basis and pictorial chart/sketch of paddy stocks was not received from the miller.

Thus, non-compliance with the terms and conditions of KMS guidelines, and not making timely efforts to recover the balance amount has resulted in misappropriation of paddy by the miller worth ₹ 6.75 crore.

The Government stated (July 2021) that the Corporation had carried out physical verifications of stock a number of times, though not on fortnightly basis and Corporation was hopeful to make good the loss from the Miller through all legal as well as criminal actions. During exit conference (August 2021), the Management further stated that delinquent officials have been charge sheeted and FIR have been lodged against the Miller. Further, suit has been filed for recovery of dues.

It is, therefore, recommended that guidelines of the Government should be followed in letter and spirit to safeguard financial interests of the Corporation.

Health Department

Haryana Medical Services Corporation Limited

3.10 Poor financial management

Due to poor financial management, the Company lost the opportunity to earn interest of ₹ 4.48 crore on its surplus funds.

Haryana Medical Services Corporation Limited (Company) was established (January 2014) for purchase of drugs, consumables and equipment for all hospitals/ dispensaries on behalf of the Director General Health Services (DGHS), Health Department, Haryana. The DGHS transfers funds to the Company for undertaking procurement activities on its behalf for which it pays four *per cent* as processing fees. The main sources of revenue of the Company are process fee received from DGHS, interest from fixed deposits, late supply charges and testing charges.

Test check of the records of the Company revealed that it opened three bank accounts with HDFC bank and one in IndusInd bank, as detailed below. The Company lost the opportunity to earn interest due to keeping funds in the savings accounts in HDFC bank and current account with IndusInd bank.

(a) **HDFC Bank**: At the time of opening the account, the bank had offered (May 2016) interest at rates between 6 *per cent* and 7.25 *per cent* on sweep-in-savings account[57] deposits. The Company however, opened three[58] savings bank accounts with the bank on 1 June 2016, 3 June 2017 and 21 May 2018, respectively. The bank paid applicable interest at the rate of 3.5 *per cent* from the date of opening of these bank accounts. Audit observed that the Company did not review the account type/ nature of account and unspent balances received from DGHS kept lying in these accounts. On being pointed out by Audit that the Company has kept funds in saving accounts, the Company asked (November 2019) the bank to pay interest at the rate of 6 *per cent* per annum instead of 3.5 *per cent* per annum. Upon non-receipt of any response from the bank, it decided (January 2021) to close all the three accounts with HDFC Bank. Thus, instead of keeping the money in higher interest earning sweep-in-saving account, funds were kept in low interest rate bearing saving accounts, due to which, the Company lost opportunity to earn minimum additional interest income of ₹ 4.22 crore during June 2016 to March 2020[59].

(b) IndusInd Bank: For opening of bank account, the IndusInd bank offered interest at the rate of 6 *per cent* per annum on the daily balances held by Company in its account, above Rupees one lakh. The Company applied to open a current flexi account[60] with IndusInd Bank account in September 2014, but the bank opened a current account in October 2014. No funds were maintained in this account till 29 September 2017. However, funds ranging from ₹ 1.03 crore to ₹ 10.17 crore were deposited in this account during the period from 29 September 2017 to 26 July 2018 and remained credited till 9 August 2018. In August 2018, the Company realised that funds kept in current account with IndusInd bank were not earning any interest and therefore decided to change the nature of the account from current account to saving account-cum-Indus large business account. The balance of ₹ 10.17 crore lying in the current account was transferred to this new account. Thus, had the Company reviewed the type of account timely and converted the current account into a saving account, it could have earned interest of ₹ 26.14 lakh on its balances held in the bank, during the period 29 September 2017 to 9 August 2018.

Thus, due to poor financial management, the Company lost opportunity to earn additional interest income of ₹ 4.48 crore on its surplus funds kept in the two banks.

57 Whenever balance in saving account is higher than threshold limit, the surplus amount is transferred to Fixed Deposit account to earn higher rate of interest. The technical term for this purpose is "sweep-in".

58 (i) 50100072479021; (ii) 5010020549608; and (iii) 50100236650058.

59 As the fixed deposits rates after March 2020 were nearing to the interest on saving bank accounts, no calculation has been made thereafter.

60 Current flexi accounts are current account with benefits of fixed deposits for funds exceeding some amount (₹ 1 lakh in this case) kept in account for a period in excess of specified days (7 days in this case).

The Company admitted the facts and stated (December 2020 and January 2021) that all three bank accounts in HDFC bank have since been closed and added that efforts are being made to get the interest credited from IndusInd bank. During exit conference (August 2021), Management reiterated that the matter for recovery of interest has already been taken up with the bank and no such cases have occurred in the recent past.

The reply is not acceptable because the banks will give interest as per the nature of account operated during the period and may not entertain the claims of the Company.

It is recommended that the Company should strengthen its financial management for investment of its surplus funds to optimise returns.

The matter was referred (March 2021) to the Government and the Company; their replies were awaited (September 2021).

Vishal Bansal

(VISHAL BANSAL)
Principal Accountant General (Audit), Haryana

Chandigarh
Dated: 29 November 2021

Countersigned

New Delhi
Dated: 10 December 2021

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India