

**1<sup>st</sup> DRAFT (15 Dec'20)**

FOR REVIEW BY DAAB

(On 21 Dec'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 – **Communication with Stakeholders.**

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=DOHF0zhjoU6NJ-O1tggEOvuF6SRz25pIvVExBjm2K8JUODQ1M1RBVkJITUxRT0pPSVpJSUhZVUIXVi4u>

Last date for sending comments is January 28, **2021.**

# **FORENSIC ACCOUNTING AND INVESTIGATION STANDARD No. 250**

## **COMMUNICATION WITH STAKEHOLDERS**

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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 Introduction and Scope**

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

### **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, digital, etc.) or format (e.g., documents, images, videos, text messages, etc.).
  - (b) **Primary Stakeholders:** Parties who either appoint the Professional (e.g., the Client, such as a Governance Body or Executive Management), or those who have been identified as per the terms of the engagement (e.g., a Government Body or Agency, a Statutory or Regulatory Authority etc.).
  - (c) **Other Stakeholders:** Stakeholders other than those specified at 1.2 (b) are considered Other Stakeholders and would include 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 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 the Other Stakeholders, (especially the Government Bodies and Agencies) unless this is made a term of the engagement which requires the Professional to undertake this activity on behalf of the Primary Stakeholder. The manner in which the Professional will communicate with government agencies is covered under FAIS 240 on "Engaging with Agencies".
- 1.4 **Scope:** The Standard applies to all Forensic Accounting and Investigation Engagements. The communication regarding reporting the results or findings of an engagement is not in the scope of this Standard since it is covered by FAIS 370 on "Reporting Results".

## **2 Objectives**

2.1 The purpose of this Standard on Communication with Stakeholders is 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 objectives, and to document this wherever necessary.
  - c) Provide clarity on, and distinguish between, Essential and Significant Matters which should be communicated.
- 2.2 The overall objective of this Standard is to emphasise the need for a continuous dialogue and exchange of important information between the Professional and the Stakeholders during all phases of the engagement.

### **3 Requirements**

- 3.1 Communication with Stakeholders concerning all matters of the engagement shall be in accordance with a laid-down process, pre-defined and pre-agreed protocol, which shall clarify the responsibility of the Professional to communicate directly with Primary Stakeholders on matters of the engagement (refer Para 4.1).
- 3.2 Any requirements for communication with the other Stakeholders shall be pre-defined and duly included in the process and protocol, keeping in view, 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 relevant laws and regulations, principles of neutrality, 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 is based on the best judgment of the Professional, and 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 the communication is on-going, accurate, complete and timely. 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 confidential or privileged information obtained during the engagement without prior express permission of Primary Stakeholder. Communication with public or media shall be avoided. However, it may be made with the prior permission of the Primary Stakeholders or competent authorities and, if necessary, in consultation with a legal advisor.
- 3.7 The Professional shall keep a record of all important communications and document these appropriately for any subsequent testimony of evidence, in case required.

## **4 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 maintained at all times. This process and protocol shall underscore the criticality of a two-way information flow between the Professional and the Primary stakeholders.
- 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 need to assess the requirement of communicating with other Stakeholders for the purpose of enquiry, confirmation of facts, collection of evidence or such other matters for effective execution of the engagement.
- 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 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 legal advice.

- 4.4 **Essential Matters of Communication (refer Para 3.4):** Essential matters are those matters which are necessary for the execution of the engagement. These are decided by Professional using best judgment, considering the nature of the engagement and agreed objectives. Essential matters are generally in the nature of the following (indicative list):
- (a) The scope and methodology of engagement.
  - (b) Written process and protocol of communication.
  - (c) The laws and regulations applicable to the engagement.
  - (d) Support and cooperation required from Primary and Secondary Stakeholders for access to information sources and for gathering required evidences.
  - (e) Engagement budget covering financial and human resources including any constraints.
  - (f) Periodic reporting of engagement progress to the Primary Stakeholders 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 matters which may impact or restrict the scope, methodology, performance and/or results of 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 cooperation or significant delays or repression by Stakeholders.
  - (b) Potential conflict of interest with any Stakeholder.
  - (c) Alteration or destruction of the evidences.
  - (d) Break in chain of custody of evidences.
  - (e) Life threatening, (or any other) such situations from identifiable or unidentifiable sources.

## **5 Documentation for Compliance**

- 5.1 The communication process documentation (refer Para 4.1) shall outline various modes and channels of communications, the frequency and timelines and the Essential Matters of communication (refer Para 4.4).
- 5.2 Documentation shall be maintained to demonstrate compliance with Legal and Regulatory provisions where applicable.
- 5.3 Documentation confirming the communication of Essential and Significant matters shall be maintained.
- 5.4 Communication documents shall remain in the possession of the Professional only and shall be shared with authorized users only on a “need to know” basis.
- 5.5 Oral communications with the Stakeholders may be documented as minutes of meetings.
- 5.6 All digital communications shall use the secure mode of communications and records shall be kept confidential at all the time, with restricted access of information or communications to the authorized users only on need basis.

## **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).