



# Internal Audit, External Audit (CAG) & Frauds

**Chanda Pandit, IAAS**

Principal Accountant General (A&E), Telangana

**Dr. Sanjay Kamineni, IAAS**

Sr. Dy. AG (Audit) & Director, CoEFA



# Structure of Session

- Internal Audit
- External Audit by CAG
- IA v EA v Vigilance v Police
- Fraud
- Fraud v Corruption
- Case Studies
- Strengthening the Internal Audit
- Summary

# Why This Topic Is Critical for Government Systems

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**Complex Procurement & Contract Management**

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**High-value Infrastructure** spending

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**Weak Internal Controls** in Many Ministries/Departments

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**Fraud & Corruption** in Public Procurement, Works, Grants & DBT

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**Rising Expectations** of Transparency, Compliance & Accountability

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**Recurring CAG findings** across years

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**CAG Reports repeatedly state:**

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“Internal controls remained weak, increasing the risk of fraud and misappropriation.”

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# Three Lines of Defence

1

## FIRST LINE — MANAGEMENT

- Responsible for Controls
- Own Processes, Transactions & Risk Management
- Must enforce compliance with GFR/DFPR/Procurement Norms

2

## SECOND LINE — INTERNAL AUDIT

- Independent & Objective Assurance
- Evaluates Risk Management, Controls
- Ensure Compliance with Rules/Norms
- Detects Irregularities Early
- Advises on Process Improvement

3

## THIRD LINE — EXTERNAL AUDIT CAG

- Constitutional Authority under Articles 148–151
- Examines Compliance, Performance, and Financial Integrity
- Provides Assurance to Legislatures & Public through its Audit Reports

# Internal Audit: Definition

## Institute of Internal Auditors (IIA) Definition:

**Internal auditing** is an **independent, objective assurance and consulting activity** designed to **add value** and **improve** an **organization's operations**.

It **helps** an **organization** **accomplish** its **objectives** by bringing a **systematic, disciplined approach** to **evaluate** and **improve** the **effectiveness** of **risk management, control, and governance processes**.

# ***IA's Role in Governance, not Policing***

- IA strengthens systems — it doesn't punish people
- IA assures management — not prosecute staff
- IA focuses on prevention — not punishment
- IA is advisory + assurance — not investigative
- IA's role is to add value — not catch mistakes
- **IA evaluates governance processes**

***Internal Audit supports management by strengthening governance systems and controls — it does **not** punish individuals or act as a policing/vigilance body.***

# EXTERNAL AUDIT BY CAG

## *Constitutional Mandate*

### CAG's Constitutional Mandate (Articles 148–151)

- **Article 148 — Appointment & Independence:** CAG appointed by President, Removal only like a Supreme Court Judge, Salary charged to Consolidated Fund of India
- **Article 149 — Duties & Powers:** Audit of Union & State accounts, Audit of Government Companies (DPC Act), Audit of authorities receiving government funds
- **Article 150 — Form of Accounts:** CAG advises the Government on how accounts should be kept
- **Article 151 — Reporting to Parliament/Legislatures:** Audit Reports submitted to President/Governor; Placed before Parliament/State Legislature via PAC/PUC

**CAG is fully independent of Executive — a cornerstone of Indian Democracy**

# Types of CAG Audit



**Compliance Audit:** Checks adherence to rules, GFR, DFPR, and Procurement Manuals, Scheme Rules



**Financial Audit:** Examines Financial Statements (PSUs, Autonomous Bodies, LSGs)



**Performance Audit:** Evaluates **Economy, Efficiency & Effectiveness (3Es)** of Schemes/Programmes



**CAG audits go beyond finances —we assess outcomes and quality of the service provided**



# CAG Audit Cycle

## 1. Planning Stage

Identify Universe and Assess Risks  
Selecting Units (CA, FA) and Topics (PA, SSCA)

## 2. Execution Stage

Test checks  
Evidence collection  
Site visits  
Beneficiary verification

## 3. Reporting Stage

Inspection Report  
Draft Paragraph (DP)/ Draft Audit Report  
Departmental replies  
Inclusion in Audit Report

