

**Forensic Accounting - Professional Opportunities**  
**EIRC of ICAI**  
**RUN@75**

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# Companies Act 2013- Key highlights

1. True & Fair Accounts – Compliance with AS , Ind AS
2. Audit standards – compulsory compliance
3. Internal Control & IFC Report by Auditors- sec 143 (3) i
4. Internal Audit – mandatory for many companies – sec 138
5. Directors Responsibility Statement ( DRS)- sec 134
6. Corporate Governance
7. Audit Committee – Sec 177
8. Penalty on Auditors , Directors & KMP
9. Sec 447 – Fraud :
10. Fraud Reporting by Auditors – Statutory, Cost, Secretarial

# India Corporate Fraud Survey 2023

- **About 58% of survey respondents believe incidents of fraud will rise in the next 2 years.**
- **The top 3 reasons for fraud include:**
- **1. *Lack of an efficient internal control/ compliance system,***
- **2. *diminishing ethical values, and***
- **3. *senior management override of controls***
- **Top 3 fraud –prone Business process / functions:**
- **1. *Procurement (30%),***
- **2. *vendor selection (18%), and***
- **3. *sales and marketing (15%)***

# Difference between forensic audit and statutory audit

S. No	Basis	Statutory Audit	Forensic Audit
1.	Objective	To express opinion as to 'true & fair' presentation.	To determine correctness of the accounts or whether any fraud has actually taken place.
2.	Techniques	'Substantive' and 'compliance' procedures.	Analysis of past trend and substantive or 'in depth' checking of selected transactions are done.
3.	Period	Normally all transactions for the particular accounting period are considered.	There is no such limitations while conducting forensic audit and accounts may be examined in detail from the beginning.

# Difference between forensic audit and statutory audit

Sl. No.	Basis	Statutory Audit	Forensic Audit
4.	Management Representation	Auditor relies on the management certificate/representation of management.	Independent verification of suspected/selected items carried out
5.	Off balance-sheet items (like contracts etc.):	Off balance-sheet items are used to vouch the arithmetic accuracy & compliance with procedures.	Regularity and propriety of these transactions/contracts are examined.
6.	Adverse findings, if any	If there are any adverse findings, negative opinion or qualified opinion is expressed, with/without quantification.	The auditor aims at legal determination of fraud and also naming persons behind such fraud.

# Framework of FAIS



## FORENSIC ACCOUNTING is -

- ✓ Discovery and evaluation of evidence by a professional
  - ✓ To interpret and
  - ✓ To communicate findings
  - ✓ Suitable for a Court of Law
- ✓ It pertains to area of financial transactions and operational arrangements

## INVESTIGATION is -

- ✓ Systematic and critical examination of facts, records and documents
  - ✓ For a specific purpose

*Most investigations involve forensic accounting, but not all forensic accounting is an investigation*

# Professional Opportunities

## SFIO

- Has been constituted u/s 211 of the Companies Act, 2013.
- It is a multidisciplinary Investigating Agency, wherein experts from diverse sectors like banking, capital markets regulation, corporate regulation, law, forensic audit, taxation, information technology, etc. work together to unravel corporate frauds.
- It is headed by a Director, in the rank of Joint Secretary to the Government of India, SFIO.
- The Head Office of SFIO is in Delhi and 5 Regional Offices are presently functional i.e. at New Delhi, Chennai, Mumbai, Hyderabad, and Kolkata.

# SFIO - Vacancy

- Deputy Director (Forensic Audit) with SFIO [Serious Fraud Investigation Office]: August 2023
- *The SFIO or Serious Fraud Investigation Office is looking to hire an experienced for the job role of Deputy Director (Forensic Audit), on a deputation basis.*
- **Eligibility Criteria**
- Officers from the Central Government or State Government or Union territories Administrations or Public Sector Undertakings or Statutory or Autonomous organizations;
- holding analogous post on regular basis in the parent cadre or department; or
- with five years' service in the grade rendered after appointment thereto on a regular basis in Level 10 in the Pay Matrix Rs. 56100-177500 or equivalent in the parent cadre or department;
- Possessing the following educational qualifications and experience:



# SFIO recruitment

- **Essential:** Chartered Accountant (CA) or Cost and Management Accountant (CMA) or Company Secretary (CS) or Chartered Financial Analyst (CFA) or Post Graduate Diploma in Management (PGDM Finance) or Masters in Business Administration (MBA Finance) or Master's of Business Economics or Masters in Commerce or **Bachelors in Law**.
- **Experience:** 3 years experience in audit or forensic audit from any Government listed private organisation.

