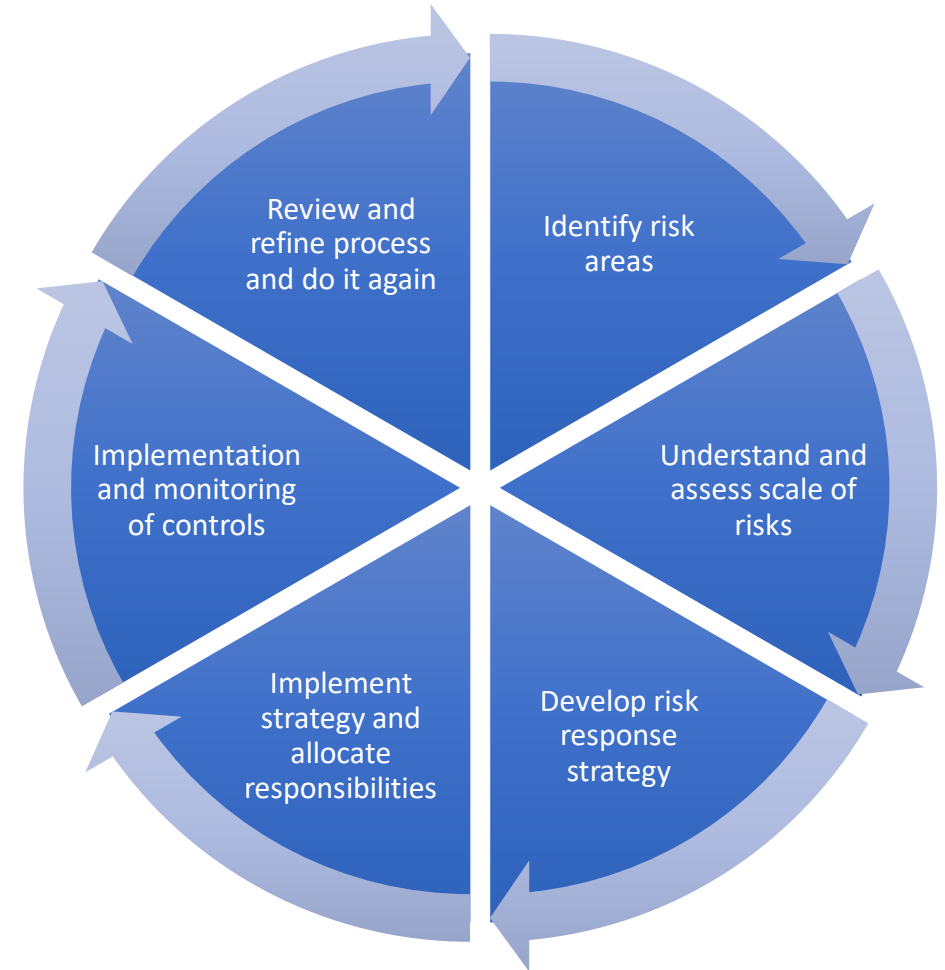
- Fraud risk concepts are recognized
- Highs and Vulnerable areas are to be identified and prioritized
- Fraud risk-based evaluations are undertaken

Documentation

- Document to explain understanding of fraud risk and its application
- Summary of fraud indicators observed

Requirements

- Professional undertake preliminary fraud risk assessment to understand nature, complexity and skills required.



Essence of Fraud Risk

FAI engagements involve the possibilities of fraudulent events or suspicious transactions.

- ✓ Define Fraud
- ✓ Define Risk
- ✓ Fraud Risk = Concepts of risk applied in a fraud scenario

KEY PROVISIONS (REQUIREMENTS)

- Understand 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.
- Prioritize work to identify **Fraud Indicators** and focus on areas most vulnerable to fraud.
- Give due consideration to matters indicating fraud risk when **reporting findings** of the work completed.

Fraud Indicators

- During the course of the engagement, the Professional shall prioritize the work to identify fraud indicators.
- 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.
 - Practical Example:
 - Promoter who is a primary share holder in a Private Company has appointed two Directors to manage and operate a Logistics company in India. The promoter is staying in United States and running a similar Logistics Company incorporated in the United States. Director have managed the company and shown a good growth with solid customer base. In the mean time, the two Directors using the Powers assigned to them, have siphoned off the funds and started a similar business and diverted all the customers.
 - In the above examples, both motive to gain and opportunity exist with weakness in the system prompting the Directors to siphoned off the funds and Diverse the customers to new business.

Essence of Standard

Professional Appointment can be:

- ✓ In accordance with some specific law or regulation by a competent authority.
- ✓ Through a contractual arrangement with the Client

KEY PROVISIONS (REQUIREMENTS)

- Ensure that the objectives of the engagement are in line with the provisions of (those) laws and regulations.
- Any mandate, agreed with the Stakeholders through a contractual arrangement, shall be consistent with the relevant laws and regulations.
- Engagements to be conducting in line with relevant laws and regulations which may also stipulate the work or evidence requirements.
- Implement a process driven approach to assist in identifying any significant deviations or non-compliances with laws and regulations.
- On complex and important matters, expert legal advice may be sought.
- Principle of Natural Justice be given due importance.

Scope

- To understand laws and regulations and its application in FAI engagements which are through some law or regulation or an appointment by a client through a mandate letter.

Objectives

- Conducting as per the mandate given under relevant laws and regulations
- Execution is in line with prevailing laws and regulations
- Process driven approach adopted to identify and report a violation of laws and regulations

Documentation

- Checklist drawn under applicable laws with criteria
- Compliance requirements conducted
- Documentation of chain of custody of evidence
- Specific documentation of deviation from any laws and regulation relating to engagement.

Requirements

- Professional to ensure that objectives of engagement are in line with provisions of laws and regulations
- The professional must consider various laws and regulations for the how the engagement shall work, collection and storage of evidences and testimonials
- Process driven approach such as checklists and automated solutions.
- Seek expert legal advice in complex matters
- Ensure principle of natural justice is applied

– Practical Example:

In a typical Oppression & Mismanagement case in NCLT the petitioner seek forensic expert's help to cover the following:

- Non-compliances with various statutes – GST Act
- Loan to Directors – Non-compliance to Companies Amendment Act 2017. Annual returns not filed for the specific years.
- Income Tax Act – Expenses inflated to show reduced profits for various Assessment years. TDS not deducted on Salaries and bonus paid to Employees/Directors
- Form 3CEB not filed, though transfer pricing is applicable.
- Show cause notices issued by PF Authorities due to late filing
- Non-compliance to clause pertaining to “Period within which export value of goods/services/software to be realized” - FEMA

Series 140 – Applying Hypotheses

Concept of Hypotheses

- ✓ A Hypotheses is a provisional, unproven theory, which needs to be proven or rejected.
- ✓ Applying hypotheses is a technique which makes the process of evidence gathering more methodical and effective.

KEY PROVISIONS (REQUIREMENTS)

- Understand and apply concepts of hypothesis to help validate the possibility of potential violations or exceptions which may (or may not) have been perpetrated.
- Design FAI methodologies in accordance with considered hypotheses while maintaining neutrality to ensure a methodical and reliable approach.
- Hypotheses generated 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.
- After concluding an investigation, the Professional shall be in a position to either prove, disprove, or not prove the theory as formulated.

Scope

- To apply hypothesis as a technique to all FAI where evidences are discovered to prove and disprove an assumption.
- Hypothesis is a statement/ assumption of a population (data) subject to verification.

Objectives

- Evaluate applicability of concept of hypothesis
- Develop and execute engagement plans

Documentation

- Creation, testing of hypothesis
- Acceptance or rejection of hypothesis

Requirements

- Understanding a situation/ concept and validate the same
- Maintain neutrality approach
- Keep the hypothesis flexible, evolving and have scope to include new or alternate theories
- At conclusion either prove, disprove or not prove the formulated theory

State hypothesis:

- Null or
- Alternative

Sample testing

Prove/ modify/
change the
hypothesis

Example

Example

A complaint was received by a disgruntled ex-employee that the huge sums of money was being paid to recruiters for being hired as junior level employee at a particular branch of a company. It was also stated that kickbacks were paid to someone within the organization to facilitate the hiring.