## 4. Legislative Scrutiny

PAC / COPU discussion  
Directions for corrective action

# Need for Audit

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***Audit exists to:***

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- 1. Monitor, Assess & Analyse Organisational Risks**
  - 2. Review and Confirm Compliance with Rules & Laws**
  - 3. Provide Assurance to the Management**
  - 4. Report Suspected/Proven Financial Irregularities**
  - 6. Promote Economy, Efficiency & Effectiveness (3Es)**
  - 7. Recommend Process & Policy Improvements**
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# Audit Methodology

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**Audit  
follows a  
structured  
cycle:**

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**Identify Audit Universe**

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**Risk Assessment & Prioritisation**

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**Prepare Annual Audit Plan & Rolling Plans**

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**Conduct Entry Conference**

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**Field Audit & Evidence Collection**

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**Draft Observations/Reports**

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**Exit Conference**

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**Final Reporting**

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**Follow-up**

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# Risk Assessment Framework

## Audit Evaluates Risk Based On:

- **Materiality** (Expenditure, Revenue, Assets)
- **Volume & Complexity**
- **Past Audit Findings (CAG & IA)**
- **Control Weakness Level**
- **Fraud Vulnerability**
- **Public Importance & Sensitivity**
- **IT System and their controls**

## Risk Grading:

- **High Risk**
- **Medium Risk**
- **Low Risk**

**CVC Guidelines:** “Departments shall identify vigilance-sensitive units and assess their risk profile regularly.”

**Risk assessment ensures audit focuses on high-impact areas first.**

# Audit Evidence

## Good Evidence Must Be:

- **Sufficient** — enough to support finding
- **Appropriate** — relevant to the issue
- **Reliable** — credible source
- **Traceable** — documented
- **Verifiable** — independently checkable

## Relevant Standards:

- **ISSAI 1700 / 3000**
- **CAG Auditing Standards**

**Findings must be evidence-based,  
not opinion-based.**

# Audit Reporting

## Standard Reporting Elements:

- **Observation** (what is wrong)
- **Criteria** (rule violated — GFR, DFPR, Manual)
- **Condition** (facts found)
- **Cause** (why it happened)
- **Effect** (financial / operational impact)
- **Recommendation** (fixing the issue)
- **Management Response**
- **Timeline for compliance**

## GFR 33(2)

- “Serious irregularities shall be promptly reported to the competent authority.”

# Internal Audit vs External Audit

Aspect	Internal Audit	External Audit (CAG)
Authority	Management function	Constitutional authority
Focus	Controls, Compliance, Efficiency	Accountability, Legality, Performance
Reporting	To Management/Board	To Legislature, Public
Disclosure	Internal	Public
Objective	Improve Operations	Ensure Accountability
Scope	Flexible, Management-driven	Mandate-driven, Standardised
Independence	Limited	High (Constitutional)
Orientation	Preventive, Advisory	Assurance and Recommendation
Outcome	Process Improvement	Legislative Action, Systemic Reforms

# IA vs EA Process

**1**

- **Planning**

**2**

- **Execution**

**3**

- **Report ??**
  - **IA - Management**
  - **EA - Management - Legislature - Public Domain - PAC**



# Differences

**Internal Audit?**

**External CAG Audit?**

**Vigilance Officer?**

**CBI/ACB?**

# INTERNAL AUDIT – Finds Procedural Mistakes

## Internal Audit checks:

- Was tender published properly?
- Were quotations evaluated correctly?
- Were approvals taken from the competent authority?
- Was stock entry done?
- Was payment made as per contract?

## If they find issues:

- Report **procedural lapses**, e.g.:
- Wrong tendering process
- Missing technical evaluation
- Delayed stock entry
- Non-deduction of penalty clauses

# EXTERNAL AUDIT (CAG) - Checks Systemic Issues

CAG auditors visit the department to examine:

- Was government money used efficiently?
- Was procurement as per **GFR, CVC guidelines, CVC circulars**?
- Was the purchase necessary?
- Did it result in wasteful expenditure?
- Were funds diverted?
- Was equipment actually utilised?

