CHAPTER-II
PERFORMANCE AUDIT RELATING TO STATE PUBLIC SECTOR ENTERPRISES

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Performance Audit on the Functioning of Assam Electronics Development Corporation Limited

Highlights

The Company did not have any specific short and long-term strategic planning to develop its business operation so as to derive advantage of changing business scenario in light of GoA's IT policy. It also did not have laid down strategies to reduce cost, operational losses and risks of losing current and new business and to give new direction for long term sustainability.

(Paragraph 2.7)

During 2017-18 to 2022-23, the Company earned ₹ 37.64 crore as profit from printing of Driving Licence/Registration Certificates (DL/RC), while it suffered a loss of ₹ 2.01 crore from other two commercial activities *viz.* internet services, training & education business). The Company, thus, made an overall profit of ₹ 35.63 crore from commercial activities during 2017-2023. The Company, however, lost the profitable business of printing of DL/RC in the tender invited (March 2022) by GoA due to high quote compared to L1 bidder and lack of aggressive tendering policy.

(Paragraphs 2.8 and 2.8.1)

The Company neither fixed target date nor tied up the source of funding for completion of Tech City project. As a result, the Company not only incurred extra liability of ₹ 2.81 crore towards penal interest but also resulted in blockade of ₹ 175.57 crore already invested, without achieving the objective of the project even after more than five years.

(Paragraphs 2.9.1 and 2.9.1.1)

Instances of under-utilisation of capacity, absence of dual power supply to server room, hosting of critical Government websites and applications outside SDC and compromising of data security by engaging a private agency were noticed in respect of SDC project. Thus, the SDC was yet to act as central repository of the State data even after two years of its commissioning.

(Paragraph 2.9.2.1)

Under e-District project, the Company failed to ensure timely delivery of e-services to 22.63 lakh (46.49 *per cent*) out of 48.67 lakh applicants due to deactivation of provision for escalation mail in violation of instructions issued by

GoI. Further, the Company could not complete data digitalisation work due to lack of strict monitoring to secure cooperation from district authorities in providing the essential amenities for the work (*viz.* office space, speedy transfer of records/registers, *etc*.). In absence of digitised database, none of the services could be provided "instantaneously" across the counter even after elapse of about seven years of state-wide rollout of e-District project in September 2015.

(Paragraphs 2.9.3.2 and 2.9.3.3)

Against actual expenditure of ₹ 51.43 crore (including agency commission of ₹ 2.45 crore) incurred for operation and maintenance of Assam State Wide Area Network (ASWAN), the Company received ₹ 39.55 crore from GoA. The balance amount of ₹ 11.88 crore was not received as of March 2023. Further, in 62 out of 287 points of presence (PoPs) which were non-functional (zero uptime), the Company incurred idle expenditure of ₹ 0.91 crore on deployment of manpower in 19 PoPs without analysing the reasons for zero uptime.

(Paragraph 2.9.4)

The Company did not have inbuilt mechanism to deal with the E-waste in compliance to the E-Waste (Management) Rules, 2016.

(Paragraph 2.10)

The monitoring mechanism in place for implementation/operation of projects, internal audit and preparation of annual accounts was found to be inadequate.

(Paragraph 2.11)

