Forensic Audit Report

by CA. Gopal Singh Negi

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Thane : FAFD Batch
Audit Report

We are used to make Audit Report

1. The Companies Act : Audit Report : Latest Change (Guidance note on Reporting on Fraud u/s 143(12) of Companies Act 2013 + Format of Financials changed
2. Tax Audit Report : Last year Change
4. Annual Performance Report : RBI

**Similarity : -**

1. Guidelines
2. Ceiling
3. Standard Format
4. Reporting to pre decided with time line : APR / TAR / Company Audit
5. Governing Body
6. Concept of materiality
Before we go ahead: Let's Recap earlier session and link them.

Day -1 Session -3: Characteristics of Forensic Auditors

1. Suspicion: Bloodhounds not watchdog.
2. Curiosity: to know more and in details: beyond certificate/documents.
3. Observation: remember unusual things & co-relate: manner/posture.
4. Memory: to remember past facts.
5. Human nature: behavioral finance/psychology.
6. Unbiased: Most important- impurity- wheel of ignorance—distraction (3 important words)

Unbiased  Curiosity  Observe  Suspicion
Before we go ahead: Let’s Recap earlier session and link them

Tools of Forensic Auditing:
1. Benford’s Law
2. RSF (Relative Size Factor)
3. CAAT
4. Data mining techniques
5. Big Data
6. Ratio Analysis

Interview Techniques:
Tone / Eyes / Legs / Words / emotional distress

Electronic Record:
1. Sec 4 of Information Technology Act 200- legal recognition of Electronic record: Mahindra Sharma Vs state
2. Email as evidence: Mr. P R Transport Agency
3. Computer Print out Admissible
4. I P Address as Evidence
5. Call data record as evidence
6. Social Profiling: Face book, Instagram, LinkedIn etc

11/05/2015
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Used in many cases to Prove link Between Suspects

Advanced Email Analytics

- Keyword Search
- Fact Search
  - Find data based on time, file type, user-defined tags, and more
- Values for selected facet
  - With a preview of relevant results
- Your Sources
  - Work with several sources at once

Relationship analysis

- Selections
  - Show the part of your search query
- Cluster connected to multiple result sets
- Cluster with 286 items
- Cluster maps
  - Gives structured insight in the result of your search
- Details Panel
  - A conventional list-view of your results

Analysis Chart

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Latest Case: Please Refer Fraud Prevention Session: World on net

MIRAKLE INITIATIVE LTD - FRAUD AND NOT GIVEN SALARY TO 200 EMPLOYEES SINCE LAST 5 MONTHS

rajat@38 on Apr 13, 2015

Respected Sir/Madam, This is to bring in your kind knowledge that M/s MIRAKLE INITIATIVES LTD. (CIN: U74900MH2014PLC259891) has no proper funding and has not paid salaries/dues to 119 on roll employees since Dec.2014. They do not have any office at their registered address of Kalyan (Thane). They are playing with career and lives of 119 employees & doing suspicious activities. Details of all Directors/Investors are as follows,

DIN/PIN NAMES DESIGNATION DATE 03095719 AUMESH SRINIVAS NAYAK DIRECTOR 2/12/2012 06926343 ANAND VENKATESAN IYER MANAGING DIRECTOR 2/12/2014 06959601 MOHD.YUSUF MOHIDDIN SHAH DIRECTOR 2/12/2014 AAGPI4418L ANAND VENKATESAN IYER CEO 2/12/2014 Registered Address: MIRAKLE INITIATIVES LIMITED, 304, BUILDING NO.4, SARVODAY GARDEN, VALIPEER ROAD, NEAR BHANUSAGAR TALKIES, KALYAN D.C., MUMBAI THANE, 421301, MAHARASHTRA. • NOT PAID SALARIES SINCE DEC.2014. • NOT DEPOSITED EVEN SINGLE RUPEE IN EMPLOYEE PF ACCOUNT. • NOT EVEN HAVING ANY PF ACCOUNT OF COMPANY. • NONE OF THE EMPLOYEES ARE COVERED UNDER ANY MEDICAL FACILITIES LIKE ESI OR ANY HEALTH INSURANCE. • NOT HAVING ANY CAPITAL OR FUNDS TO PAY VENDORS/EMPLOYEES DUES/OFFICE RENT (VASHI OFFICE)/OTHER EXPENSES. • ALL COMPANY BANK ACCOUNTS ARE HAVING ZERO AMOUNT AS BALANCE, MEANS NO WORKING CAPITAL. • EMPLOYEES WHO LEFT ARE GIVEN BONUS /FRAUD CHEQUES. • ALL CHEQUES GIVEN TO VENDORS/EMPLOYEES ARE BOUNCING. • NONE OF THE EMPLOYEE GOT SALARY OF ONE COMPLETE MONTH TILL DATE. • DO NOT HAVE ANY OFFICE AT ABOVE MENTION REGISTRED OFFICE ADDRESS. Request you to investigate & and HELP ALL EMPLOYEES & SAVE THEIR LIVES.