**If they find issues:**

- Report **systemic lapses**, e.g.:
- Unnecessary purchase → **wasteful expenditure**
- Neglecting open tender → **lack of transparency**
- Non-utilisation of equipment → **idle assets**

# VIGILANCE

## Checks Misconduct or Corruption

If there is a **complaint** that a particular officer:

Took a bribe  
Favoured a vendor  
Manipulated tender conditions  
Misused authority

Vigilance investigates:

Staff misconduct  
Integrity issues  
Violation of conduct rules

If they find **issues**:

They recommend **disciplinary action**:  
Suspension  
Charge sheet  
Departmental enquiry

# CBI / ACB

## Investigate Criminal Offence

### Bribe paid by vendor

- Fake bills
- Ghost companies
- Collusion
- Embezzlement of funds

### CBI/ACB registers:

- **FIR**
- Conducts raids
- Seizes documents
- Arrests involved officials
- Files chargesheet in court

### If they find issues:

- They prosecute for offences under:
- **Prevention of Corruption Act**
- IPC sections for fraud, conspiracy



# PROCESS & DIFFERENCES: OVERSIGHT & ENFORLIMENT FUNCTIONS

## INTERNAL AUDIT (Within Org.)



Plan Scope

Examine  
Operations/Controls

Report to  
Management/Board

Improve Efficiency  
& Compliance

## EXTERNAL AUDIT (Independent)



Define Audit Objectives

Verify Financial Statements  
& Execution of Schemes

Report on Financials &  
Scheme Performance to  
Shareholders/Public

Financial & Programmatic  
Accountability

## VIGILANCE (Anti-Corruption)



Monitor Misconduct

Investigate  
Complaints/Fraud

Recommend  
Disciplinary Action

Prevent Corruption

## POLICE (Law Enforcement)



Receive Crime Report

Investigate  
Offense/Evidence

Arrest Suspects

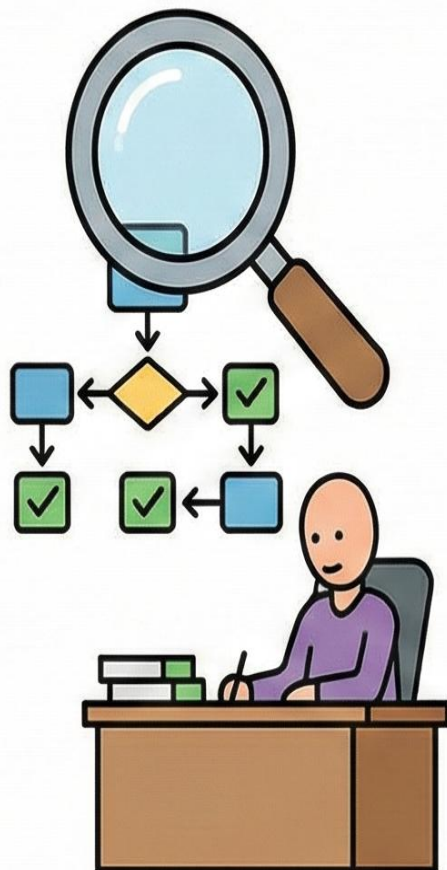
Uphold Law & Order

**FOCUS:** Operational Improvement | Financial Accuracy | Integrity & Ethics | Public Safety & Crime

**REPORTING:** Internal Mgt. | External Stakeholders | Internal Authority | Judicial System



## INTERNAL AUDIT



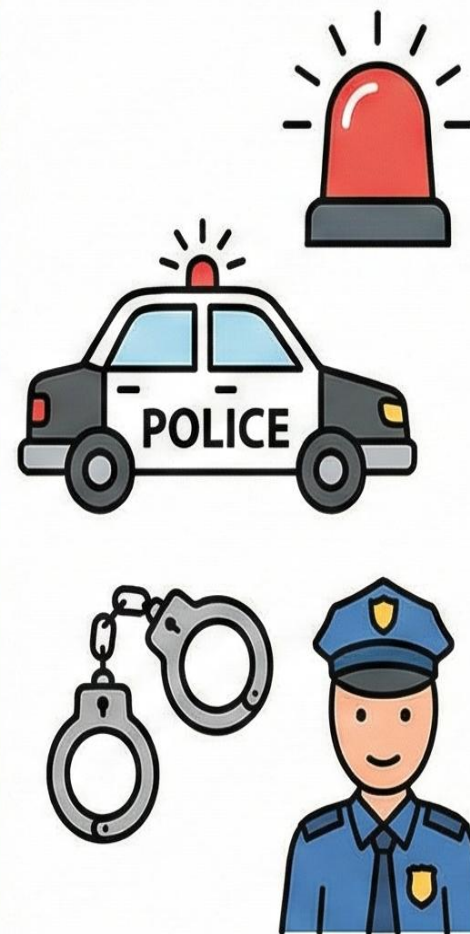
## EXTERNAL AUDIT



## VIGILANCE



## POLICE



## Fraud: Definition (Black's Law Dictionary)

- An **intentional perversion of truth** for the purpose of **inducing another** in reliance upon it to part with some valuable thing belonging to him/her or to surrender a legal right, and fraudulent means **acting wilfully** and with **specific intent to deceive or cheat**, ordinarily for purposes of either **causing some financial loss** to another or bringing about **some financial gain to oneself**



# Essential Elements of Fraud



# Essential Elements of Fraud

## 1. Intent

- Conscious wrongdoing
- Planned or premeditated

## 2. Concealment

- False records
- Missing documents
- Backdated entries

## 3. Misrepresentation

- Fake bills, forged signatures
- Inflated quantities
- False certifications

## 4. Abuse of Position

- Misusing decision-making authority

## 5. Result

- Loss to Government
- Unfair gain to external/internal actors

# Fraud vs Corruption

## Fraud

- Intentional deception
- Fake documents/records
- Financial manipulation
- Hidden, internal
- **Example:** Fake invoices, inflated quantities