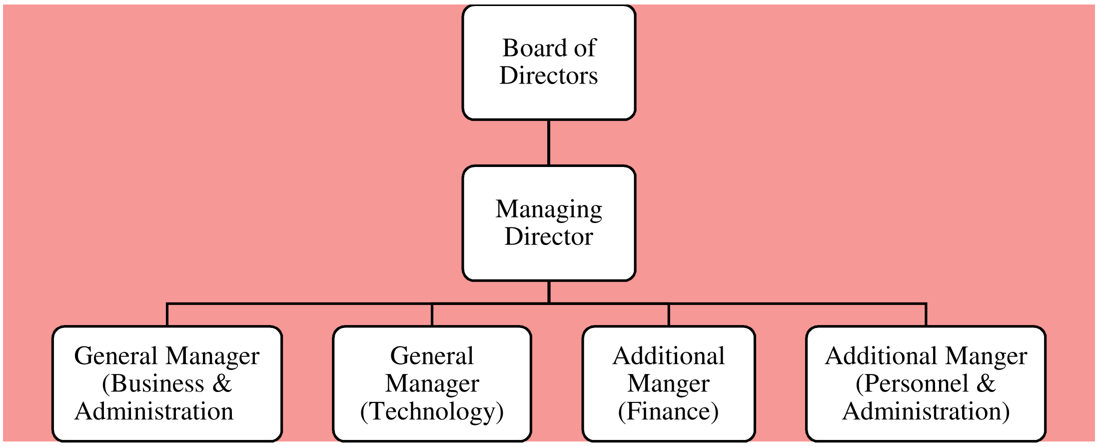
2.1 Introduction

Assam Electronics Development Corporation Limited (Company) was established in 1984 with the objective to develop, promote, undertake and execute Electronics, Information and Communication Technology (ICT) and allied industries in the State of Assam. Emphasising the role of ICT, Government of Assam (GoA) notified (August 2009) the Information Technology Policy of Assam, 2009 and nominated the Company as nodal agency for implementation of Information Technology policies in the State.

2.2 Organisational Setup

The Company functioned under Department of Information Technology, GoA. The Management of the Company was vested with Board of Directors consisting of eight members. The Managing Director was the Chief Executive Officer, who was responsible for carrying out day to day operations of the Company with the assistance of General Manager (Business and Administration), General Manager (Technology), Additional Manager (Finance), Additional Manager (Personnel and Administration) and others. ***Chart 2.1*** depicts the organisational structure of the Company as of June 2023.

Chart 2.1: Organisation chart of the Company as of June 2023



2.3 Audit Objectives

The objectives of the Performance Audit were to assess whether:

- long and short term planning mechanisms were effective in achieving the organisational goals;
- projects were executed efficiently, economically and effectively to achieve the project objectives and the trading and service delivery of IT and IT enabled products/services were done economically, effectively and efficiently;
- e-waste generated during the operation of the Company was disposed complying with the statutory requirements and the Company was well equipped with the facilities for monitoring and control of e-Waste; and
- efficient and effective monitoring mechanism was in place.

2.4 Audit Criteria

Audit criteria for the Performance Audit were derived from:

- Memorandum of Association/Articles of Association of the Company;
- Guidelines of Government of India (GoI)/GoA on implementation of various Projects;
- IT policies issued by the GoI/GoA, Assam Right to Public Service Act, 2012 and rules framed there under;
- Board Minutes/Agenda papers of meetings of BoDs; and
- e-Waste Management Rules of GoI.

2.5 Scope and Methodology of Audit

The Performance Audit (PA) covered the period from 2017-18 to 2022-23[77]. During the audit period, the Company carried out three commercial activities on its own, *viz.*, printing of Driving Licence/Registration Certificates (DL/RC), providing internet services under the brand name 'Magic Surf' and Education/Training business, for generation of revenue.

[77] Audit covered the period from 2017-18 to 2022-23, except the cases where the management could not furnish the figure/records pertaining to 2022-23.

The Company also implemented/operated four projects entrusted by GoA. These were:

- operation and maintenance of two infrastructure projects *viz.* e-District and Assam State Wide Area Network (ASWAN) completed prior to 2017-18.
- one GoI/GoA sponsored project, *namely*, State Data Centre (SDC) commissioned in 2021 and presently at operational stage.
- one GoI/GoA project (Tech City) which was in progress since 2017-18.

The PA covered all three commercial activities of the Company and also implementation, operation and maintenance of the above mentioned four projects entrusted by GoA.

Entry Conference was held on 23 August 2022, wherein audit objectives and audit methodology were explained to the Company. Audit methodology involved analysis of data/records with reference to audit criteria, scrutiny of records of the Company, interaction with Company officials, issue of audit queries, observations and obtaining replies and response of Management for further analysis. The draft report was forwarded (27 September 2023) to GoA/Company for their views and comments. The draft report was also discussed with the GoA/Company in the Exit conference held on 10 October 2023. While the GoA did not furnish formal replies on the draft report, the replies received from the Company as well as the comments offered by GoA/Company during the Exit conference had been considered and the draft report was suitably revised, wherever necessary. The revised draft report was again forwarded (5 April 2024) to GoA and Company for their further comments, if any. The GoA/Company, however, did not furnish any reply on the revised draft report (30 April 2024).

Audit Findings

Audit findings on the functioning of the Company are discussed in the subsequent paragraphs.