# Roles and Responsibilities

- To act as a member of the investigation team for examination of the cases relating to Corporate Frauds;
- To collect evidences/record statements and presentation of evidences and preparation of Investigation Reports;
- To provide expertise in the matters involving forensic audit;
- To provide legal inputs to counsels for filing of complaints under the provisions of various Acts to be subsequently used in prosecution.
- To liaise with other investigation agencies and to obtain relevant inputs to be used in investigation and prosecution.
- Any other work assigned from time to time.
- **Deputation**
- period of 4 years.
- **Salary**
- Level 11 in the pay matrix (Rs.67700-208700)

# Empanelment of Forensic Auditors

## – Indian Bank

- Applications are invited from qualified Audit Firms for Empanelment of forensic auditors in the bank, subject to the following eligibility criteria:
- 1. Any one of the Directors / Partners or the authorised official of the institution they represent should be a qualified Certified Information Systems Auditor (CISA) / Diploma in Information Systems (DISA)
- 2. Any one of the Directors / Partners having qualification in Certified Fraud Examiner(CFE)/Certificate course on Forensic Accounting and Fraud Detection (CFAFD) from the Institute of Chartered Accountants of India (ICAI) is desirable.
- 3. The firm / institution should be either in the RBI panel of Chartered Accountants or ICAI Panel of Forensic Accountants.
- 4. The Firm / company must be in existence for at least 10 years and the Firm / Company must have conducted Statutory Audit of large Branch of PSU / Private bank for at least three years.
- 5. Experience of having conducted forensic audit of frauds in a PSU / Autonomous bodies / Bank is desirable.
- 6. The Name of the Company / firm or its promotor / partner etc. should not be in the defaulter/barred/caution list published / displayed at web sites of public/ Autonomous bodies such as RBI/IBA/ECGC/SEBI/ICAI etc.,

# SEBI Empanelment = Forensic Auditors (Aug 2021)

- Sebi has ordered **forensic audit** of certain companies.
- October 2020, Sebi asked listed companies to make disclosures about the initiation of a forensic audit to stock exchanges as part of an effort to address the gaps in the availability of information.  
along with the name of the entity initiating such audit and reasons for the same, if available, to the stock exchanges.
- Further, companies are required to disclose about final forensic audit report, other than for forensic audit initiated by regulatory or enforcement agencies, along with comments of the management, if any.

# Eligibility

- SEBI invited applications from eligible CA (Chartered Accountant) firms *"for empanelment to take up assignments relating to forensic audit of financial statements of listed companies"*,
- **Eligibility criteria:**
- applicant should have at least 10 years of experience in the field of audit or forensic audit, and minimum of 10 partners or directors, out of which 5 of them should be actively involved in forensic audit-related work.

- Applicant should have employed at least 20 persons (full time) having relevant qualification, experience and expertise in the field of forensic audit.
- The applicant should have had experience of undertaking at least 15 forensic audits in past three years and at least 3 such audits should have been undertaken upon assignment by the regulatory body or government agency or public sector enterprise.

**Total revenue** of the firm from forensic audit assignments in the last 3 financial years must be at least Rs 1 crore.

# Empanelment



## Indian Banks' Association

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Indian Bank's Association (IBA) invites applications from eligible Chartered Accountant Firms & Cost Accountant Firms for empanelment to take up assignments relating to forensic audit of Frauds upto ₹ 50 crores & Frauds above ₹ 50 crores in the Banking Industry. The last date for receipt of applications at IBA is 9<sup>th</sup> May, 2017 after which no applications will be accepted.

Eligibility Criteria for frauds above ₹ 50 crores is given in the table below:

Sr. No.	Selection Criteria	Minimum requirement for frauds above ₹ 50 crores (Fund + Non Fund based)
1.	a) Overall exposure of the Firm in forensic investigation in completed number of years.  b) Minimum experience of at least one of the Chartered Accountants/ Cost Accountant as indicated above (including the experience as partner / employee of any other Chartered Accountant firm / Cost Accountant Firm/concern)	Ten years  Five years

2.	Minimum number of Chartered Accountants/ Cost Accountants with the investigative agency	<b>Three</b>
3.	The firms should have employed Private Detective Agencies / Ex law enforcement professionals/ Corporate Fraud investigators/ Persons having experience in Industrial espionage / legal experts / experts on anti-money laundering activities, etc.	<b>Engagement of skilled professionals minimum from two of the given categories.</b>
4.	<p>Number of Certified Fraud Examiners or Qualified persons in Forensic Science and Cyber securities with the Firm having expertise in:</p> <ul style="list-style-type: none"> <li>- Book Debt Analysis / credit appraisal</li> <li>- Verification of stock books / cash books / petty cash / stock ledgers / sub-ledgers</li> <li>- Documentary Analysis in Foreign Trade</li> <li>- SWIFT (remittance) trail tracking tools</li> <li>- Buyer's credit / Letters of credit / Forward Exchange contracts</li> <li>- Foreign Trade Finance mechanism</li> </ul>	<b>Three</b>