## Corruption

- Abuse of official position
- Bribery, kickbacks, favoritism
- Collusion with vendors
- Often external + internal
- **Example:** Awarding a contract for bribe

# Fraud vs Corruption (Legal Distinction)

## Fraud is Not Always a Crime (but usually is):

- Violation of GFR/DFPR/Procurement Manuals
- Can occur without bribery
- Dealt with via **Disciplinary Action + Recovery**

## Corruption IS a Crime (PC Act, 1988):

- Section 7 → Taking bribe
- Section 12 → Giving bribe
- Section 13 → Criminal Misconduct

Many scams involve **both** fraud (false documents) **and** corruption (kickbacks)

# Fraud Triangle

## Opportunity

### Internal Controls:

- None in place
- Not enforced
- Not monitored
- Not Effective

No segregation of duties  
Too much trust  
Poor "tone at the top"



## Rationalization

"I don't get paid what I'm worth"  
"Everyone else is doing it"  
"If they don't know I'm doing it, they deserve to lose the money"  
"I intended to pay it back"  
"Nobody will miss the money"

## Pressure/Motivation

### External:

- Debt, greed
- Lifestyle needs
- Life pressures
- Illicit activities: vices, gambling, drugs

### Internal:

- Pressure to perform
- Too much work

# The Fraud Diamond

**Adds a fourth dimension: Capability**

**The fraudster has:**

- Position of Authority
- Technical Skills
- System Knowledge
- Access to Sensitive Information
- Manipulation Ability

**Why it matters in Government:**

- Officials with the Sanctioning Authority
- Engineers/Storekeepers with Measurement Control
- IT Staff Manipulating Databases
- Accountants Processing Payments

# How Fraud & Corruption Often Overlap

## Fraud Without Corruption

- Fake bills created by an internal employee
- Ghost employees in payroll
- Duplicate invoices

## Corruption Without Fraud

- Taking a bribe for issuing a licence
- Ignoring substandard work knowingly

## Fraud + Corruption Together (Most Common)

- Collusive procurement
- Fake MB entries approved for kickback
- Awarding tenders to cartelised vendors
- Scheme funds diverted with beneficiary collusion



# Early Warning Signals of Fraud

## Transaction-Level Red Flags

Sudden spike in expenditure

Multiple payments to the same vendor

Purchases clustered near year-end

Repetitive deviations from procurement norms

High number of “Urgent” or “Emergency” purchases

## Behavioural Red Flags

Staff avoiding leave

Unusual lifestyle changes

Resistance to sharing files/data

Requests for out-of-process approvals

Over-friendly vendor relationships

## Organisational Red Flags

No segregation of duties

Poor documentation culture

Weak IA

Missing physical verification



# **Why Fraud Occurs:**

## **Systemic Gaps in Governance**

### **Root Causes of Fraud in Government**

- Weak internal controls
- Excessive discretionary powers
- Poor documentation standards
- Inadequate segregation of duties
- Manual processes prone to manipulation
- Limited IT system validations
- Lack of real-time monitoring
- Delayed reconciliations
- Poor contract management
- Weak Internal Audit

### **CAG Recurring Note**

- “Irregularities continued due to absence of adequate internal controls.”