2.6 Financial position and working results

The financial position and working results of the Company during 2017-18 to 2021-22[78] were as shown in ***Table 2.1.***

Table 2.1: Financial Position and Working Results

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Financial position					
Share capital	9.46	9.46	9.46	9.46	9.46
Reserve & Surplus	14.98	23.31	29.65	380.44	391.80
Long Term Borrowing	--	--	--	--	100.70
Current liabilities (A)	**511.69**	**632.25**	**602.03**	**700.27**	**767.71**
Total Liabilities	**536.13**	**665.02**	**641.14**	**1,090.17**	**1,269.67**

[78] Figures for 2022-23 were not available as the Company had finalised its Annual Accounts upto 2017-18 and prepared the provisional Accounts for 2018-19 to 2021-22.

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Non-Current / Fixed Assets	13.06	12.56	19.43	372.03	374.02
Current Assets (other than cash and bank balances)	**312.13**	**414.29**	**497.67**	**613.17**	**752.88**
Cash and Bank balances	210.94	238.17	124.04	104.97	142.77
Total Assets	**536.13**	**665.02**	**641.14**	**1,090.17**	**1,269.67**
Total Current Assets (B)	**523.07**	**652.46**	**621.71**	**718.14**	**895.65**
Working Capital (B)-(A)	**11.38**	**20.21**	**19.68**	**17.87**	**127.94**
Current Ratio (B)÷(A)	**1.02:1**	**1.03:1**	**1.03:1**	**1.03:1**	**1.17:1**
Working Results					
Revenue from operations	25.63	33.87	35.12	47.38	51.34
Interest income	5.19	5.17	4.60	2.80	0.83
Total Income	**30.82**	**39.04**	**39.72**	**50.18**	**52.17**
Employee benefit expenses	10.85	14.33	15.60	16.80	19.21
Other Expenses	20.75	22.56	21.70	29.73	30.66
Total Expenses	31.60	36.89	37.30	46.53	49.87
Net profit before prior period items and tax	(0.78)	2.15	2.42	3.65	2.30
Prior period Income/(Loss)	1.79	0.21	(0.40)	(0.85)	0.21
Other adjustments (Credit)[79]	1.34	--	--	--	--
Income tax (Debit)	0.30	0.90	0.50	0.70	0.60
Net profit after tax	**2.05**	**1.46**	**1.52**	**2.10**	**1.91**

Source: Annual Accounts of the Company.[80]

Audit observed the following:

- The Company earned net profit of ₹ 9.04 crore during 2017-2022, which included interest of ₹ 18.59 crore earned on investments. Thus, the Company had overall operational loss of ₹ 9.55 crore (₹ 18.59 crore - ₹ 9.04 crore) during the said period.

- The total income of the Company increased from ₹ 30.82 crore (2017-18) to ₹ 52.17 crore (2021-22), but the net profit decreased from ₹ 2.05 crore to ₹ 1.91 crore during the same period. This was mainly due to overall loss of ₹ 2.64 crore during 2017-2022 on the operation of two[81] commercial activities by the Company. The loss on two commercial activities was mainly attributable to reduction in consumer base due to lack of competitive tariff, poor recovery mechanism, high administrative cost, *etc*. as discussed in ***paragraphs 2.8.2*** and ***2.8.3***.

- Out of ₹ 376.82 crore[82] increase shown in the Reserves and Surplus of the Company during the five years period ending March 2022, major portion amounting to ₹ 353.52 crore (93.82 *per cent*) was mainly due to revaluation of its assets (land at office premises and at Tech City) from ₹ 4.01 crore (2017-18) to ₹ 357.53 crore (2020-21). Thus, increase in Reserve and Surplus was not from regular business operations of the Company.

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79 Figures for 2017-18 adjusted based on the accounting treatment adopted in succeeding year.
80 Figures for the financial year 2018-19 and onwards were based on provisional accounts.
81 Internet services (₹ 1.38 crore) and Education & Training (₹ 1.26 crore).
82 ₹ 391.80 crore in 2021-22 from ₹ 14.98 crore in 2017-18.