Thanks & Regards, Yogesh Sharma M-9223381330

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11/05/2015
Knowledge base:

Legal case:
1. www.lawyersclubindia.com
2. www.indiakanoon.org
3. www.legal360.in
4. www.legalpandit.com

International:
1. CFE website
2. AICPA: American Institute of Certified Public Accountants
3. IIA: The Institute of Internal Auditors

Articles:

ICAI Magazine:
1. April 2007: Preventing Financial Fraud
2. Feb 2010: Forensic Accounting Process & Scope
3. Nov 2014: 5 Articles

Other Sources Material

Books:
1. Fraud 101: Stephen Pednealut
2. Occupational Fraud: Mayur Joshi
Features of it:

1. Aims at legal determination of whether fraud has actually occurred, in the process.

2. It also aims at naming the person(s) involved with a view to take legal action.

3. 100% coverage ..... Here opinion is not formed.

4. The focus of concentration is on crimes and anomalies as well as their detection and unraveling. This includes any indications of fraud presented by errors and deviations, since the main objective is to gather evidence for litigation purposes. The forensic accountant’s scope of responsibility is broader because it includes public interests.
Who can do it:
Any person having knowledge of Forensic

Normally:
FAFD – ICAI
CFAP
CFE – ACFE
There is no guideline from EOW on it but they ask FAFD Certificate.

Governing Body in India: No Governing Body in India
that reason no Standard Format of Reporting Exist


Confidential: only client or Court ::: can be counter challenge

Tax Audit Report / Company Audit Report: Available
**Current Status**: 90% Work done by Big 4, reason is team size and equipment

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Don’t Loose Heart

CA. 'Chetan Dalal : Legend in this field

CA. Anand P Jangind

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**We Can make difference :: matter how we proceed !!!**
Recent Opportunities

SBI - Notification

Limit of 100 Cr and metro city office has been removed

Be Caution ::
CMA also allowed to do it.
Format: No standard Format of reporting.

Legal language: Each word and line is important:
Case of geometry software company pune in India.
IPR -
Court Proceedings took long time: 3 years +
At last proof:
Criminal:

It is not easy to write Forensic Audit Report, when each word has its legal implications. The selection/choice of each word for each specific areas of the Report is crucial and needs extreme professional care and caution. It depends upon the expertise and drafting skill of the Auditor. Years of experience, legal bent of mind and total control over language in English will help the Auditor to carefully draft the report.

Litigation Support Service: is best
For Example ::

Difference between: **Annexed Vs Attached / Exhibits**

Auditor has to take responsibility of the usage of word “Annexed” in the Main Report. It implies that any statement annexed along with Main Report is a part and parcel of the Main report

Auditor may not take responsibilities of the Exhibit, which is attached with the Main report. It may be the additional source of evidence and gives strength to the observations made in the Main Report

One should know that his Report might axed somebody’s job or might be instrumental to put accused behind the bars.

The Report might be challenged in the Court and as a consequence legal implications may not be avoided
Do’s & Don’ts

Usage Restriction Clause, Liability Exclusion Clause can be intelligently incorporated in the specific areas of the Covering Letter / Report

Confession Statement
“Notwithstanding the confessional statement made by the perpetrator (mention the name) and in no way limiting our investigating procedures by the contents of such confession and in accordance with the directions given in the appointment letter, we have carried out detailed investigation to unearth the fraudulent transactions and total quantum involved in the same

Do not try to be extravagant in reporting something where sufficient evidences have not been obtained to support your observations /remarks – leave some hint for further investigation..... Cases

Give Report only to the Appointing Authority and any other authorized positions mentioned in the terms of appointment. Keeping in mind that this report is subject to audit and can be used by the person or group persons to whom the charge is made
Do’s & Don’ts

Do not use the **Client’s computers to write the report**. If used then, delete the file after completion. Get adequate back up in any format suitable to you. It is better to use own laptop provided by your organization for writing report.

Do not save in the hard disk of the client’s computer. If saved, delete file after taking printouts and make sure that the same is not retrieval: **Note- Data can retrieve even from damage hard disk**

Don’t work on **client data**, make sure proper image of data / back up has taken. Means complete transaction can be repeated if required.
Content of Forensic Audit Report: Note - No set format

1. Covering letter: Usages Restriction clause can be mentioned here according to the situation demands and to avoid further legal complications. See the example mentioned above. Brief Outlining the highlighted points of Report annexed

Use: Index if report is long.