Hypothesis – 1

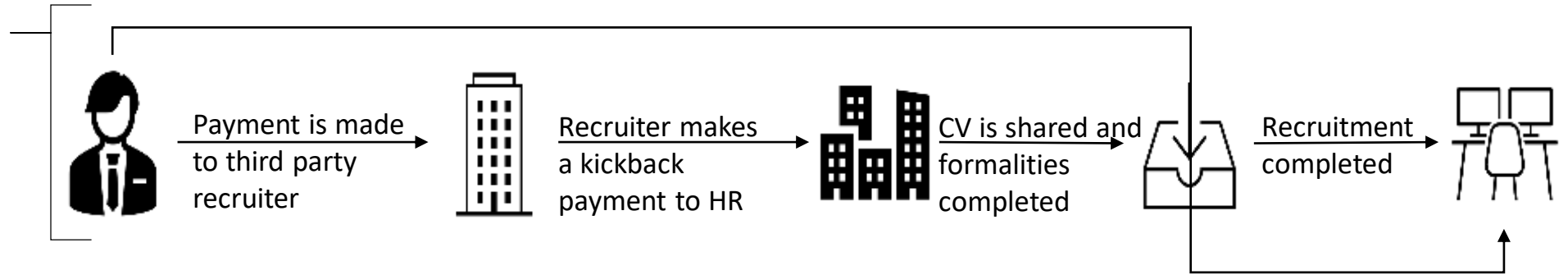
- Recruiter marketing itself on various platforms
- HR taking kickbacks

Testing

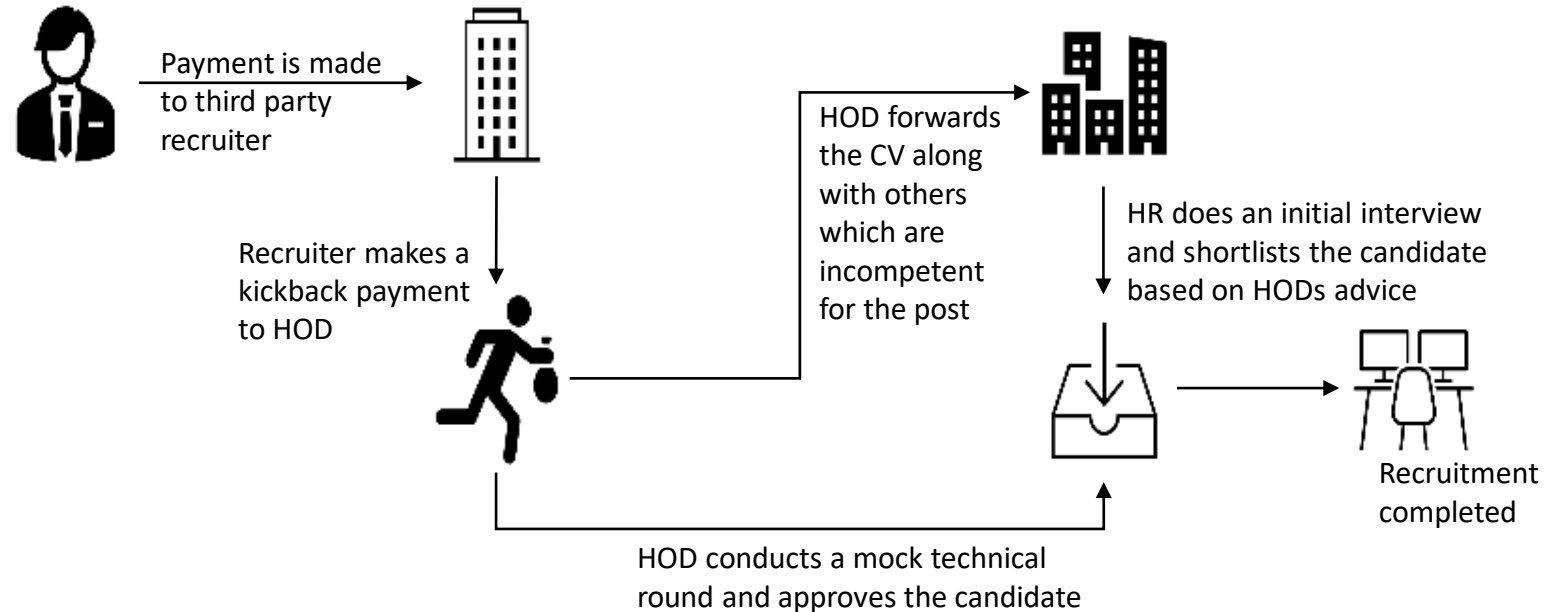
- HR Communication
- Recruiter's social media
- Hiring profiles and process walkthrough

Testing Outcome:

- Majority recruits were internal transfer recommendations.
- Complainants' colleagues admitted to paying a recruiter and believed it to be a normal industry practice.
- All the tainted resumes were received from one branch employee (HOD) only and were hired based on his recommendation.
- HR hiring done based on technical recommendations of HOD only.



Modified Hypothesis :



Standards on Engagement Management

200 Series

Series 200 – Engagement Management

SI No	FAIS No	Subject Matter
1	210	Engagement Objectives
2	220	Engagement Acceptance and Appointment
3	230	Using the work of an Expert
4	240	Engaging with Agencies
5	250	Communication with Stakeholders

Series 210 – Engagement Objectives

Essence of Standard

Purpose and Objectives of the Engagement:

- ✓ Forensic Accounting
- ✓ Investigation
- ✓ Litigation Support

KEY PROVISIONS (REQUIREMENTS)

- Understand and document the main purpose of the engagement.
- Scope shall be defined in line with the objectives so that it is clear as to what is included or excluded from the scope.
- Expected outcome is in line with the objectives and the defined scope.
- The objective shall not be designed to commit to any particular outcome; however, Professional can draw reasonable conclusions based on the evidence discovered where this is part of the mandate.

210 – Engagement Objectives

Scope

- Setting responsibilities and objectives of various engagements

Objectives

- Have a clarity of the primary objective/ purpose of the engagement
- Scope should be on same lines as the objectives and need to be clearly defined as well as agreed upon
- Expected outcomes and its nature must be discussed with the stakeholders (engaging client).

Documentation

- To support the need of engagement requiring an examination
- Initial correspondence, MoM and other communications
- Document amendments to objectives, scope and limitations as and when necessary

