OFFICE OF THE ACCOUNTANT GENERAL (AUDIT-II), KERALA, THIRUVANANTHAPURAM

No. AG(Au-II)/APCC/1-11/2026-27/
Date:20-07-2026

CIRCULAR NO. 21

Sub: Verification of Government Deposits/Investments with Banks – Preventive measures in the light of the IDFC FIRST Bank fraud involving fake Fixed Deposit Receipts (FDRs) - Instructions - Reg.

Ref: Headquarters letter dated 22.05.2026

Headquarters has forwarded directions regarding the reported fraud involving issuance of fake Fixed Deposit Receipts (FDRs) amounting to ₹645 crore to Government Departments/Boards by the IDFC FIRST Bank, Chandigarh Branch. (copy enclosed). The fraud has highlighted serious deficiencies in the verification, reconciliation and monitoring mechanisms relating to Government deposits and investments maintained with banks.

In this context, all field audit parties are requested to accord due attention to the audit of Government deposits, Fixed Deposit Receipts and other investments maintained by Government Departments, SPSUs and Autonomous Bodies, under audit.

During the course of audit, the following aspects may, inter alia, be examined:

- Verify whether Government deposits and investments are maintained only with authorised banks/institutions in accordance with the applicable Government orders and rules.
- Examine whether investments are supported only by physical FDRs or whether independent confirmation from the concerned bank has been obtained through official channels.
- Verify whether periodic reconciliation is carried out between departmental records, treasury records (where applicable) and bank confirmations.
- Scrutinise whether interest receipts are consistent with the amount and tenure of investments recorded in the books of accounts.
- Examine whether matured deposits have been properly accounted for and renewed or encashed as required.
- Examine whether adequate internal controls exist with regard to sanction of investments, custody of FDRs/documents, accounting, reconciliation and periodic verification.
- Examine whether there is proper segregation of duties and whether Internal Audit Wings conduct periodic verification of deposits and investments.

If any instance of operational or systemic deficiency, suspected fraud or significant control weakness is noticed during audit scrutiny, the same shall be specifically brought out in the Inspection Report and also reported to Headquarters through the concerned Group Officer without delay, along with suitable recommendations for corrective and preventive action.

All Field Audit Parties shall ensure compliance with the above instructions while conducting audits involving Government deposits and investments maintained with banks. A compliance statement regarding the verification of Fixed Deposit Receipts (FDRs) and Government deposits and investments maintained with banks shall also be uploaded in OIOS at the time of submitting the Inspection Report (IR) to the IR Vetting Section.

(Vide orders of Accountant General dated 20-07-2026)

Digitally signed by
ANISH D
Date: 20-07-2026
18:36:46

Senior Deputy Accountant General (Admin &AMG I)

Copy to: 1. Sr. Deputy Accountant General/ AMG I, AMG II, AMG III

2. Secretary to Accountant General

3. Sr. Audit Officer/ AMG I, AMG II, AMG III, Field Parties

Sr. DAG (Admn. & AMG-I)

APC

Inputs Requested in respect of ₹645 crore IDFC Bank fraud scam involving issuance of fake FDRs to Government Departments- Reg

AG Audit II Kerala < agaukerala2@cag.gov.in >

Akanksha < coordination_sr_caghq@cag.gov.in >

Fri, 22 May 2026 11:00:33 AM +0530

To "PAG AUDIT I CHENNAI"<agautamilnadu1@cag.gov.in>,"AG Audit II TN And PY, Chennai"<agautamilnadu2@cag.gov.in>,"PAG Audit I" <agaukarnataka1@cag.gov.in>,"AG Audit II Bengaluru" <agaukarnataka2@cag.gov.in>,"AG Audit I Kerala"<agaukerala1@cag.gov.in>,"AG Audit II Kerala"<agaukerala2@cag.gov.in>

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Sir/Madam,

I am directed to forward herewith a copy of the communication received from the Synchronisation Wing (copy enclosed) regarding the ₹645 crore IDFC Bank fraud scam involving issuance of fake FDRs to Government Departments.

