

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 – Using the Work of an Expert

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-O1tggEOvuF6SRz25pIvVExBjm2K8JUQ0swU0g3SEhIWFA2NfcwT1IVNF-I0MERUUC4u>

Last date for sending comments is October 18, 2020.

## **FORENSIC ACCOUNTING AND INVESTIGATION STANDARD No. 230**

### **USING THE WORK OF AN EXPERT**

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**This Forensic Accounting and Investigation Standard 230, on “Using the Work of an Expert,” issued by the Council of the Institute of Chartered Accountants of India (ICAI) should be read in conjunction with the “Preface to the Forensic Accounting and Investigation Standards”, the “Framework Governing Forensic Accounting and Investigation Standards” and “Basic Principles of Forensic Accounting and Investigations” issued by the Institute.**

## **1 Introduction and Scope**

- 1.1 An Expert is a person or an entity, which possesses certain special skills or domain expertise, along with relevant experience and expertise in a particular area, field or discipline.
- 1.2 In conducting Forensic Accounting and Investigations (FAI) engagements, a Professional may seek assistance and place reliance on the work of such an expert. This may be in the form of specific examination procedures covering a specialized area or field, such as, Electronic evidence gathering, Cyber security, Voice sampling, Signature verification, Legal advice etc..
- 1.3 An Expert is generally appointed to help in completing a part of the engagement in situations where the required skills are not available by the Professional or within the team.
- 1.4 Scope: This Standard applies to all engagements where part of the work is completed by an Expert and relied upon by the Professional. This standard does not apply to situations where part of regular FAI work is outsourced to third parties.

## **2 Objectives**

- 2.1 The main objectives of using the work of an Expert is to ensure that:
  - (a) Technical assistance from competent Expert is sourced where the Professional does not possess the necessary knowledge and expertise;
  - (b) Procedures conducted in complex and specialized areas meet expected quality standards; and
  - (c) Outcome of the Expert's work is credible and reliable.
- 2.2 The overall objective of using the work of an Expert is to specify the manner in which the Professional shall seek to place reliance on the technical expertise of others to add credibility and reliability to the findings of the engagement.

## **3 Requirements**

- 3.1 The Professional shall make an independent determination of using the work of an Expert based on:
  - (a) The technicality and complexity of the subject matter of procedures involved;
  - (b) The risk assessment, materiality and importance of the subject matter; and
  - (c) A comparison of the Expertise available within the team with the Expertise required to execute the technical procedures.

- 3.2 Professional shall seek the authority to select, appoint and engage the Expert. Where this authority does not rest with the Professional, then they shall conduct procedures to validate the independence and objectivity of the Expert and share any concerns highlighted with those who appoint the Expert. (refer Para 4.1)
- 3.3 The Professional shall conduct an independent evaluation of the qualifications and credentials of the Expert. (refer Para 4.2)
- 3.4 Where the findings of the Expert will form part of the FAI report to be issued by the Professional, the Professional shall participate in defining the scope and expected deliverables for the work to be conducted by the Expert. (refer Para 4.3).
- 3.5 The Professional shall perform a general evaluation of the work completed by the Expert to ensure that the work undertaken follows a process and constitutes appropriate and reliable evidence to support the overall conclusions to be reported. (refer Para 4.4).
- 3.6 The Professional shall retain ultimate responsibility for assignment conclusions and opinions which are incorporated in the FAI report. The report issued by the Professional should clearly state the role of the Expert and reliance placed on the work (if any) carried out by the Expert.

## **4 Explanatory Comments**

- 4.1. **Independence and Objectivity of the Expert (refer Para 3.2):** The Professional should conduct procedures to assess the ability of the Expert to function in an independent and objective manner, such as the following:
  - (a) The Appointing and Supervisory Authority: Where the authority to appoint and supervise the Expert rests with someone other than the Professional, the outcome of the Expert's work may be influenced by such authority.
  - (b) Relationship of Expert: Where there is any relationship of the Expert with the entity or person (s) subject to scrutiny, especially with those who have some role in the subject matter being investigated, the objectivity of the Expert may get compromised.
  - (c) Personal Interests: Where the Expert has any personal, financial or organizational conflict of interests with the entity or person (s) who are subject to scrutiny (such as significant portion of their income is derived from the company), it may prevent the rendering of an unbiased and impartial report.
- 4.2. **Qualifications and Credentials of the Expert (refer Para 3.3):** The Professional shall independently validate the qualification and credentials of the Expert, with procedures, such as the following:

- (a) Confirmation of educational and professional qualifications and membership of professional bodies;
- (b) Background and reference checks of the experience and/or reputation of the Expert;
- (c) Self-Certification by the Expert regarding their qualifications, Expertise, any conflict of interest or any pending disciplinary actions.

**4.3. Defining the Scope and expected deliverables of the Expert (refer Para 3.4):**

Where the Professional plans to incorporate the findings of the work of the Expert as part of the FAI Report, the Professional shall participate in defining the scope and expected deliverables, as follows (indicative list):

- (a) Define the objective of the activity to be performed by an Expert;
- (b) Identify the subject matter to be performed, especially what is included or excluded;
- (c) Define any specific requirements or limitations of the work to be undertaken;
- (d) Defined expected deliverables from the work of an Expert;
- (e) Define the terms of reference specifying the liability and responsibility for the work performed by the Expert.

**4.4. Evaluating the Work of an Expert (refer Para 3.5):** During and after completion of the work by the Expert, the Professional shall conduct an overall evaluation of the process followed and the outcome of the findings of the Expert to make a determination of the quality of the work performed and to validate the reliability of the findings, as follows:

- (a) A review of the process, report and findings, to confirm that adequate procedures and methods are applied by an Expert which are generally applied to conduct such activity;
- (b) Any scope limitations or other hurdles faced in completing the assignment, such as missing information or access limitations etc. which can affect the level of reliance to be placed.

## **5 Documentation for Compliance**

- 5.1 Engagement Agreement with the Expert should be in place to capture the scope and objective of engaging an expert. For instance, it may state that the Expert shall be deployed to cover specific aspects such as Electronic evidence

gathering, Cyber security, Valuation, Voice sampling, Signature verification, or interpret an observation or evidence from legal point of view etc. and that the Professional shall rely on the work of the Expert only for this specific aspect.

- 5.2 Other documentation to be maintained would be in the nature of Details of procedures conducted to:
- (a) validate the requirements of an Expert.
  - (b) validate the Independence and Objectivity of the Expert.
  - (c) verify qualification and credentials of Expert.
  - (d) defined scope and expected deliverables of the work of an Expert.
  - (e) evaluate the quality and reliability of work completed.

## **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).