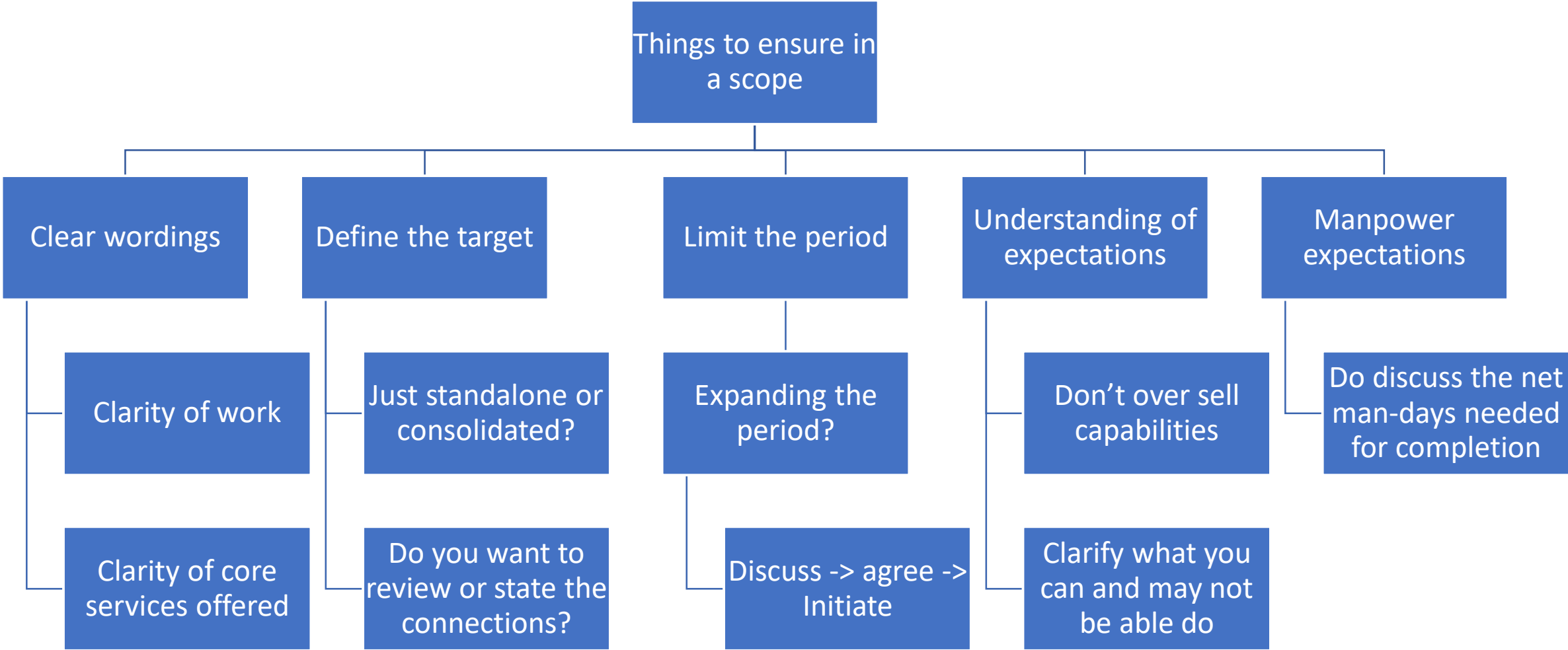
Requirements

- Understanding the main purpose of the engagement
- Scope must be clearly defined.
- Discuss and ensure that outcomes are expected to be in line with objectives
- Must ensure that outcome is not defined from the beginning and is dependent upon facts and evidences

Other key points

- Scope must clearly define what is included and what is excluded.
- The need to testify before competent authorities, this fact may be included in the scope.
- 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

Scope the scope



Scope

- Agreeing to the terms of the engagement considering the degree of sensitivity and inherent risk

Objectives

- Preliminary and due diligence procedures undertaken to evaluate conditions of appointment prior to acceptance.
- Key terms are agreed with client and documented in formal engagement letter.

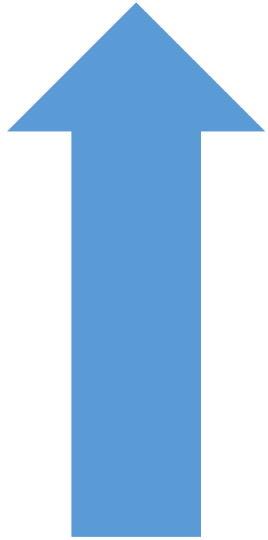
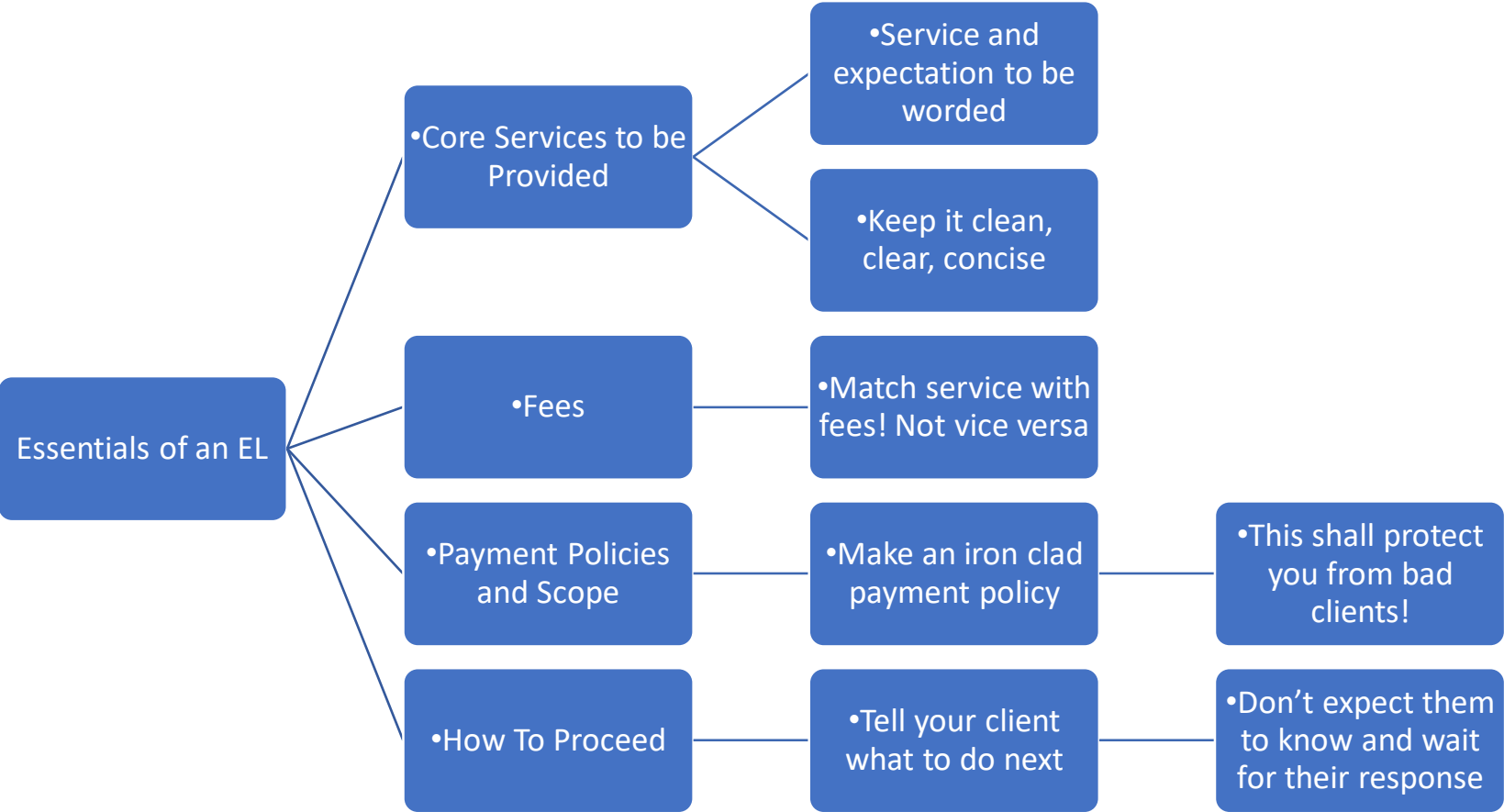
Documentation

- Draft engagement letter and obtain written consent of the appointing stakeholders

Requirements

- Preliminary procedure conducted to understand the nature and complexity of engagement and to assess ability to undertake engagement in compliance with basic principles.
- Conduct due diligence to assess inherent risk and understand ultimate use of outcome by stakeholders
- Ensure expected outcomes is in line with objectives and defined scope
- Engagement is not designed to commit any particular outcome since its dependent on facts and evidence's
- A written Engagement Letter shall be signed, or Letter of Appointment (in the case of Government Agencies) obtained to confirm the terms of appointment.

Engagement Letters – What should it say!



Good EL:

- Laconic Els
- Reduce Ambiguity
- Reduce scope creeps



Reduce risk

- Clear understandings of period and scope
- Clear expectations (Don't over sell)

Engagement Letters – Practical example

Example – Content of Engagement Letter in Forensic Accounting Assignment for a Oppression & Mismanagement case in NCLT:

1. Objective – EL shall specify the specific objective of the assignment in order to understand the clear deliverables.
2. Relevant timelines – This should be in line with the quantum of work and the complexities involved in the forensic assignment.
3. Reporting Expectations – Report should be in line with latest guidance note on Forensic accounting as well as the Standards applicable. Final report should be addressed to the statutory authorities.
4. Facts and Circumstances – Synopsis of petition filed with NCLT and other allegations if any.
5. Specific Deliverables – Over all objective of the Forensic Accounting with specific emphasis to key issues as provided in the EL.
6. Agreed Fee – Fee should be in line with the services to be provided.
7. EL should also specify the Single point of Contact (SPOC) for the proposed assignment.