# How Internal Audit can Detects Fraud



## Data Analytics

Benford's Law  
Duplicate Vendor  
Detection



## Field Verification

Surprise Inspections



## Document Forensics

Ink Mismatch,  
Altered Dates



## Digital Forensics

IP Logs  
Meta-data Checks



## Cross-system Reconciliation

Financial ↔ Physical  
↔ Digital



## Trend & Ratio Analysis

Spikes, Deviations,  
Patterns

# Role of Internal Audit in Preventing Fraud

## Internal Audit Minimises Opportunity By:

- Ensuring segregation of duties
- Strengthening authorisation controls
- Ensuring procurement rules (GFR/DFPR/Manuals)
- Ensuring documentation integrity
- Testing high-risk areas (procurement, works, PFMS)
- Reviewing system logs & digital workflows
- Identifying duplicate/related vendors
- Conducting surprise checks
- Verifying physical assets & stock
- Ensuring timely reconciliations

## Internal Audit Strengthens the System By:

- Recommending process improvements
- Identifying emerging fraud patterns
- Reporting serious irregularities promptly (GFR 33(2))

**Internal Audit reduces fraud opportunity — the most controllable element of the fraud triangle.**

# **Procurement Rules**

## **Government of India**

### **Procurement Governed By:**

- **GFR 2017 (Rules 144–173)**
- **Manual for Procurement of Goods (2022)**
- **Manual for Procurement of Works (2022)**
- **Manual for Procurement of Consultancy/Services (2022)**
- **DFPR (Delegation of Financial Powers Rules)**
- **GeM Procurement Guidelines**
- **CVC Guidelines**

### **Covers the Entire Procurement Cycle:**

- **Need assessment → Tendering → Evaluation**
- **Award → Contract Management → Payment → Closure**

**Procurement is high-value, high-risk, and requires strict rule compliance.**





# Fraud Indicators



# Why Procurement is Highly Fraud-Prone

## High Vulnerability Areas:

- Need artificially created
- Tailor-made specifications
- Cartelisation among bidders
- Manipulated evaluation
- Post-tender negotiations
- Contract amendments to favour suppliers
- Non-delivery or partial delivery
- Inflated invoicing

**High Value + Discretion + Documentation Loopholes = Fraud Opportunity**

# Procurement Red Flags (High-Risk Indicators)

## Red Flags During Tendering

- Repeated participation by the same limited vendors
- Identical quotes from multiple bidders
- One bidder consistently winning tenders
- Abnormally low/high bids without justification
- Technical specifications tailored to one vendor

## Red Flags in Evaluation

- Sudden changes in evaluation criteria
- Deviations from the approved tender conditions
- Committee minutes without proper justification

## Red Flags in Award

- Immediate re-tendering without clear reasons
- Awarding to higher bidder citing “technical disqualification”

# Works Contracts

## Red Flags

### Common Fraud Patterns in Works & Engineering

- Inflated measurements in the Measurement Book (MB)
- Fake Site Photographs / GPS Tags
- Excess Quantities beyond Tendered Scope
- Backdated entries in MB
- Poor-quality Materials despite Higher Billing
- Undue Extension of time without penalty
- Deviations >10% without Competent Approval
- Subcontracting without permission
- Measurement Books lacked authenticity and were not verified by engineers.



