

## EXPOSURE DRAFT

APPROVED BY DAAB

(7 Oct'20)

The Digital Accounting and Assurance Board (DAAB) of The Institute of Chartered Accountants of India (ICAI) invites comments on a new Forensic Accounting and Investigation Standard (FAIS) on – **Planning the Assignment**

Comments are most helpful if they indicate a clear rationale and, where applicable, provide a suggestion for alternative wording.

Comments can be Submitted at

<https://forms.office.com/Pages/ResponsePage.aspx?id=DOHFOzhjoU6NJ-O1tggEOvuF6SRz25pIvVExBjm2K8JUOFFSU04yR0FMTTMxN0ZPSVkxQIFSSDBCUC4u>

Last date for sending comments is November 09, 2020.

# FORENSIC ACCOUNTING AND INVESTIGATION STANDARD No. 310

## PLANNING THE ASSIGNMENT

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**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 Institute.**

## 1 Introduction and Scope

- 1.1 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.
- 1.2 The depth and extent 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.
- 1.3 Definitions: The following definitions have been used in this Standard:
- Engagement:** An Engagement shall mean the overall contractual arrangement between the Professional and the Client, stipulating the terms of reference, scope of work, coverage, and expected deliverables.
- 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.
- 1.4 Planning the FAI assignment involves the following key elements:
- (a) It is specific in nature and covers the subject matter of the assignment included under the scope (i.e. location, function, nature or legal entity, including 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.
- 1.5 **Scope:** This Standard applies to all FAI assignments. Where only part of the assignment 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 Objectives

- 2.1 The objectives of this Standard on Planning the Assignment are as follows:
- (a) To ensure that the planning process is in line with the overall scope of work and terms of engagement and applicable regulations, if any.
  - (b) To consider the risk factors, limitations or restrictions and the steps required to mitigate these.
  - (c) Determine the appropriate work methodology to be deployed considering nature of the assignment.

- (d) To identify the diverse sources for collection of evidences (such as public domain, representatives of the client, accounting systems, etc.).
- (e) Determine data and information owners, in particular, identify information critical to the assignment.
- (f) Evaluate the resources, skills and timeline requirements with the availability to allocate appropriate resources to the assignment.

### 3 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:
  - (a) Knowledge of the relevant business and environment (refer para 4.2).
  - (b) Risk Considerations (refer Para 4.3).
  - (c) Discussion with the Stakeholders (refer para 4.4).
  - (d) Technology deployment (refer Para. 4.5)
  - (e) 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 documented by the Professional (refer Para. 4.7).
- 3.4 Certain elements of the plan (especially, those relevant to its effective execution) shall be communicated to the Client and other stakeholders, on a need-to-know basis, prior to the commencement of the assignment procedures to ensure smooth conduct of the assignment.

### 4 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 FAI 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 all the information relevant for understanding the business environment, legal and regulatory environment, potential *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 “Understanding Fraud Risk” and any risks highlighted after completing the due diligence mandated in FAIS 220 on “Engagement Acceptance and Appointment”.
- 4.4. **Discussion with the Stakeholders (refer Para 3.2c):** A key element of planning involves discussion and deliberation with all stakeholders as deemed fit by the Professional. 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 end engagement objective, quality and timely completion of the project. Some of the aspects that need to be considered are:
- (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 collecting appropriate evidence for the assignment.
  - (d) Applicable data privacy regulations which have 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 each procedure depending on the depth of coverage, and map this with available resources and competencies (knowledge, experience, expertise etc.) to ensure proper resource allocation. The Professional may use an expert in completing a part 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 collection of different types of evidence to support the fraud hypothesis, including oral, digital, physical and analytical evidence. Some of the aspects that need to be considered are:
- (a) Nature of the assignment and risk involved.
  - (b) Requirement as per engagement letter agreed with the Client.
  - (c) Compliance with applicable regulations.
  - (d) Evidence identification.

## **5 Documentation for Compliance**

- 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 Effective Date**

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