Contents

- Acronyms and Abbreviations ................................................................. 4
- Executive Summary .............................................................................. 5
- Background .......................................................................................... 8
- Allegations and INT’s initial assessment .............................................. 10
- Scope ...................................................................................................... 12
  - Suspected Fraudulent Expenditures (SFEs) ........................................ 13
  - Questionable Expenditure (Q) ............................................................ 13
- Methodology ......................................................................................... 15
- Other audit work and procedures ......................................................... 17
- PART I – Overview of Transactions Reviewed and Findings .............. 19
  - Detailed findings by project categories ........................................... 24
- PART II – Non-Transactional Issues and Findings ............................ 26
2. Main Report
   a) Introduction / Background: Brief fact of cases, name of both parties, business or work.
      Why Forensic Audit required.
   b) Outlining the Terms of Reference of Appointment Letter - Redraft the Terms of Reference
      if the Scope of work has been enlarged / reduced in the course of Investigation
   c) Methodology of Reporting / Reporting Pattern:
      * Areas Covered – Extent of checking: Bone of discontent:
      * Period covered. Depends ...not fixed....

Use: Acronyms & Abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIE</td>
<td>Authorisation to Incur Expenditure</td>
</tr>
<tr>
<td>ALRMP</td>
<td>Arid Lands Resource Management Project</td>
</tr>
<tr>
<td>ALRMP II</td>
<td>Arid Lands Resource Management Project – Phase II</td>
</tr>
<tr>
<td>ATM</td>
<td>Automatic Teller Machine</td>
</tr>
<tr>
<td>CBI</td>
<td>Confidential Business Information</td>
</tr>
<tr>
<td>CDC</td>
<td>Community Development Committee</td>
</tr>
<tr>
<td>CDD</td>
<td>Community Driven Development</td>
</tr>
<tr>
<td>COF</td>
<td>Constitutional Development Fund</td>
</tr>
<tr>
<td>DCA</td>
<td>Development Credit Agreement</td>
</tr>
<tr>
<td>DMI</td>
<td>Drought Management Initiative</td>
</tr>
<tr>
<td>DMO</td>
<td>Drought Management Officer</td>
</tr>
<tr>
<td>DSG</td>
<td>District Steering Group</td>
</tr>
<tr>
<td>FDRP</td>
<td>Emergency Drought Recovery Project</td>
</tr>
</tbody>
</table>
* Specific functions areas covered
* % Of total records checked

* Bedford's Law
  • RSF (Relative Size Factor) = largest / 2\textsuperscript{nd} largest

* Use of software: ACL / Idea / encase

* Forensic Duplicator: offer hard drive imaging with no compromises. In addition to being fast and reliable, our duplicators are easy to use
  Different models: like TD2u, TD3, TD2

* Disk Imaging
d) Auditing Techniques Adopted in the Investigation :: Carefully narrate this area – do no elaborate much. If forensic auditing techniques had not been adopted then mention it also.

This will be an example of the Liability Exclusion Clause. Mention apart from general audit techniques, what other specific audit techniques had been adopted.

Mention the positions with whom you have carried out the discussions and other interviewing.

Some Times: Hello Mr. X, I am CA. XXXXXX. Mr. Y approached me to see how things can be amicably settled between Y and Z. SMS/mail need to quote.

Skills of Interview is very important. Lets have video on this.

If any interrogation had been carried out the mention it in suitable context. Mention the Confession documents if any. Also mention that it is no way limiting your scope of work and extent of checking.

Make your case strong :
Don’t mention the source of acquiring evidences, till its compulsory to do it.

Grape wine is source of information but **no conclusive evidence**

Try to have public and authentic data

**Source:** -
1. MCA
2. Income Tax papers
3. Registrar office documents
4. Laboratory report

**Sherlock Holmes** : most famous forensic Chemist

Think ahead of 2\textsuperscript{nd} Party / 3\textsuperscript{rd} Party.

**Very Important:** Cross Question can be on your report
e) Books and records / documents reviewed / examined:
   Basis of reporting. Narrate with reference to manual and computerized records.
   External documents / evidences, if any: 3rd Party: Bank statements etc

f) Detailed Observations in each area of work under following heads:

   I) Modus Operandi of Fraud: Common Term
      (Try to relate with other Modus Operandi): Here data bank help. It develop after many years of Experience in this field

      Try to highlight the approximate starting time of fraudulent activities.