Scope

- Engagement using expert to assist in engagement and place reliance on the work of expert

Objectives

- Professional sourcing technical assistance in case of absence of necessary skills and expertise.
- Procedures conducted in complex areas meet quality requirement
- Ensure credible and reliable evidence may be gathered with help of expert
- Establish and specify way expert help can be used and place reliance on findings

Documentation

- Agreement with expert defining scope and objectives, nature of work including provisions for confidentiality and nondisclosure

Requirements

- Professional shall make independent assessment of expert for nature and significance of matter, technicality and complexity of subject matter, understanding of fraud risk and vulnerabilities and comparison of expertise required.
- Seek authority to appoint expert and in case such authority doesn't exist with him evaluate independence
- Evaluate qualifications and credentials of expert and define the scope and expected deliverables by expert
- Evaluate adequacy of work conducted and ensure evidence is sufficient and reliable
- Retain ultimate responsibility for assignment conclusions of the Expert which are incorporated in the report.

240 – Engaging with Agencies

Scope

- Cover engagements where professional is appointed by agency or as consultant or advisor and also when called upon by agency to assist. Does not apply in situations wherein the Professional provides Expert Witness services in any proceeding before a Court of law.

Objectives

- Define certain protocols, legal aspects to be followed while undertaking engagement.
- Clarify roles and responsibilities of professionals while interacting with authorities
- Outline manner for providing evidence to agencies

Documentation

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

Requirements

- Professional shall agree on objectives, scope and planned procedures.
- Understanding of laws and regulations governing the respective agency
- Be aware of roles and responsibilities in presentation of facts
- Due professional care taken while communicating with agencies and adequate documentation

Indicative list of Agencies in India

1. Law Enforcement Agencies:

- Central Bureau of Investigation (CBI)
- Crime Investigation Department (CID)
- Enforcement Directorate (ED)
- Serious Frauds and Investigations Office (SFO)
- Directorate General of Income Tax Investigation (DGIT)
- Directorate General of Goods and Service Tax Intelligence (DGGSTI)

2. Regulatory Bodies:

- Reserve Bank of India (RBI)
- Securities and Exchange Board of India (SEBI)
- Insurance Regulatory and Development Authority of India (IRDAI)
- Insolvency and Bankruptcy Board of India (IBBI)

Series 250 – Communication with Stakeholders

Essence of Standard

Define Key Terms:

- ✓ Communication:
- ✓ Primary Stakeholders: The Appointing Authority
- ✓ Other Stakeholders
- ✓ Clarifies responsibility to communicate directly with Primary Stakeholders.
- ✓ Communication with other Stakeholders mainly for efficient conduct of assignment.

KEY PROVISIONS (REQUIREMENTS)

- Communication in accordance with a laid-down process, and a pre-defined, pre-agreed protocol.
- Communication with Other Stakeholders shall be pre-defined and duly included in the process and protocol.
- All communication shall be clear, direct, independent, objective and effective and take into account the relevant laws and regulations.
- The form and content of matters to be communicated and the time-frame of communication is based on the best judgment of the Professional. However, the Professional shall communicate certain matters considered to be "**Essential Matters**".
- Where appropriate, the Professional shall communicate certain matters considered to be "**Significant Matters**".
- Communication with public or media shall be avoided.

Standards on Executing Assignments

300 Series

Series 300 – Executing Assignments

SI No	FAIS No	Subject Matter
1	310	Planning the Assignment
2	320	Evidence and Documentation
3	330	Conducting work procedures
4	340	Conducting Interviews
5	350	Review and Supervision
6	360	Testifying before a Competent Authority

310 – Planning the Assignment

Scope

- Extent and dept of planning required depending on the nature and complexity of work, facts of the case, familiarity of professional with stakeholders

Objectives

- Ensure planning process is in line with overall scope and terms of work.
- Consider risk factors, limitations and restrictions and steps to mitigate
- Determine appropriate work methodology
- Identify diverse sources for discovery of evidence
- Evaluate skills, resources and timeline requirement.

Documentation

- Planning process documentation and tools used
- Information gathered business, operations, systems
- Summary of meeting with stakeholder and process
- Resource requirement and comparison with available resource, competencies and skills

Requirements

- Follow a laid down procedure and document outcome.
- Planning activities shall include knowledge of relevant business, risk consideration, stakeholder discussion, technology deployment & resource allocation
- Establish work methods based on nature and & depth of procedures to be conducted
- Communicate procedures to stakeholder on need-to-know basis prior the commencement of task.

Scope

- Responsibility of professional to discover appropriate and reliable evidence and maintain sufficient documentation

Objectives

- Discover appropriate, reliable evidences which can stand in court of law without further clarification or additional information to reach the same conclusion as professional
- Adequate documents maintained to facilitate review and confirmation of procedures conducted by professional and validate findings and support the basis for drawing conclusions

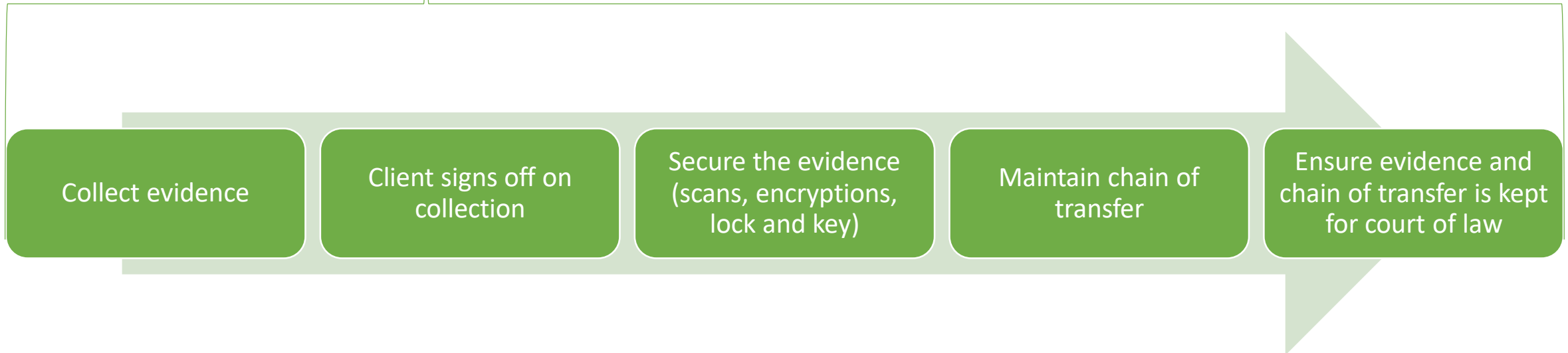
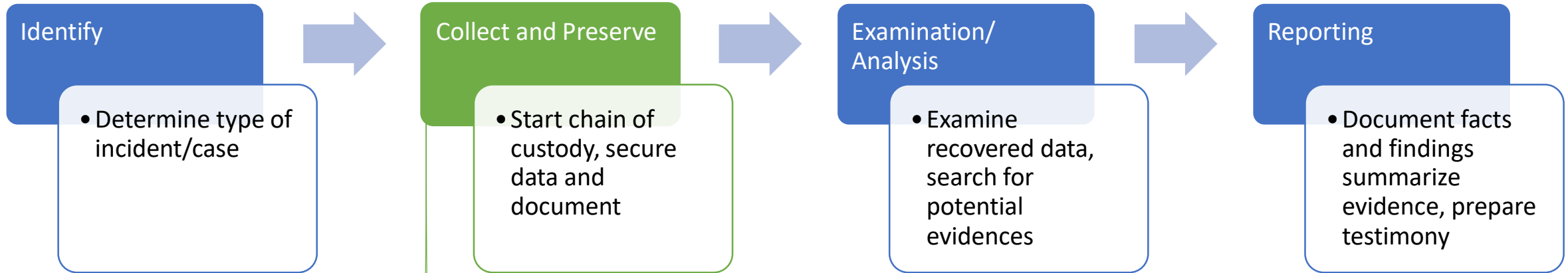
Documentation

- Aggregate of all evidence discovered along with written record of procedures, conclusions and report. Includes all digital format, project plan details, team composition, analysis conducted, document reviewed and quality review