# Digital Transactions

## Red Flags

### Financial Irregularities

- Multiple payments against the same invoice
- Same bank account used for multiple vendors
- Manual override of system validations
- Bills passed without e-Sanction
- Payments processed just before year-end
- Mismatch between PFMS and Cash Book
- Duplicate beneficiary entries
- Use of personal accounts for scheme payments

### Internal Audit Must Check:

- Maker-checker separation
- Beneficiary Aadhaar/bank validation
- Real-time exception reports

# GeM Procurement

## Red Flags

### Vendor-Side Risks

- New vendor created just before procurement
- Vendor with poor past performance winning contracts
- Fake or unverifiable address
- Single-bid participation across multiple procurements

### Buyer-Side Risks

- Excessive use of **Direct Purchase** mode
- Unjustified use of **PAC (Proprietary Article Certificate)**
- Same buyer repeatedly selecting the same seller
- Rate far above market or previous procurements

### System Indicators

- Delivery marked without GRN verification
- Multiple CRACs issued without physical receipt

# Revenue Receipts: High-Risk Areas

## Common Revenue Fraud Patterns

- **Under-assessment** of tax/fees/fines
- **Suppression of receipts** (cash not accounted)
- **Short levy** of duties, penalties, interest
- **Favourable assessments** to specific entities
- **Manipulating challans** or backdated receipts
- **Under-reporting of income** in revenue-generating units
- **Non-remittance** of collected revenue

## Examples from CAG Reports

- Short collection of stamp duty
- Incorrect application of fee/royalty rates
- Under-charging user fees in public utilities

# HR & Payroll Fraud Indicators

## Common HR/Payroll Frauds

- **Ghost Employees** (non-existent staff drawing salary)
- **Duplicate Bank Accounts** used for salary credit
- **Manipulated Service Books**
- **False LTC claims / TA-DA claims**
- **Fake Medical Reimbursement Bills**
- **Irregular Overtime Payments**
- **Unauthorized Increments / Promotions**

# Assets & Stores:

## Fraud and Misappropriation Indicators

### Fraud Patterns in Stores/Assets

- **Non-existent stock** shown in registers
- **Pilferage** of consumables and spare parts
- **Wrongful issue/return entries**
- **Inflated consumption**
- **Unrecorded receipts** of materials
- **Scrap sale manipulation**
- **Tampering of stock registers**
- **Misuse of government vehicles/assets**

### Common Documentation Gaps

- Missing entries in bin cards
- Stores ledger not tallying with physical stock
- No annual physical verification

# Documentation

## Risk Areas

### Common Document Manipulations

- Backdated entries
- Different ink types
- Cuttings/overwriting without attestation
- Altered signatures
- Tampered seals/stamps
- Missing supporting documents
- Fake bills/invoices
- Fabricated delivery challans
- Manipulated stock/MB entries

# Digital Forensics

## Red Flags

### Suspicious System Behaviours

- Logins outside office hours
- Sudden password resets
- Multiple failed login attempts
- Deleted or missing system logs
- Unauthorised privilege escalation
- Same IP used for multiple bidders (tender fraud)
- Backdated digital approvals
- Lack of an audit trail for key financial actions

# Why Internal Audit Misses Fraud



- Not a management priority
- Less/No Independence
- Limited Staff or Zero - No IA
- IA staff not trained/qualified
- IA reports checklists, not risk
- Very limited field verification
- Over-dependence on documents provided by a fraudster
- No analytics capability
- Cultural reluctance to flag sensitive cases

**Fraud hides in places - IA never checks**



# CAG Often Ends Up Doing the Internal Audit's Job

## Where Internal Audit Signs Off, CAG Finds Irregularities

- IA certifies **procurement**, CAG uncovers *cartelisation & inflated rates*.
- IA approves **property tax records**, CAG finds *thousands of unassessed properties*.
- IA checks **billing summaries**, CAG finds *meter bypass, overrides & revenue leakage*.
- IA verifies **vouchers**, CAG detects *stock manipulation, fake consumption & ghost beneficiaries*.
- IA accepts **RA bills**, CAG notes *non-existent or incomplete works*.
- IA reviews **HR records**, CAG finds *ghost employees & irregular payrolls*.