      Please specify: Period of fraudulent activities

   II) Nature of Fraud

      Narrate the internal as well as external collusion if any

      Bank Fraud:
      Dena Bank (*Malabar hill branch*) - Rs. 256 Cr approx
      OBC - Rs. 180 Cr approx
III) Quantum Involved
Observations should be supported with Annexure and Other Evidences as Exhibits ::: No guess and un quantified Amount

<table>
<thead>
<tr>
<th>Bank Account</th>
<th>Transfers In</th>
<th>Transfers Out</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOA 201 – Special Revenues</td>
<td>$1,183,992.19</td>
<td>$53,047,664.13</td>
</tr>
<tr>
<td>BOA 203 – Title I</td>
<td>$1,385,706.48</td>
<td>$49,287,326.74</td>
</tr>
<tr>
<td>BOA 410 –</td>
<td>$0.00</td>
<td>$87,278.80</td>
</tr>
<tr>
<td>BOA 421 - Capital Outlay SPLOST III</td>
<td>$8,831,714.73</td>
<td>$26.00</td>
</tr>
<tr>
<td>BOA 607</td>
<td>$0.00</td>
<td>$1,156.00</td>
</tr>
<tr>
<td>BOA 621</td>
<td>$0.00</td>
<td>$113,885.12</td>
</tr>
<tr>
<td>BOA 622 - Food Services</td>
<td>$3,739,347.57</td>
<td>$37,040,912.79</td>
</tr>
<tr>
<td>BOA 627 – Warehouse Service</td>
<td>$37,216.79</td>
<td>$0.00</td>
</tr>
<tr>
<td>BOA 702 - Employee Alternative Benefits</td>
<td>$238,749.83</td>
<td>$7,664,486.47</td>
</tr>
<tr>
<td>BOA 726 –</td>
<td>$0.00</td>
<td>$300,000.00</td>
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<tr>
<td>BOA Market Investment</td>
<td>$283,182,470.80</td>
<td>$315,361,125.00</td>
</tr>
<tr>
<td>BOA Voucher Acct.</td>
<td>$3,717.61</td>
<td>$0.00</td>
</tr>
<tr>
<td>Concentration Account</td>
<td>$5,327.59</td>
<td>$572,087,054.40</td>
</tr>
<tr>
<td>Total</td>
<td>$298,608,243.59</td>
<td>$1,034,990,915.45</td>
</tr>
</tbody>
</table>

11/05/2015
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### INT FINDINGS: SUSPECTED FRAUDULENT EXPENDITURES

<table>
<thead>
<tr>
<th>KSH 000s</th>
<th>Q</th>
<th>#</th>
<th>SFE</th>
<th>#</th>
<th>Total Q + SFE</th>
<th>#</th>
<th>FMR Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Garissa</td>
<td>11,662</td>
<td>220</td>
<td>33,190</td>
<td>230</td>
<td>44,852</td>
<td>450</td>
<td>67,846</td>
</tr>
<tr>
<td>Isiolo</td>
<td>14,962</td>
<td>94</td>
<td>23,852</td>
<td>99</td>
<td>38,814</td>
<td>193</td>
<td>61,204</td>
</tr>
<tr>
<td>Kajiado</td>
<td>1,468</td>
<td>31</td>
<td>5,768</td>
<td>50</td>
<td>7,236</td>
<td>81</td>
<td>22,021</td>
</tr>
<tr>
<td>Nyeri</td>
<td>3,170</td>
<td>45</td>
<td>12,574</td>
<td>54</td>
<td>15,744</td>
<td>99</td>
<td>13,912</td>
</tr>
<tr>
<td>Samburu</td>
<td>9,431</td>
<td>114</td>
<td>17,310</td>
<td>81</td>
<td>26,741</td>
<td>195</td>
<td>52,311</td>
</tr>
<tr>
<td>Tana River</td>
<td>4,744</td>
<td>39</td>
<td>16,354</td>
<td>71</td>
<td>21,098</td>
<td>110</td>
<td>40,055</td>
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<tr>
<td>Wajir</td>
<td>9,437</td>
<td>123</td>
<td>59,358</td>
<td>187</td>
<td>68,795</td>
<td>310</td>
<td>89,403</td>
</tr>
<tr>
<td>Headquarters</td>
<td>19,289</td>
<td>64</td>
<td>17,680</td>
<td>39</td>
<td>36,969</td>
<td>103</td>
<td>84,784</td>
</tr>
<tr>
<td>Payroll</td>
<td>2,863</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,863</td>
<td>-</td>
<td>223,577</td>
</tr>
<tr>
<td>FY07/08</td>
<td>77,026</td>
<td>730</td>
<td>186,086</td>
<td>811</td>
<td>263,112</td>
<td>1,541</td>
<td>655,113</td>
</tr>
<tr>
<td>Garissa</td>
<td>4,498</td>
<td>124</td>
<td>27,432</td>
<td>147</td>
<td>31,930</td>
<td>271</td>
<td>55,848</td>
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<tr>
<td>Isiolo</td>
<td>10,108</td>
<td>122</td>
<td>39,091</td>
<td>218</td>
<td>49,199</td>
<td>340</td>
<td>57,313</td>
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<tr>
<td>Kajiado</td>
<td>9,307</td>
<td>40</td>
<td>9,421</td>
<td>86</td>
<td>18,728</td>
<td>126</td>
<td>21,299</td>
</tr>
<tr>
<td>Nyeri</td>
<td>1,310</td>
<td>43</td>
<td>7,100</td>
<td>39</td>
<td>8,410</td>
<td>82</td>
<td>20,459</td>
</tr>
<tr>
<td>Samburu</td>
<td>15,520</td>
<td>176</td>
<td>27,362</td>
<td>95</td>
<td>42,882</td>
<td>271</td>
<td>50,551</td>
</tr>
<tr>
<td>Tana River</td>
<td>7,792</td>
<td>55</td>
<td>8,643</td>
<td>60</td>
<td>16,435</td>
<td>96</td>
<td>44,681</td>
</tr>
<tr>
<td>Wajir</td>
<td>11,428</td>
<td>180</td>
<td>39,150</td>
<td>240</td>
<td>50,578</td>
<td>420</td>
<td>69,451</td>
</tr>
<tr>
<td>Headquarters</td>
<td>15,788</td>
<td>69</td>
<td>17,424</td>
<td>41</td>
<td>33,212</td>
<td>110</td>
<td>77,239</td>
</tr>
<tr>
<td>Payroll</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>176,769</td>
</tr>
<tr>
<td>FY06/07</td>
<td>75,751</td>
<td>810</td>
<td>175,623</td>
<td>906</td>
<td>251,374</td>
<td>1,716</td>
<td>573,610</td>
</tr>
<tr>
<td>TOTAL FY07 &amp; FY08</td>
<td>152,777</td>
<td>1,460</td>
<td>351,208</td>
<td>1,727</td>
<td>514,486</td>
<td>3,377</td>
<td>1,339,732</td>
</tr>
</tbody>
</table>
g) **Responsibility Fixation**: Direct Beneficiary and Indirect Beneficiary