Requirements

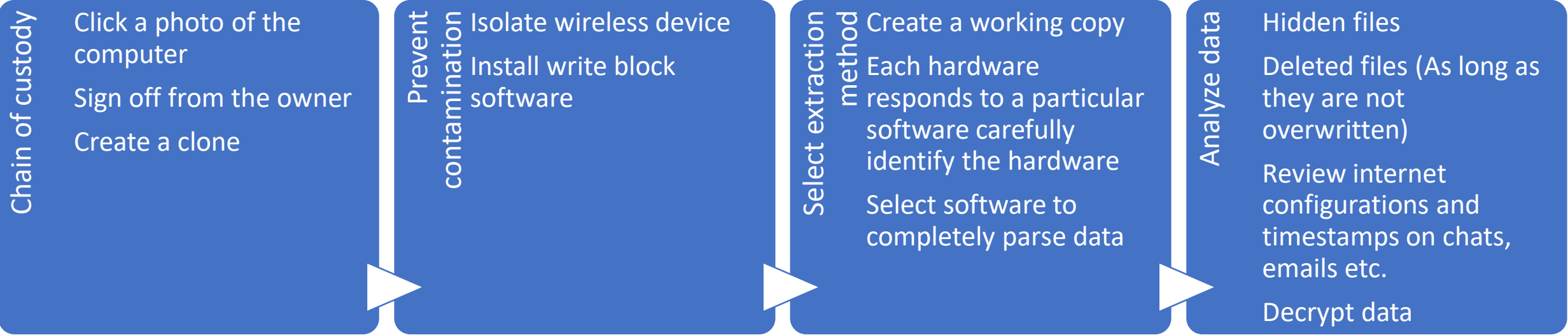
- Obtain evidence from reliable source and ensure its appropriate to objectives of assignment and court of law.
- It should support findings and allow to draw conclusion
- Evidence can be written or oral or electronic form of information which a professional can rely upon
- Ensure relevant and sufficient documentation is maintained to explain for conduct of discovery, review, record and suitable to produce in court of law

320 – Evidence and Documentation



Key steps for evidence retrieval and analysis

Key steps for digital evidence gathering and verification:



Other key things to remember:

Write in chronological order

Include all key facts

Tell the whole story:

- Factual
- Brief
- Organized

Avoid hearsay and uninformed opinions

Avoid abbreviations, lingo and jargon

Examples of evidence collections



Computer



Take a photo of the screen without closing or modifying any screen

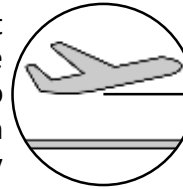


If a deletion software is running, close the power switch/ cut off the electricity supply.

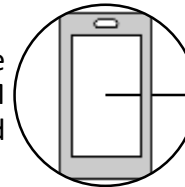


In no circumstances should you shut down the system

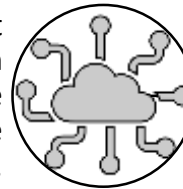
Seize and put it in airplane mode to maintain integrity



Duplicate the SIM card



Extract data from the device and the cloud.



Mobile

Evidence & Documentation – Examples from Practical scenario

Example – Evidence collection and Documentation in Forensic Accounting Assignment for a Oppression & Mismanagement case in NCLT:

Areas covered	Evidence collected to substantiate the allegation
Siphoning of Cash	Bank Statements, Vendor Quotations, Scope of work, Details of petty cash transferred to Branches, email confirmations, Screenshots from software applications (for back dated entries)
Diversion of Funds through third party	Letter confirmation from the Customer
Company Assets retained with the 3 rd Respondent	Payslips (For EMI deductions), Current vehicle registration from e Vahan website, Repayment of loan by the Company and no due certificate from Bank
Non settlement of dues.	Journal Entries, Reconciliation statements, Turnover as per Legacy software
Repayment of Loan to Foreign subsidiary.	Documents submitted to Authorised Dealer for remittances, Reconciliation statements, Bank statements, email correspondence.
Back office expenses	Expenses allocation methodology and computations
Related Party Transactions	Debtors & Creditors ledgers, Bank statements for settlement of amount, Invoices.
Nexus between 3 rd Respondent & New company	Google Photos, RTGS from 3 rd Respondent towards incorporation expenses, as well as funds transfer to Directors of New Company, Payment to service providers towards formation of new company, External confirmation from Customers etc.
Hefty salary paid to 2 nd & 3 rd Respondent in line with the financial growth of the 1 st Respondent company.	Bank statements, Email confirmation for payment of incentive.
Statutory non-compliance – GST	Show cause notice, GST Registration Cancellation & Restoration, GSTR 3B & GSTR Remittances.
Statutory non-compliance – Delay in filing PF	PF Remittances from PF Portal
Loan to Directors	Bank Statements, Trial Balance (For loan outstanding)
Compliance to Transfer pricing requirements	Scrutiny of Related party transactions, Reconciliation statement.
FEMA compliances	Related Party transaction settlements, Bank statements, Reconciliation statements
Scrutiny of Income tax returns	IT Returns, Audited P&L & Balance sheet, Adjustment entries passed.

330 – Conducting Work Procedures

Scope

- Deal with various work procedures required to conduct FAI assignments

Objectives

- Develops planned work procedure to achieve the objectives of assignment.
- Conduct work procedure for effective execution
- Clarity of activities undertaken to either prove, disprove or not prove hypotheses formulated

Documentation

- Professional shall document the scope, plan and methodology and corroborate the same with the work procedures
- Relevant analysis, working papers, documentary and digital evidences along with proper chain of custody form

Requirements

- Evaluate deploying relevant tools and techniques, processes for discovering evidence and perform work (Data analysis, Digital Forensics).
- Pay due attention to fraud indicators
- Based on progress assess need for any change in methodologies or modification

Develop work procedure

- Preliminary Analysis
- Detail plan

Consider Fraud Indicators

- Phase wise approach
- Phase 1 – Find
- Phase 2 – Assess
- Phase 3 – Deeper dive (investigate)

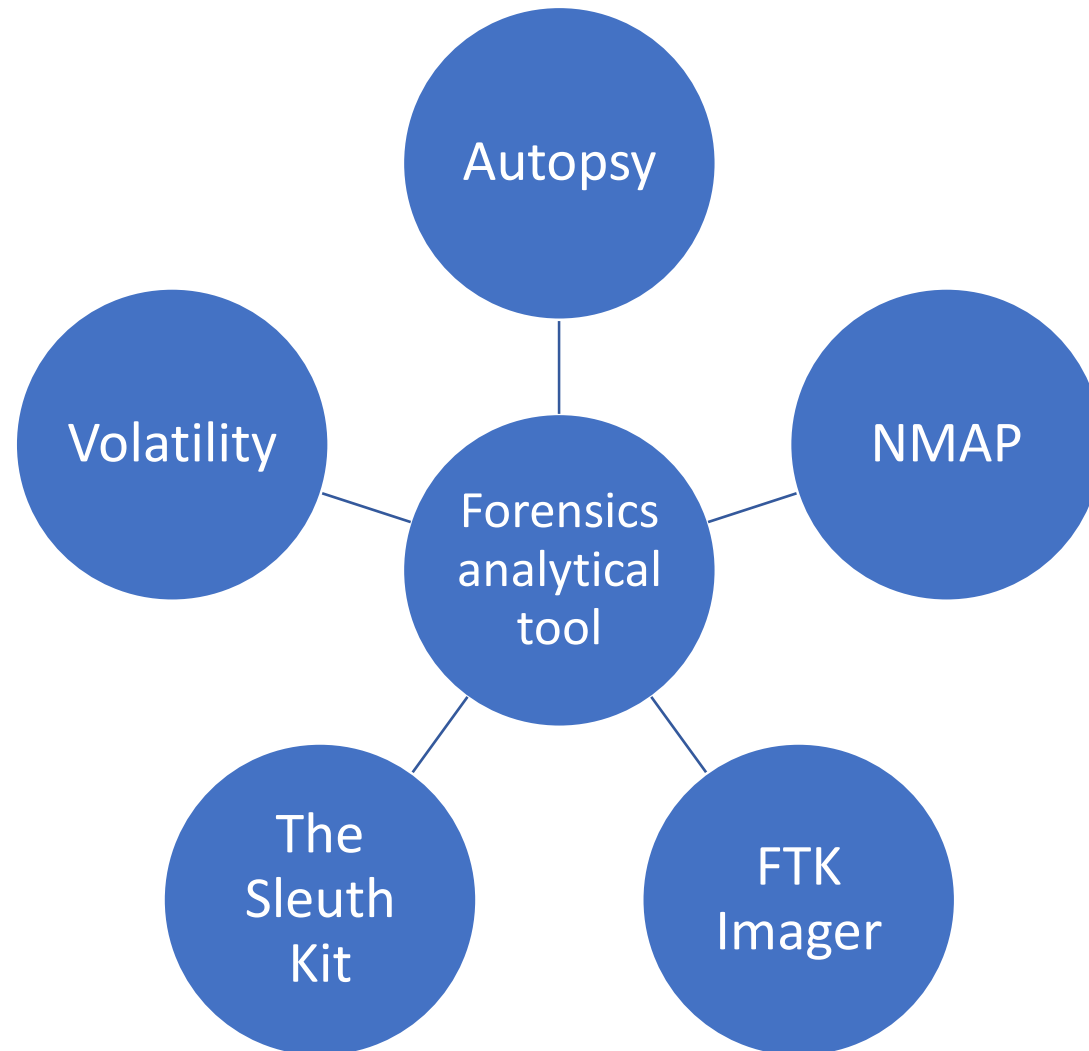
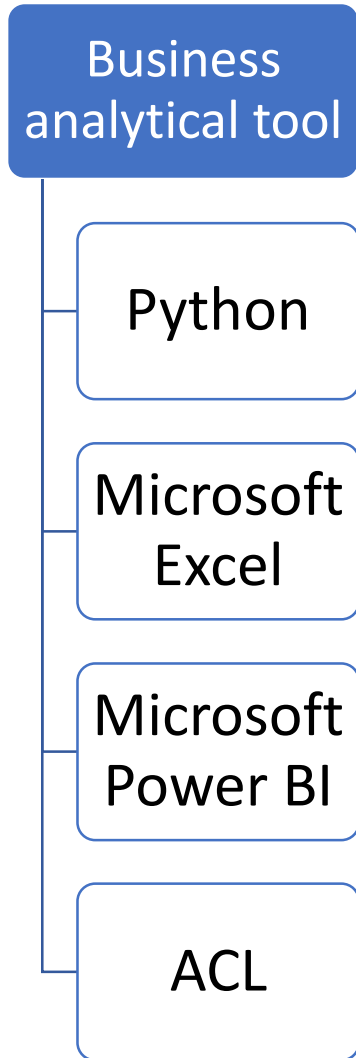
Test Hypothesis