## Core Message

- **Internal Audit is supposed to be the First Line of Defence.**
- **But in many cases, CAG becomes the Only Line of Defence.**
- Strong Internal Audit → Fewer CAG Audit Paragraphs
- **Robust IA reduces irregularities pointed by CAG**

# Creating a Fraud- Resistant Organisation



Tone at the Top / Management Priority



Organisational Culture



Clear SOPs/Checklists



E-governance Systems



100% Digital Payments



Surprise Audits



Periodic and Strong Internal Audit



Strong Vigilance Mechanism

# What Every Officer Must Know

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GFR 2017

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Delegation of Financial Powers

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Procurement Manuals (Goods/Works/Consultancy)

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CVC Guidelines

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Treasury Rules

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Budgeting

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PFMS & DBT Rules

---

CPWD/State Works Manual

---



**MANUAL  
FOR  
PROCUREMENT OF  
WORKS  
2019**



Government of India  
Ministry of Finance  
Department of Expenditure



**GENERAL  
FINANCIAL RULES  
2017**



Government of India  
Ministry of Finance  
Department of Expenditure

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**CPWD WORKS MANUAL  
2022**



Published under the authority of  
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**MANUAL  
FOR  
PROCUREMENT OF  
GOODS  
Second Edition, 2024**



Government of India  
Ministry of Finance  
Department of Expenditure



**MANUAL  
FOR  
PROCUREMENT OF  
CONSULTANCY & OTHER  
SERVICES  
(Updated June, 2022)**



Government of India  
Ministry of Finance  
Department of Expenditure

# To Sum Up

Fraud hides in plain sight



Documents lie — Rule based verification doesn't

**Internal Audit** is not policing, it is **Assurance + Improvement**

*IA Goal is not to catch thieves but to fix systems*

*Strong IA prevents fraud long before external audit detects it*

**Good Governance  
begins where  
Internal Audit is  
Strong**





**Thank You**

# Objective 1:

## Monitor, Assess & Analyse Risks

### Internal Audit evaluates:

- High-risk processes (Procurement, Works)
- Design & Effectiveness of Internal Controls
- Vulnerabilities in Financial Transactions
- Deviations from Normal Patterns
- Systemic Bottlenecks (Manual, Digital, Policy Gaps)

### GFR Rule 33:

- “The Ministries shall maintain adequate and effective internal control systems.”

### CVC Vigilance Manual:

- “Risk assessment of all vigilance-sensitive areas shall be carried out periodically.”



## Objective 2:

## Review & Confirm Compliance

Internal Audit must verify adherence to:

- GFR 2017 (General Financial Rules)
- DFPR (Delegation of Financial Powers Rules)
- Manual for Procurement of Goods/Services/Works (2022)
- Treasury Rules & Budget Manual
- Scheme Guidelines (Centrally Sponsored & State)
- HR & Establishment Rules
- Statutory Taxes — GST, Income Tax, PF, Pension
- CVC Instructions
- Departmental SOPs

**GFR** “Internal checks shall be exercised to ensure compliance with rules and orders governing receipts and expenditure.”