Try to highlight the persons who have the direct and indirect involvement in the scheme of manipulation / fraud. **Carefully draft this area.**

Choice of word is crucial and has a legal impact

*(Image defamation case : u/s 499 of The Indian Penal Code)*

Accused is not Culprit till the time is prove. Having allegation / Charges is different

No of Cases running in Court. Its court power to decide.

Consult with Appointing Authority and Legal Counselor. The Legal Counselor may use the report in the court
If you data like this : your case will be strong

**ECONOMIC OFFENDERS INVOLVED IN ONE CASE.**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of Eco Offender</th>
<th>Parent</th>
<th>Address</th>
<th>FIR details</th>
<th>Section of EDW</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>SATNAM SINGH</td>
<td>SHEETAL SINGH SURI</td>
<td>E-54, NEW VIJAY NAGAR, SEC-8, GHAZIBAD, UP</td>
<td>770/95 Con. Place</td>
<td>IPR</td>
</tr>
<tr>
<td>2.</td>
<td>Amit Kumar</td>
<td>Ramesh Chaudhary</td>
<td>G-1, Street No 19, Brahmapuri Main Road, Sarada Park, Delhi</td>
<td>837/98 Con. Place</td>
<td>IPR</td>
</tr>
<tr>
<td>3.</td>
<td>Sushil Kr. Nagpal</td>
<td>R. S. Nagpal</td>
<td>WZ-143, New Mehrauli Nagar, Delhi</td>
<td>398/99 Con. Place</td>
<td>IPR</td>
</tr>
<tr>
<td>4.</td>
<td>Jitender Gulati</td>
<td>Prem Gulati</td>
<td>H No.-7, Hans Appt., East Arjun Nagar, Delhi</td>
<td>442/00 PS Darya Ganj</td>
<td>IPR</td>
</tr>
</tbody>
</table>