- Discover evidence
- Prove or Disprove

Plan review

- Modify plan
- Use experts if needed

Deeper dive and Common tools of analysis



Scope

- Professionals communicating or engaging with individuals to elicit information directly or indirectly

Objectives

- Seek information for corroborating evidence and record statement of admission by concerned individual.
- Effective planning and preparation prior to conducting interview
- Methodical approach and steps in conducting interview and ensure statements obtained can be presented in court of law.

Documentation

- Minutes of interview documented and circulated to chosen participants
- Declaration or signed statement may be taken from the interviewee as a safeguard against any subsequent claim of use of inducement, threat or promise

Requirements

- Conduct after proper and due preparation and planning
- Develop a methodology, which includes essential steps to conduct an effective interview
- Maintain confidentiality regarding details and outcomes of interview
- Conduct within defined scope of work.

What you should do



- You use I&I in your daily life, so trust your natural instincts
- Do your homework. Prep work pays off.
- Relate to the suspect. Understand what motivated them
- Interview room should be separate with least distractions possible
- Shake hands, engage in small talk

What you shouldn't do



- Don't be harsh or demean. Yelling will shut them down not talk more.
- Never "wing" the interview
- Interruptions
- Crowd the interview
- Do not mimic the TV shows!

Example: Whistle-blower complaints – Interview process

“Complaint was received on xxxx (Date of complaint) from Ex PSR through email to Compliance Officer & Chief Ombudsperson regarding irregularities in Offer orders by way of special discounts (Free supplies) provided to Doctors/Institutions in North Zone (Delhi). The matter was referred by Associate Director & Head – Ethics & Compliance to investigate the concerns raised.”

Objective of the Assignment:

“To find out Genuity of the Offer orders by way of special discounts provided to Doctors/Institutions.

Interview:

Two Doctors were selected and interviews were conducted. During the interview specific questions were asked with respect to the ordering process, software used to received medicines and free offers, process of accounting free samples, proof of delivery etc.

Conclusion:

Concrete evidence in the form of letter has been obtained from both the Doctors confirming that the offer orders by way of special discounts were not received.

Extent of Review and Supervision:

- 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,

Nature of Review and Supervision:

- Tracking the progress of assignment, budget, timelines,
- Confirming the competence and capabilities of individual members of the assignment team to meet planned objectives.
- Ensure completion of work procedures and evidence discovered in appropriate, reliable and sufficient
- Work procedures being conducted conform to the relevant Standards and laws and regulations

Change in circumstance:

- Assess adequacy of supervision when change in terms and scope for following:
- have the necessary skills and competence to perform the assigned work
- have sufficient time to perform the assigned tasks
- understand the assigned work procedures

Matters for consideration

- 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.

Series 360 – Testifying before a Competent Authority

Essence of Standard

Define Key Terms:

- ✓ Adjudicating Authority
- ✓ Competent Authority
- ✓ Proceedings
- ✓ Testimony

Testifying refers to providing information and evidence to Competent Authorities pursuant to legal proceedings.

KEY PROVISIONS (REQUIREMENTS)

- The Testifying Professional shall be independent and objective in approach and ensure there is no conflict of interest in taking on the role prior to accepting an engagement.
- Where there is any conflict, the Testifying Professional's paramount duty shall be towards the Competent Authority and not towards the Client.
- The Testifying Professional shall limit the scope of testimony to only the facts and evidences gathered during the course of the assignment.
- The Testifying Professional shall be actively involved with the assignment execution to understand the facts and evidences.
- 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.

Standards on Specialized Areas

Series 400 – Specialized Areas

SI No	FAIS No	Subject Matter
1	410	Applying Data Analysis
2	420	Evidence Gathering in Digital Domain
3	430	Loans or Borrowings

Essence of Standard

- ▶ Objective is to examine the data to analyse and discover patterns of irregular and inconsistent activities or other anomalies.
- ▶ The result of the DA work is used to support the hypotheses and observations which may form part of the conclusions to be reported.
- ▶ Define key terms:
 - ✓ Data Analysis
 - ✓ Many other DA process terms

KEY PROVISIONS (REQUIREMENTS)

- Prepare and follow a Data Analysis Plan, containing certain essential elements required to achieve the objectives of applying data analysis techniques.
- 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.
- Undertake the process of performing DA in line with the objective, ensuring test of reproducibility and reporting results in an effective format.
- Undertake 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.
- The assignment team as a whole should possess adequate DA expertise and experience of applying DA techniques for conducting FAI assignments.

Data Analysis – Examples from Practical scenario

Example – Data Analysis in Forensic Accounting Assignment for a Oppression & Mismanagement case in NCLT:

<u>Data Analysis</u>	<u>Outcome – Proof of Allegations</u>
Analysis of Cash book with specific focus on Direct booking of expenses. Direct Debit to P&L	Cash siphoning through ATM cash withdrawals and back dated entries.
Data analysis of job costing in the new software	Cash siphoning by creating bogus provisions in new software and booking of expenses against provisions.
Vendor Reconciliation	Detailed verification and reconciliation has proved that invoices raised towards services were bogus in nature and manual invoices were raised and cash has been siphoned.
Branch Office reconciliation.	Branch office reconciliation revealed transfer of money from HO to branch and siphoning of funds through booking direct cash expenses in Branch books of accounts
Analysis of Google photo proofs	New Business has been formed and all the existing clients were transferred to new business. Proof collected for payment of incorporation expenses from the existing company to formation of new company
Analysis of Balance sheet items	Non-settlement of Cash withdrawal account Asset not handed over to the company Not settlement of loans given to Directors
Analysis of Related Party Transactions	Overpricing of services Diversion of funds
Sstatutory Dues	GST non-compliance and cancellation of GST certificate Deliberate delay in remittance of PF/ESIC etc.