As mentioned in the said letter, in order to facilitate formulation of appropriate recommendations to the concerned Departments and to support deliberations with the GA Wing during workshops, all Field Audit Offices may kindly examine the matter and furnish suitable corrective and preventive measures, particularly with regard to verification, reconciliation and monitoring mechanisms relating to Government deposits and investments maintained with banks. Suggestions, if any, for strengthening internal controls and coordination mechanisms among Government Departments, Treasuries and Banks may also be furnished, wherever considered necessary during audit scrutiny.

Further, instances of similar operational or systemic deficiencies noticed across Departments/Bodies/Authorities/Boards/Institutions during the course of audit scrutiny may also be forwarded. It is requested that the offices may please furnish the requisite inputs as detailed in the enclosed letter to the Southern Region Headquarters by 28th May 2026 to enable timely compilation and onward submission to the Synchronisation Wing.

Thanks and Regards,

Akanksha

AAO/Coordinatiom

O/o CAG of India- Southern Region

On time pl

22/08

म.ले.(लेखापरीक्षा-II) सचिवालय
AG(Audit-II) Secretariat
आवक/ Inward No: CAG-282
दिनांक /Date: 22/5/2026

22/08 SrAO/APC

SrDAG (A&AMGI) CAG 247/22/5

1 Attachment(s)

Forwarding Letter-RS wings-ID…

1 MB

भारत के नियंत्रक एवं महालेखा परीक्षक का कार्यालय
९, दीन दयाल उपाध्याय मार्ग,
नई दिल्ली-110124

SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

OFFICE OF THE COMPTROLLER &
AUDITOR GENERAL OF INDIA
9, DEENDAYAL UPADHYAYA MARG,
NEW DELHI - 110 124

SYNCHRONIZATION WING

Sub/विषय: Rs 645 Crores IDFC Bank fraud scam by issuing fake FDRs to Government Department-reg

Madam/Sir,

The Enforcement Directorate (ED) inquiry into IDFC FIRST Bank, Chandigarh Branch, submitted to Panchkula Court, has revealed a serious financial breach involving fraudulent Fixed Deposit Receipts (FDRs) issued to eleven Government Departments/Boards. The fraud, amounting to Rs. 645 Crores, has been reported in various media sources.

It was observed that the Branch Manager of the aforesaid branch, allegedly acting in collusion with certain private entities, diverted public funds intended for fixed deposits into shell companies and benami accounts operated through family members and associates of the accused persons, while simultaneously issuing fake/non-genuine FDRs to the concerned Departments. This came to light when the concerned Government of Haryana Department attempted closure of the deposits and it was found that no corresponding records of such FDRs existed in the bank's official system, thereby indicating serious deficiencies in verification, reconciliation mechanisms.

In view of the above, effective coordination is required between Accounts and Audit Offices to prevent recurrence of similar incidents. For providing appropriate recommendations to the concerned departments and to support deliberations with the GA Wing during workshops, field offices may be requested to examine and suggest suitable corrective and preventive measures, particularly in respect of verification, reconciliation and monitoring mechanisms relating to Government deposits and investments maintained with banks. Suggestions may also be furnished regarding strengthening of internal controls and coordination mechanisms between Government Departments, Treasuries and Banks, wherever considered necessary during audit scrutiny.

Further, field audit offices may also examine whether suitable training or capacity-building measures for Accounts and Finance Officers of Government Departments may be recommended in areas such as verification of deposit instruments, reconciliation procedures, fraud indicators and internal control practices relating to management of Government funds and deposits.

It is further suggested that instances of similar operational or systemic deficiencies, as well as good practices, if noticed during the course of audit scrutiny, may be submitted by **30th May 2026 to the Synchronisation wing** along with the suggestions, so that these may taken up for discussion and subsequent circulation to the concerned field offices and Accounts offices.

Shah 19/5/2026

Jaydeep Shah
Director General (NR-II & Synchronization)

To: DG/PD of RS wings

No.182/49/Sync/SRS/2025 Dated: 19.05.2026