**OFFENDERS IN INVOLVED TWO CASES**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of Eco Offender</th>
<th>Parent</th>
<th>Address</th>
<th>FIR details</th>
<th>Section of EDW</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>H.L. SOIN</td>
<td></td>
<td>212 RAJ PUR ROAD, DEHRADUN</td>
<td>465/95 PS Kalkaji, 420/95 PS Chittaranjan Park</td>
<td>LSR</td>
</tr>
<tr>
<td>2.</td>
<td>DEEPAK BHARADWAJ</td>
<td>P.S. BHARADWAJ</td>
<td>B-6, Gitanjali, NEW DELHI</td>
<td>529/96 PS Vasant Kunj, 52/96 PS R K Pur</td>
<td>LSR</td>
</tr>
<tr>
<td>4.</td>
<td>SANGEETA KALRA</td>
<td>HARBANS LAL KALRA</td>
<td>A-215, SAROJINI NAGAR, DELHI</td>
<td>480/99 PS Hazis Khas &amp; 123/97 PS Hazis Khas</td>
<td>LSR</td>
</tr>
<tr>
<td>5.</td>
<td>SUDEHAR KALRA</td>
<td>HARBANS LAL KALRA</td>
<td>A-215, SAROJINI NAGAR, NEW DELHI</td>
<td>480/99 PS Hazis Khas &amp; 123/97 PS Hazis Khas</td>
<td>LSR</td>
</tr>
<tr>
<td>6.</td>
<td>RANDAN MEHTA</td>
<td>H.L. MEHTA</td>
<td>GG-II/27-C, VIKASPURI, NEW DELHI</td>
<td>321/99 PS Con. Place &amp; 97/98 PS Con Place</td>
<td>LSR</td>
</tr>
<tr>
<td>7.</td>
<td>P.K. PERUMAL</td>
<td>LATE SH SUBEDAR BAHADUR KALRA</td>
<td>PLOT NO. 8, GENERAL VAID COLONY, BIRJAR CAMP, AHMED NAGAR, CHENNAI</td>
<td>480/99 PS Kalkaji &amp; 85/198 PS Kalkaji</td>
<td>LSR</td>
</tr>
<tr>
<td>8.</td>
<td>P. MANENDRAN</td>
<td>P.K. PERUMAL</td>
<td>H.NO. 18 CANARA BANK COLONY, GANDHI NAGAR, CHENNAI</td>
<td>119/99 PS Kalkaji &amp; 85/198 PS Kalkaji</td>
<td>LSR</td>
</tr>
</tbody>
</table>
h) Determination of Total Quantum of Fraud and The Amount/ Further Amount to be recovered from the Perpetrator

* Summation of quantum of fraud for each area. Deduct the amount already recovered from the total quantum of fraud.
• Mention the mode of recovery if already made
• Most important:: Add your Fee

Mr. X should be asked to return Rs. XXXXXXX/- (Rupees XXXXX Only) + Interest loss @ 24% on Rs. XXXX plus Rs. XXXXXXX- for the cost this Forensic Report totaling to Rs. 1XXXXXXXX/- plus taxes as applicable on or before 20th May, 2015 to Mr. Y and additional interest and penalty for any delay in payments at 24% per annum

i) Suggestions - Possible Steps / Legal Steps to be taken by the Appointing Authority.
Do not suggest the Management to initiate criminal proceeding / sack / transfer of the persons involved in fraud. This is the duty of the appointing authority.
Action Plan for XXXXXXXXXXX
In case of failure, the copy of this report may also be submitted to the following authorities:

• File a copy of complaint along with my report to Dy. Director, Serious Fraud Investigation Officer, 2nd Floor, Paryavaran Bhawan, CGO Complex, Lodhi Road, New Delhi – 110003.
• File a Copy of Complaint with my Report with Jt. Commissioner of Police, Thane City, Commissioner Office, Opp. Talaw, Thane

• Other Authorities.. List can be long depending on case to case and area
Draft Report: Covering letter

November 8, 2012

Dr. Cheryl Atkinson

District
Sudal Boulevard
083

Dear Dr. Atkinson:

We have completed our forensic accounting and investigative services for DeKalb County School District (DCSD or District) as outlined in the May 15, 2012 Engagement Agreement. This report to you represents our final report with respect to our services.

The data included in this report was obtained from DCSD on or before November 8, 2012. We have no obligation to update our report or to revise the information contained therein to reflect events and transactions occurring subsequent to November 8, 2012.

This report is solely for your information and is not to be referred to in communications with or distributed for any other purpose to anyone who is not a member of management or the DeKalb County Board of Education.

Please contact Phil Ostwalt at 404-222-3327 or Sarah Jacobs at 404-222-7209 if you have any questions or comments. We look forward to working with you in the future.

11/05/2015

CA GOPAL SINGH NEGI
Limitations

Our engagement was performed under the Statements on Standards for issuing by the American Institute of Certified Public Accountants. We were not able to conduct an examination, the objective of which would be the expression of an opinion. Accordingly, we do not express such an opinion. Had we been able to conduct procedures, other matters might have come to our attention that would have affected our opinion.