Series 420 – Evidence Gathering in Digital Domain

Essence of Standard

- ▶ As most business activities and transactions shift to the Digital Domain (DD), the evidential matter now required to complete FAI assignments needs to be gathered in a new way, referred to as “electronic gathering” (or sometimes as “e-discovery”).
- ▶ Define key terms:
 - ✓ Digital Domain
 - ✓ Digital Evidence
 - ✓ E-Discovery

KEY PROVISIONS (REQUIREMENTS)

- Maintain and deploy a documented process for e-discovery of evidence, stipulating relevant technical standards and legal requirements to be followed.
- Undertake an overall understanding of the prevalent Information Systems (IS) environment and its linkage to the DD in so far as it is relevant to the assignment objectives.
- Gathering of evidence in the DD 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.
- Evidence gathered in the DD shall comply with the domestic laws (or International laws, where applicable) concerning the DD and respective data privacy laws which place restrictions on the e-discovery and custody of digital evidence.
- 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.

Series 430 – Loans or Borrowings

Essence of Standard

- ▶ Deals with specific types of engagements related to disputed transactions of loans or borrowings.
- ▶ The subject matters of these engagements generally require an examination of compliance with contractual, statutory, or regulatory provisions.
- ▶ Define key terms:
 - ✓ Loans
 - ✓ Borrowings
 - ✓ Misutilization of Funds

KEY PROVISIONS (REQUIREMENTS)

- The Professional shall identify the nature of dispute, Primary Stakeholder's expectations and agree on the scope and requirements of the engagement with regards 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 areas specifically agreed to be out of scope shall be clearly mentioned in the Letter of Engagement or Appointment.
- 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.
- 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.

Series 500 & 600 – Reporting & Quality

SI No	FAIS No	Subject Matter
1	510	Reporting Results
2	610	Quality Control

Series 510 – Reporting Results

Essence of Standard

- ▶ Deals with the responsibility of the Professional to issue a written report to the Primary Stakeholders.
- ▶ Reporting results of the work procedures completed, and the findings from those procedures, is the concluding part of the assignment.
- ▶ One engagement may include multiple assignments, hence multiple reports.

KEY PROVISIONS (REQUIREMENTS)

- The Professional shall issue a written Report which is precise and unambiguous.
- The Report shall be addressed to the Primary Stakeholders and shared with Other Stakeholder(s) if required or otherwise permissible.
- 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 assignment.
- 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.
- 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.
- The Report shall highlight any key assumptions made and whether any limitations were faced by the Professional.
- The report shall not express an opinion or pass any judgement on the guilt or innocence.
- 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.
- The Report shall be issued within reasonable time frame as per the engagement terms.

Reporting Results – Structure of Forensic Report

Structure of Forensic Report (As per Guidance Note): Forensic report should include the following:

1. Index.
2. Overview
3. Executive Summary
 1. Facts in Brief
 2. Methodology in Brief
 3. Finding in Brief
4. Background and Allegations.
5. Detailed Methodology
6. Main Report.
7. Detailed Timeline
8. Scope Reconciliation.
9. Detailed Methodology – Collection of Evidence & Implementation.
10. Procedure performed.
11. Findings in detailed – Point wise finding and analysis
12. Limitations
13. Disclaimers
14. Glossary & Abbreviations
15. Appendices & Exhibits

Essence of Standard

- ▶ Quality as a general term is well understood, as is the fact that the Stakeholders are the best judge of acceptable quality. FAI assignments generally have multiple Stakeholders, and recognising their quality expectations are important.
- ▶ 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).

KEY PROVISIONS (REQUIREMENTS)

- Establish a QCS designed to specify the quality control requirements and how these requirements will be met during all stages of an assignment.
- 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.
- 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.
- The Professional shall establish policies and procedures for Quality Control Review (QCR) that sets out timely evaluation of the work performed before the report is issued.
- A process to ensure regular monitoring of Continuing Professional Education (CPE) requirements of the ICAI shall be implemented. Particularly, for Professional conducting FAI engagements, at least 5 (five) of the annual CPE hours shall be in the area of FAI subjects.

Case Studies and Discussions

Discussing the practical scenario

Case study – Planning → hypothesis → Evidence collection →

Case Study – 1 :

Oppression & Mismanagement case has been filed by the Petitioner of company (A) against the Directors who were provided with the power of attorney to run the business in India. The petitioner has requested for a forensic accounting services in order to highlight the irregularities committed by the Directors that have caused damages to the Petitioner as well as the Company (A). Petitioner and the Directors were holding shares at the ratio of 20:80.

Other information:

- Directors have floated another company which is carrying out similar business and possibilities of diverting the customers of Company (A) cannot be ruled out.
- Directors were working with the Petitioner since inception.
- New software has been implemented 3 years prior to Forensic Accounting services.

Planning

- Fieldwork needed to scan the emails, SMS and call logs.
- Profile of Directors to be developed.
- Understand the business complexities to plan the data requirements.
- Interview with Statutory auditors to gather specific information related to financials
- Correspondence between Director and Petitioner to be scanned for past information.
- Employees currently working to be interviewed to gather specific information.

Hypothesis

- Diversion of Funds using the power of attorney exclusively approved by the Petitioner to run the business operations in India,
- Company was undergoing an upgradation in field of IT,
- Existing major customer were diverted to the new business.
- Preferential transactions between Company (A) and another related party in Dubai.
- Mismanagement by existing Directors potentially to kill the company.

Evidence Collection

- Documents and evidences collected from the Google drive of the Director.
- Laptop hard disk cloned and analyzed
- E mail back ups of the Directors were taken as back up and analysed.
- Customer quotation process verified for loopholes
- Usage of Corporate Debit cards analysed for syphoning of money through cash withdrawal and booking of cash expenses.
- Bank Statements evidencing ATM cash withdrawals.
- Software analyzed for suspicious activity
- Customer statement of account to identify potential diversion of funds.

Findings → Interview → Reporting → Exit!!

Findings

- Funds were siphoned by ATM cash withdrawals for which no invoices/back papers were available.
- Company assets were retained without proper approval.
- Diversion of funds through third party.
- Non-compliances to various acts like FEMA, Income Tax etc..
- Fake expenses booking through various jobs and adjustment through ATM cash withdrawal.
- Nexus between Directors and new company floated to divert the existing business and customers.

Interview

- After building the circumstantial evidences, interview was conducted.
- The evidences were laid down and confession obtained.
- Written confession regarding
 - The modus operandi
 - The list of Customers with whom bogus cost were booked.
 - Acceptance of mistake/ crimes.
 - Willingness to self confess without **ANY** duress.
- Isolation of staff/ removal of access cards, login details.

Reporting

- The report consisted of all the exhibits collected.
- Original evidences handed over in sealed containers/ envelopes.
- Signed written statement handed over to the client.
- The report included:
 - The complaint and reporting
 - Terms of reference
 - Hypothesis
 - Documentation and information received
 - Findings
 - Modus Operandi

Exit

- A board meeting explaining findings
- Submission of findings to the appropriate authority.

Case Study – 2 (Banking Fraud)

Case Study – An account has turned NPA in a bank. The funding was made through a consortium and the lead bank has declared the account as Non-Performing. The banks want to conduct an audit to check any malpractice and then consider restructuring in the account.

Other information –

The entity is a public unlisted entity working as an EPC contractor in the real estate sector.

Later the company refused cooperation citing funding issues to keep the staff/ information available.

Planning

- Determine the basic numbers involved – total outstanding, turnover, debtor levels etc.
- Understand the banking relationships.
- Review the entity's background and industry to make specific checks.

Hypothesis

- Company diverted funds to sister concerns
- Company overstated inventory and receivables
- Company used teeming and lading to utilize funds for other business.
- Funds were mismanaged

Evidence Collection

- Bank statements from the consortium
- Financial statements
- Review and appraisal notes
- Correspondence files
- Minutes of various meetings
- List of debtors and creditors
- Social media verification

Findings → Interview → Reporting → Exit!!

Findings

- The company created bogus receivables from sites which never existed.
- No construction site was ever verified by an independent surveyor
- The directors and his friends created bogus companies which were shown as creditors and payments were made up front.
- LCs and BGs were issued to related/ connected entities which were later invoked.
- Inventory valuation done by an independent expert was completed on mere management statement and letters without physical verification.