# **Objective 3:**

## **Provide Assurance to Leadership**

### **Internal Audit Provides Assurance To:**

- Secretary / Head of Department
- Audit Committee / Board
- Senior Management

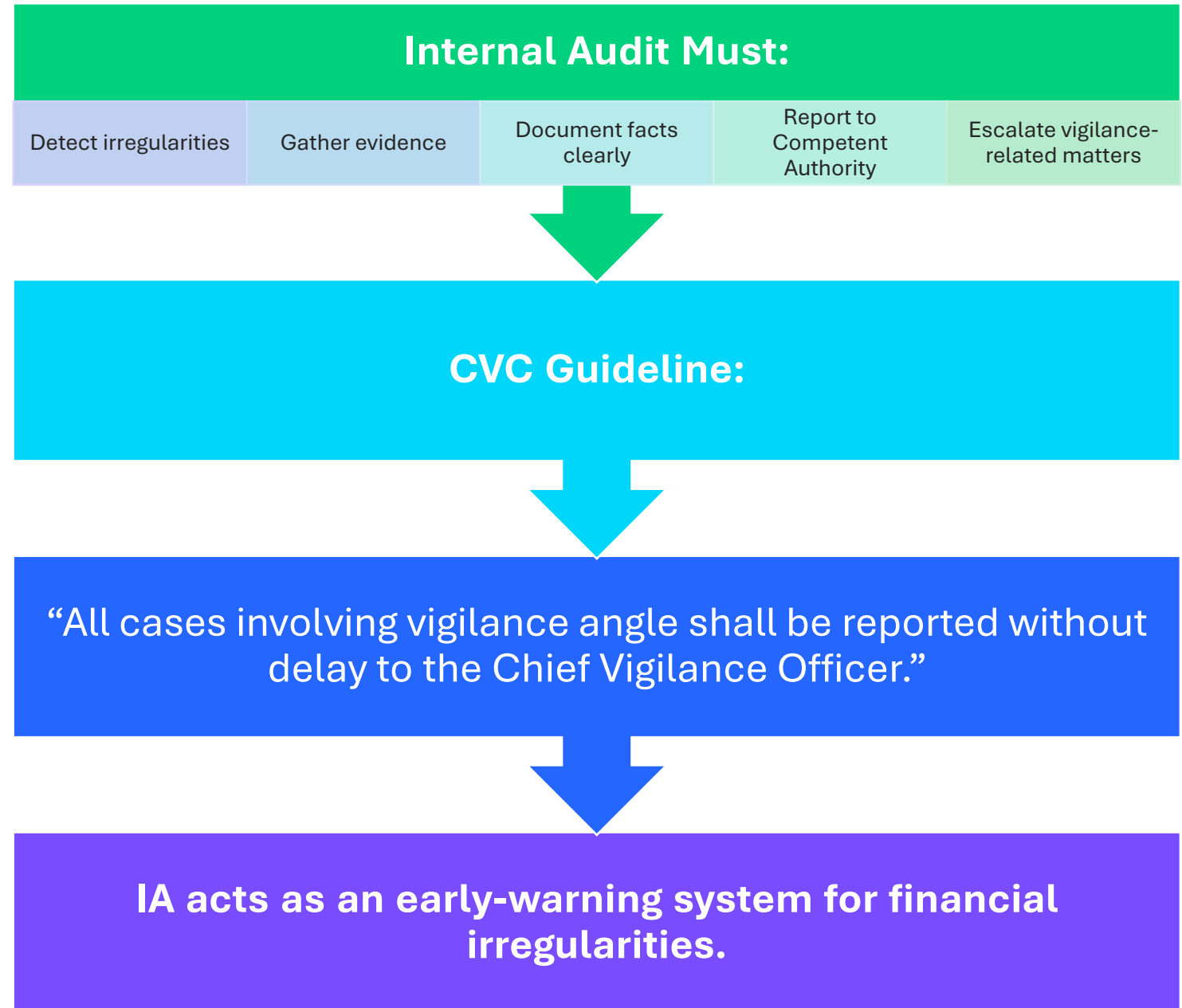
### **Assurance Covers:**

- Effectiveness of internal controls
- Adequacy of risk mitigation
- Strength of governance practices
- Compliance with rules and procedures

**IA gives leadership confidence that the organisation is functioning with integrity and control**

# Objective 4:

## Reporting Financial Irregularities



# Objective 5:

## Promote Economy, Efficiency & Effectiveness (3Es)

### IA Evaluates Whether:

- Resources are used **economically**
- Processes run **efficiently**
- Scheme/Project objectives are **effectively** achieved

### Examples:

- Idle assets
- Delayed projects
- Wasteful procurement
- Redundant processes

IA supports value-for-money in all government operations.

# Objective 6:

## Recommend Process & Policy Improvements



### IA Recommends Improvements In:

SOPs and workflows  
Internal controls  
Procurement systems  
IT & automation  
Documentation standards



### Internal Audit Manual:



“Internal Audit should guide management by suggesting improvements in systems and procedures.”



**IA’s recommendations help modernise and strengthen the organisation.**

# **Role of Internal Audit:**

# **Handling Fraud vs Corruption**

## **Internal Audit Addresses Fraud By:**

- Detecting irregularities
- Reviewing transactions & controls
- Verifying documents, records, approvals
- Reporting financial irregularities (GFR 33(2))
- Strengthening controls to prevent recurrence

## **Internal Audit Does NOT:**

- Conduct criminal investigations
- Conduct sting operations
- Determine corruption or culpability
- Undertake punitive action

## **Who Handles Corruption?**

- CVO (Chief Vigilance Officer)
- Vigilance Directorate
- State ACB / CBI
- Lokpal/Lokayukta (as applicable)