The sufficiency of the procedures conducted by KMPG in connection with the responsibility of the DeKalb County School District. Consequently, representations regarding the sufficiency of the procedures either for the purpose for which they were engaged or for any other purpose.

The findings set forth herein were prepared by us on the basis that we were able to obtain information from DeKalb County School District concerning the above referred information included herein was obtained primarily from DeKalb County School District as of December 31, 2013. We have not obtained additional information.

Diagram helps: some time to explain your point
Background

The DCSD policy requires both capital and non-capital purchases and contracts equal to or greater than $50,000 be approved by the DeKalb County Board of Education. The amount was raised to $100,000 in February 2012.

Procedures

requested a listing of all purchase orders created in FY10 and FY11, as well as a listing of all requisitions and invoices for the same time period. created a database of all the purchase orders, invoices, and requisitions. For purposes of the analysis we removed blanket purchase and purchase orders below $50,000. analyzed the data to identify records with an invoice date prior to the purchase order date. This population of records indicates an invoice for goods and/or services was received prior to a purchase order being submitted or approved. was told that for certain categories of invoices (e.g. legal fees, lease payments, etc.) it was standard to create the purchase order after the invoice was received. Additionally was told that for services which require a contract (e.g., SPLOST III capital improvement) it was customary to create a purchase order after the invoice is received. worked with the District to identify the vendors who are subject to the above exceptions and remove them from the population of purchase orders created after the invoice date. From the remaining population of purchase orders, selected a sample of 15 records to test for whether or not appropriate approvals were obtained prior to issuance of the purchase order.

Observations

identified 676 records in which the invoice amount was equal to or greater than $50,000 and the invoice date preceded the purchase order date. The 676 records have a total value of $208,186,993.41.
### Appendix 1: Bank Statements Analyzed

<table>
<thead>
<tr>
<th>Bank</th>
<th>Correlating Fund</th>
<th>Account Number</th>
<th>Months Analyzed</th>
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</thead>
<tbody>
<tr>
<td>Bank of America</td>
<td>General Fund</td>
<td>000103703501</td>
<td>July 2010 – June 2011</td>
</tr>
<tr>
<td>Bank of America</td>
<td>Concentration</td>
<td>334010376523</td>
<td>July 2010 – June 2011</td>
</tr>
<tr>
<td>Bank of America</td>
<td>SPLOST III (Fund 421)</td>
<td>334010376424</td>
<td>July 2010 – June 2011</td>
</tr>
<tr>
<td>Bank of America</td>
<td>Special Revenues (Fund 201)</td>
<td>334010376341</td>
<td>July 2010 – June 2011</td>
</tr>
<tr>
<td>Bank of America</td>
<td>Title I (Fund 203)</td>
<td>334010376358</td>
<td>July 2010 – June 2011</td>
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<tr>
<td>Wachovia</td>
<td>Concentration</td>
<td>2000866690490</td>
<td>July 2010 – June 2011</td>
</tr>
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</table>
Length of Report

Again no standard :- depend on case to case basis + Exhibits

Some examples: -
1. KPMG : Forensic Audit Report to Dekalb Country School 31 pages
2. Baker Tilly : National Audit Office Malawi – 48 pages
3. Kenya Arid Land :  73 Pages
4. PWC : The Auditor-General for the Federation, Nigeria : 199 Pages
Please go through Applicable Laws & Section for Reports

Relevant Act :

1. Indian Penal Code 1860 ...Section 420/ Other section.
2. Criminal Procedure Code 1973
3. Indian Evidence Act 1872 ...... Imp Section 45
4. Indian Contract Act 1872 ... V imp : Fraud definition available here only before Companies Act 2013 (Sec 17)
5. The Negotiable Instrument Act 1881 .. Imp Section 138
7. The Banker Evidence Act : When statement can be taken as evidence
8. Information Technology ACT,2000 : latest case of Sec 68
10. Foreign Corrupt Practice Act – US (imp for MNC – USA subsidiaries in India (FCPA) :
11. Sarbanes Oxley Act
12. UK Bribery Act 2010
13. THE LIMITATION ACT,1963
List of Nodal Agencies (Cyber Crime Cell/Economic Offences Wing) for Filing Complaint

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Regional Office</th>
<th>Name / Address</th>
<th>Mobile No.</th>
<th>Telephone No.</th>
<th>Fax No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Agartala (Tripura)</td>
<td>Shri Soumitra Dhar, Superintendent of Police (CID) A.D. Nagar (Arundhati Nagar) Agartala 799 003 <a href="mailto:spcid-tri@nic.in">spcid-tri@nic.in</a></td>
<td>09436123828</td>
<td>0381-2376963</td>
<td>0381-2376979</td>
</tr>
<tr>
<td>3</td>
<td>Arunachal Pradesh</td>
<td>Shri Anil Shukla, IPS, DIG-Crime, Police Head Quarters, Government of Arunachal</td>
<td></td>
<td>0360-2291065</td>
<td>2212576</td>
</tr>
</tbody>
</table>
Empanelment of CA Firms with Serious Fraud Investigation Office (SFIO) - (23-02-2009)

Serious Fraud Investigation Office has invited applications from Chartered Accountants empanelled with the office of C&AG and who may like to be associated with SFIO for carrying out forensic examination of records of companies ordered for investigation by the government.