5.	<p>The Investigative Tools presently used by the Firm in it's Forensic Laboratory (Mention the IT and Non-IT tools) For Example:</p> <ul style="list-style-type: none"> <li>- Email cracking tools</li> <li>- Voice Interpreter</li> <li>- Mobile Call Interpreter</li> <li>- Big Data Analysing tools</li> <li>- Retrieval of deleted data etc..</li> <li>- Lie Detecting Machine</li> <li>- Interrogating tools / softwares</li> <li>- Audit Trail Finder</li> <li>- RTGS / NEFT / Other payment solution methodologies</li> </ul>	<p><b>Give the list of instruments, machineries, and other forensic investigative tools</b></p>
6.	<p>Experience in concurrent audit / Stock Audit in Banks: (Rationale: Since the work assigned by us would require a considerable coverage of credit and forex related investigation, experience in these areas provides an edge to such firms.)</p>	<p><b>Five years</b></p>

7.	Number of judgements passed in the Indian court of Laws based on the Forensic Investigation Report submitted by the Firm as a decision making reference.	<b>Please submit the list of case numbers for verification on-line</b>
8.	The Firm empanelled should undertake that their report will be termed as “ Forensic Audit Report” and the firm will undertake that they will be ready to appear in the Court as witness when Court / Counsel will challenge their reports.	
9.	The Firm empanelled should unambiguously conclude in their report about various observations made by them during audit to enable the Bank to take various decisions based on their report, including that of declaring the Fraud by the customer.	
10.	<p>a) Obtaining a certificate (initially and on-going basis) from the firm / concern about no disciplinary proceedings pending or contemplated against them by the Institute of Chartered Accountants of India / Institute of Cost Accountants of India Reserve Bank of India / SEBI.</p> <p>b) No disciplinary proceedings should be pending against the proprietor / partners with the Institute of Chartered Accountants of India/ Institute of Cost Accountants of India.</p>	<b>To be obtained after appointment.</b>

11.	List of Banks / FIs served as concurrent auditors / Statutory auditors in the past and serving at present (Please mention the list of banks / FIs and number of years worked with them)	Minimum 7 reputed organisations inclusive 3 international companies/MNC for statutory audit.
12.	Submission of sample reports pertaining to Forensic Investigation of large value Asset Frauds in banks under a large consortium lending.	Minimum three sample reports including one Digital Forensic Audit Report.
13.	Preferably the Firm should be empanelled/ worked with regulatory bodies like CBI, SEBI, SFIO, EOW of State Police etc.	Please submit list of such audits conducted.
14.	Geographical Presence	Must have all India presence preferably in major cities.

Please provide your point-wise comments/compliance to the eligibility criteria stated above i.e. for frauds above ₹ 50 crores & frauds upto ₹ 50 crores in the following format:

Sr. No.	Selection Criteria	Minimum requirement for frauds above ₹ 50 crores/ up to ₹ 50 crs (depending on the category in which applicant is applying)	Comments/Compliance

#### Undertaking

We solemnly declare that the information furnished above is complete and entirely true and nothing has been concealed. We affirm that terms & conditions of Indian Bank's Association (IBA) relating to empanelment of Forensic Auditors are acceptable to us.

In Case

Any information/ document is found untrue, IBA may take necessary action, including blacklisting of the firm/ member, as it may deem fit.

For & Behalf of.....

Authorised Signatory  
Name & Designation  
Membership No.

# IFCI – 2022



**REQUEST FOR PROPOSAL (RFP)**

**FOR**

**EMPANELMENT OF FORENSIC AUDITORS  
IN IFCI LIMITED**

**TO BE SUBMITTED ON OR BEFORE  
3.00 P.M. ON JANUARY 25, 2022**

**TO**

**GENERAL MANAGER (M&R)  
IFCI LIMITED,  
13<sup>th</sup> FLOOR, IFCI TOWER,  
61 NEHRU PLACE, NEW DELHI – 110 019**

## **Invitation of Applications:**

IFCI Limited invites applications from interested Chartered Accountants and Chartered Accounting Firms/ Cost Accountants and Cost Accountant firms / Forensic Auditors for empanelment at IFCI for a period of 5 years subject to periodical review exercise.

## **Empanelment Period**

The Forensic Auditors shall be empaneled for a period of **5 years**. However, a review exercise may be made periodically based on performance along with necessary information. IFCI reserves its right to de-list the name of the auditors at any stage, if found unsatisfactory or does not comply with the IFCI's requirement.