Interview

- The company refuted the claims despite clear evidences.
- No response was received from the company despite repeated reminders.
- Three separate reminders through the lead bank were sent to elicit response.

Reporting

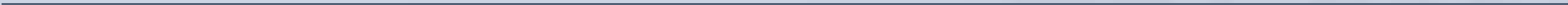
- The report was made clearly stating the borrower being non cooperative.
- Evidences were summarized within the report.
- Additional annexures were shared with the bankers for any further analysis if required.

Exit

- A consortium meeting was held to discuss the report and the various aspects.
- The scope of work was discussed and its completion despite the non-cooperation was appreciated.
- The findings and evidences were shared with the statutory authorities along with report.



Discussion





Ethics in Forensic Accounting

Code of Ethics – Part 4B Independence for Assurance Engagements other than Audit and Review Engagements

Section	Key Elements
900	Applying the Conceptual Framework to Independence for Assurance Engagements
905	Fees
906	Gifts & Hospitality
907	Actual or threatened litigation
910	Financial Interest
911	Loans & Guarantees
920	Business Relationships
921	Family & Personal Relationships
922	Recent Service with client
923	Servicing as Director or Officer
924	Employment with client
940	Long Association with Personnel

Independence for Assurance Engagements other than audit and Review engagements

This part applies to assurance engagements other than audit and review engagements. Examples are:

1. An audit of specific elements, accounts or items in a financial statement
2. Performance assurance on a Company's key performance indicators
3. Engagements to issue reports on certificates under the Guidance notes on Reports or Certificates for Special purposes.

“Professional Accountants” refers to individual professional accountants in public practice and their firms.

SQC1 requires firm to establish policies and procedures designed to provide it with reasonable assurance that the firm, its personnel and, where applicable, others subject to independence requirements maintain independence where required by relevant ethics standards.

Independence is linked to the principles of objectivity and integrity. It comprises of

- Independence in Mind
- Independence in appearance

Fee – Relative size

When the total fees generated from an assurance client by the firm expressing the conclusion in an assurance engagement represent a large proportion of the total fees of that firm, the dependence on that client and concern about losing the client create a self-interest or intimidation threat. Factors that are relevant in evaluating the level of such threats include:

- The operating structure of the firm.
- Whether the firm is well established or new.
- The significance of the client qualitatively and/or quantitatively to the firm.

Factors that are relevant in evaluating the level of such threats include:

- The operating structure of the firm.
- Whether the firm is well established or new.
- The significance of the client qualitatively and/or quantitatively to the firm.

Contingent fee are fees calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed.

- A firm shall not charge directly or indirectly a contingent fee for an assurance and non-assurance engagement.

Gifts and Hospitality

- Accepting gifts and hospitality from an assurance client might create a self-interest, familiarity or intimidation threat.
- A firm or an assurance team member shall not accept gifts and hospitality from an assurance client, unless the value is trivial and inconsequential.
- Where a firm or assurance team member is offering or accepting an inducement to or from an assurance client, the requirements and application material set out in Section 340 apply and non-compliance with these requirements might create threats to independence.
- The requirements set out in Section 340 relating to offering or accepting inducements do not allow a firm or assurance team member to accept gifts and hospitality where the intent is to improperly influence behaviour even if the value is trivial and inconsequential.

Financial Interest

- Holding a financial interest in an assurance client might create a self-interest threat.
- Factors that are relevant in evaluating the level of a self-interest threat created by holding a financial interest in an assurance client include:
 - The role of the individual holding the financial interest.
 - Whether the financial interest is direct or indirect.
 - The materiality of the financial interest.
- A direct financial interest or a material indirect financial interest in the assurance client shall not be held by:
 - (a) The firm; or
 - (b) An assurance team member or any of that individual's immediate family
- When an entity has a controlling interest in the assurance client and the client is material to the entity, neither the firm, nor an assurance team member, nor any of that individual's immediate family shall hold a direct or material indirect financial interest in that entity.

Loans & Guarantees

- A firm, an assurance team member, or any of that individual's immediate family shall not make or guarantee a loan to an assurance client unless the loan or guarantee is immaterial to both:
 - The firm or the individual making the loan or guarantee, as applicable; and
 - The client.
- A firm, an assurance team member, or any of that individual's immediate family shall not accept a loan, or a guarantee of a loan, from an assurance client that is a bank or a similar institution unless the loan or guarantee is made under normal lending procedures, terms and conditions.
- Examples of loans include mortgages, bank over dues, car loans, and credit card balances.
- Even if a firm receives a loan from an assurance client that is a bank or similar institution under normal lending procedures, terms and conditions, the loan might create a self-interest threat if it is material to the assurance client or firm receiving the loan.
- An example of an action that might be a safeguard to address such a self-interest threat is having the work reviewed by an appropriate reviewer, who is not an assurance team member, from a network firm that is not a beneficiary of the loan.

Business Relationships

- A close business relationship with an assurance client or its management might create a self-interest or intimidation threat.
- Examples of a close business relationship arising from a commercial relationship or common financial interest include:
 - Having a financial interest in a joint venture with either the client or a controlling owner, director or officer or other individual who performs senior managerial activities for that client.
 - Arrangements to combine one or more services or products of the firm with one or more services or products of the client and to market the package with reference to both parties.
 - Distribution or marketing arrangements under which the firm distributes or markets the client's products or services, or client distributes or market the firm's products or services
- A firm or an assurance team member shall not have a close business relationship with an assurance client or its management unless any financial interest is immaterial and the business relationship is insignificant to the client or its management and the firm or the assurance team member, as applicable.
- A self-interest or intimidation threat might be created if there is a close business relationship between the assurance client or its management and the immediate family of an assurance team member.

Family and Personal Relationships

- Family or personal relationships with client personnel might create a self-interest, familiarity or intimidation threat. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.
- A self-interest, familiarity or intimidation threat might be created by family and personal relationships between an assurance team member and a director or officer or, depending on their role, certain employees of the assurance client.
- Factors that are relevant in evaluating the level of such threats include:
 - The individual's responsibilities on the assurance team.
 - The role of the family member or other individual within the client, and the closeness of the relationship.
- A self-interest, familiarity or intimidation threat is created when an immediate family member of an assurance team member is an employee in a position to exert significant influence over the subject matter of the engagement.
- Factors that are relevant in evaluating the level of such threats include:
 - The position held by the immediate family member.
 - The role of the assurance team member.

Recent service with an Assurance client

- If an assurance team member has recently served as a director or officer or employee of the assurance client, a self-interest, self-review or familiarity threat might be created.
- The assurance team shall not include an individual who, during the period covered by the assurance report:
 - Had served as a director or officer of the assurance client; or
 - Was an employee in a position to exert significant influence over the subject matter information of the assurance engagement.
- A self-interest, self-review or familiarity threat might be created if, before the period covered by the assurance report, an assurance team member:
 - Had served as a director or officer of the assurance client; or
 - Was an employee in a position to exert significant influence over the subject matter information of the assurance engagement.

Other Sections

- If an assurance team member has recently served as a director or officer or employee of the assurance client, a self-interest, self-review or familiarity threat might be created.
- The assurance team shall not include an individual who, during the period covered by the assurance report:
 - Had served as a director or officer of the assurance client; or
 - Was an employee in a position to exert significant influence over the subject matter information of the assurance engagement..
- Serving as a director or officer of an assurance client creates self-review and self-interest threats.
- Employment relationships with an assurance client might create a self-interest, familiarity or intimidation threat.
- A familiarity or intimidation threat might be created if any of the following individuals have been an assurance team member or partner of the firm:
 - A director or officer of the assurance client.
 - An employee who is in a position to exert significant influence over the subject matter information of the assurance engagement.

Other Sections – Continued....

- When an individual is involved in an assurance engagement of a recurring nature over a long period of time, familiarity and self-interest threats might be created.
- A familiarity threat might be created as a result of an individual's long association with:
 - The assurance client;
 - The assurance client's senior management; or
 - The subject matter and subject matter information of the assurance engagement.
- A self-interest threat might be created as a result of an individual's concern about losing a longstanding assurance client or an interest in maintaining a close personal relationship with a member of senior management or those charged with governance. Such a threat might influence the individual's judgment inappropriately.

Thank you