Serious Fraud Investigation Office, Ministry of Corporate Affairs intends to outsource certain Forensic Audit services in cases under investigation. The interested firms' individuals empanelled with the CAG office or the Cost Auditing firms with expertise in forensic investigation field may apply immediately furnishing therewith, their expertise in the area of Forensic Accounting and audit including Cyber Forensics, the software that will be used and details of any Government/Public Sector or other undertaking where their services had been used. The interested firm shall be paid at the rate of Rs. 5000/- per day, for a team consisting of at least five individuals, with service tax and government dues extra.

Those interested may write at the following address:

Director
Serious Fraud Investigation Office (SFIO)
Paryavaran Bhawan
2nd Floor, CGO Complex
Lodhi Road
New Delhi- 110 003

For any query please send email on the following emailid:
sitaras.sfio@nic.in
Are we willing to catch these opportunities

<table>
<thead>
<tr>
<th>S/N</th>
<th>Name of Company</th>
<th>Co. Law</th>
<th>IPC</th>
<th>Total</th>
<th>Place</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Daewoo Motors India Ltd.</td>
<td>21</td>
<td>02</td>
<td>23</td>
<td>Delhi</td>
</tr>
<tr>
<td>2</td>
<td>Design Auto Systems Ltd.</td>
<td>11</td>
<td>02</td>
<td>13</td>
<td>Indore</td>
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<tr>
<td>3</td>
<td>Bonanza Biotech Ltd</td>
<td>16</td>
<td>01</td>
<td>17</td>
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<td>4</td>
<td>Vatsa Corporation Ltd.</td>
<td>106</td>
<td>08</td>
<td>114</td>
<td>Mumbai</td>
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<td>5</td>
<td>Mardia Chemicals Ltd.</td>
<td>21</td>
<td>02</td>
<td>23</td>
<td>Ahmedabad</td>
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<tr>
<td>6</td>
<td>Soundcraft Industries Ltd.</td>
<td>35</td>
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<td>44</td>
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<td>9</td>
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<td>10</td>
<td>Usha India Ltd</td>
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<td>07</td>
<td>34</td>
<td>Lucknow, Sultanpur</td>
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<td>11</td>
<td>Malvika Steels Ltd</td>
<td>27</td>
<td>06</td>
<td>33</td>
<td>Lucknow, Sultanpur</td>
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<tr>
<td>12</td>
<td>Koshika Telecom Ltd</td>
<td>39</td>
<td>03</td>
<td>42</td>
<td>Delhi</td>
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<td>13</td>
<td>Chitrakoot Computers</td>
<td>14</td>
<td>02</td>
<td>16</td>
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<td>14</td>
<td>Classic Credit Ltd</td>
<td>05</td>
<td>01</td>
<td>06</td>
<td>Kolkata</td>
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<td>15</td>
<td>Classic Shares &amp; Stock Broking Services Ltd</td>
<td>09</td>
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<td>09</td>
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<tr>
<td>16</td>
<td>Goldfish Computer P Ltd</td>
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<td>24</td>
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<tr>
<td>17</td>
<td>KNP Securities Pvt Ltd</td>
<td>15</td>
<td>--</td>
<td>15</td>
<td>Mumbai</td>
</tr>
<tr>
<td>18</td>
<td>Luminant Investrade P Ltd</td>
<td>11</td>
<td>--</td>
<td>11</td>
<td>Mumbai</td>
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<tr>
<td>19</td>
<td>Manmandir Estate Dev.</td>
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<td>03</td>
<td>Mumbai</td>
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<td>20</td>
<td>N H Securities Ltd</td>
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<td>21</td>
<td>Panther Fincap and Management Services Ltd</td>
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<tr>
<td>22</td>
<td>Panther Industrial Products Ltd</td>
<td>25</td>
<td>02</td>
<td>25</td>
<td>Mumbai</td>
</tr>
</tbody>
</table>
All The BEST : FAFD 28th Batch : Thane - Mumbai
Its my Privilege to Share some Fact

GOPAL.FORENSIC@GMAIL.COM

11/05/2015

CA GOPAL SINGH NEGI