## **ANNEXURE-A: ELIGIBILITY CRITERIA**

**The Applicant must satisfy the following eligibility criteria for the services they intend to provide as per Terms of Reference (ToR), before submitting their proposals:**

### **1. Criteria for empanelment**

The Applicant shall be any one of the following:

- a. Practicing Chartered Accountant / Chartered Accounting firm / Cost Accountant / Cost Accounting Firm with minimum of 10 years' experience in undertaking audits of banks or insurance companies or public sector units or other Government Agencies.
- b. Chartered Accountant / Chartered Accounting firm / Cost Accountant / Cost Accounting Firm should also have experience in undertaking forensic audit on behalf of Government Agencies / statutory bodies.



# Evaluation system- total 100 marks

## ANNEXURE C: EVALUATION CRITERIA

The successful applicant shall be selected on the basis of evaluation criteria, sub-criteria and points system as given below:

S No	Evaluation Criteria	Maximum Score	Supporting Documents
<b>1. Size of Consulting Business of Applicant(20)</b>			
1.1	Average Annual Turnover of the applicant from audit assignments including forensic, internal, statutory, stock, etc.  <ul style="list-style-type: none"><li>• &lt; Rs 10 crore (10 points)</li><li>• &gt; Rs 10 Cr (20 points)</li></ul>	20	Audited Financial Statements for 3 years including FY 2020-21. All the technical evaluation to be certified by a practicing CA / CA firm and duly supported with documentary evidence.
<b>2. Relevant Experience of the Applicant (60)</b>			
2.1	Experience in forensic audit or similar assignments of companies of balance sheet size of Rs.300 crore or more  Rs.300 – 500 crore ( 10 per assignment) Rs.500 – 1000 crore (20 per assignment)	60	Description of assignments including client name, job title, scope of services, date of assignment award and completion, deal size and other key details.  Documentary evidence should be duly submitted.

<b>3. Experience in Forensic Audit (20)</b>			
3.1	Number of Forensic Audit assignments undertaken <ul style="list-style-type: none"> <li>• 00 to 02 (02 points )</li> <li>• 03 to 05 (05 points)</li> <li>• &gt;05 (10 points)</li> </ul>	10	-do-
3.2	Experience of Forensic Audit of listed companies	10	-do-
<b>Total</b>		<b>100</b>	

\* In case, audit for FY 2020-21 is not complete, average audited turnover for the last three years shall be considered on the basis of FY ending March 31, 2020.

The minimum qualification score eligible for empanelment of the applicant is minimum of **60** points under Evaluation procedure.



# J&K Bank Ltd – empanelment of Forensic Auditors- Scope

- **Capacity to pay:** Examine as to whether the borrower has defaulted in meeting its payment/repayment obligations to the bank even when it has the capacity to honour the same.
- Money trail & End use of funds financed by the Bank.
- **Diversion of funds:** diversion of funds on the part of borrower would be construed in any of the undemoted occurrences:
  - Utilization of short term working capital funds for long term purposes not in conformity with the terms of sanction;
  - Deploying borrowed funds for purposes / activities or creation of assets other than those for which the loan was sanctioned.
  - Transferring borrowed funds to the subsidiaries / group companies or other Corporate by whatever modalities.
  - Routing of funds through any bank other than the lender bank or members of consortium without prior permission of the bank/lenders.
  - Investment in other companies by way of acquiring equities / debt instruments without approval of bank/lenders.
  - Shortfall in deployment of funds vis-à-vis the amounts disbursed / drawn and the difference not being accounted for.

- o **Siphoning off funds:** siphoning off funds on the part of borrower would be construed to occur if any funds borrowed from bank are utilized for purposes other than the one for which the credit facility was sanctioned.
- o **Capital Structure:** Tracing the source of contribution by promoters, partners, proprietors, etc. as the case may be by analyzing equity/debt infused into the entity.
- o **Abnormal trade transactions:** Commenting on transactions of substantial amount, which seem not to be normal trade transactions.
- o **Sales:** Verifying revenue from operations including checking sale order, invoices and controls in billing process. The focus should be on inflated turnover / fictitious sales and / or Sales on Return (SoR) basis where profit has been booked and sales returned in the subsequent accounting period leading to writing off of stocks / debtors and reversal of booked profits. The sustainability of sales in future years should be co-related with Technical and Viability (TEV) study.
- o **Escrow / Trust & retention Account (TRA):** Commenting on adherence to escrow / Trust & Retention Account (TRA) arrangements made with various banks. Also commenting on details of all transactions with banks outside the consortium.