- Current Ratio represents the ability of an entity to pay off its short-term liabilities with the help of current assets. Generally, a current ratio of 2:1 is considered ideal, which means that the current assets of an entity must be twice the amount of current liabilities. As can be observed from ***Table 2.1***, the Current Ratio of the Company during 2017-2022 ranged between 1.02:1 (2017-18) and 1.17:1 (2021-22), which was far below the ideal ratio. This implied that the Company's liquidity position was not comfortable as it may need to convert its entire current assets into cash to pay off its current obligations, which was indicative of an unsatisfactory short-term solvency of the Company.

- Cash and Bank balances of the Company, which largely represent its liquidity position decreased from ₹ 210.94 crore (2017-18) to ₹ 142.77 crore (2021-22). Against the balance of ₹ 142.77 crore as of March 2022, the Company had committed current liabilities of ₹ 83.78 crore towards interest earned on project funds (₹ 35.61 crore) and refundable Earnest Money Deposit (₹ 48.17 crore). This implied that the effective liquidity available with the Company as on 31 March 2022 after considering the above committed current liabilities was ₹ 58.99 crore (*viz.* ₹ 142.77 crore *minus* ₹ 83.78 crore), which was insufficient to meet its other current obligations (other than ₹ 83.78 crore mentioned above) amounting to ₹ 683.93 crore as on 31 March 2022.

- The Company obtained (June-September 2021) a term loan of ₹ 100 crore from Bank of Maharashtra (BoM), with interest rate of 8.25 *per cent* per annum for financing the Tech City project. For servicing the interest portion of loan, the Company needed revenue surplus of atleast ₹ 8.25 crore each year from 2022-23 onwards. During 2017-2022, the Company, however, could generate annual revenue surplus between ₹ 1.46 crore and ₹ 2.10 crore, which was insufficient for loan servicing.

Given the present condition of operation, the Company's financial health is likely to further deteriorate if remedial measures are not initiated to pre-empt drastic increase in operational losses due to interest burden on the loan.

In reply, the Company stated (October 2023) that it had sufficient working capital to run its business. The reply is not tenable as the current ratio of the Company during all the five years (2017-18 to 2021-22) remained far below the idle level of 2:1, which indicated distressed liquidity position of the Company to pay off its current obligations.

2.7 Planning

Proper planning system assists in identifying activities to be undertaken to ensure achievement of the stated objectives of the company. It increases the efficiency and reduces the risk execution of projects and in conduct of the company's business and activities.

As per Memorandum of Association (MoA), the Company was incorporated with core objectives of promoting, establishing, developing Electronics and allied industries and ICT in the State. The Mission statement of the Company emphasised transparency in operation and development of ICT and promoting IT, ITeS[83] and Electronics industry.

Further, GoA notified the IT Policy, 2009 and IT & Electronic Policy Assam, 2017, which further emphasised development of IT sector by focusing on e-governance, broadband connectivity, rural digital literacy, development of infrastructure, IT Park, *etc*.

Audit, however, observed that the Company did not have any short term and long-term strategic plan to develop and enhance its business operation by translating into specific projects and to capture more areas by taking advantage of the changing business scenario in the light of the GoA's IT policy. Such planning would involve SWOT analysis[84] of the Company to leverage its strength and unique position as Government's nodal agency for IT policy amidst emerging business opportunities in the State. The Company also did not have laid down strategies to reduce cost, operational losses and risks of losing current and new business and to give new direction for long term sustainability. Lack of such planning has had an adverse impact on the effectiveness of the Company.

This was evident in the case involving the business of printing of driving licenses and registration certificates carried out since 2005, where the Company earned maximum revenue of ₹ 70.67 crore during 2017-2022, constituting 37 *per cent*[85] of total revenue. While participating in the bidding invited by GoA in March 2022, the Company lost this business due to lack of aggressive tendering policy, considering the high profit margin of ₹ 37.64 crore (53 *per cent*) earned during 2017-2022. The rate quoted (₹ 149.86 *per* card) by the Company was considerably higher than the rate quoted (₹ 66.94 *per* card) by the lowest bidder as discussed under ***paragraph 2.8.1***.

Other two commercial activities of the Company *i.e.,* internet services and education/training business were also running in losses during 2017-2022 mainly due to reduction in consumer base, lack of competitive tariff and poor recovery mechanism.

Further, there were no new projects from GoA besides the existing four major projects, of which ASWAN (2005-2011), e-District (2012-2015) and SDC (2008-2021) had already been completed by the Company and were in operation stage, while the Tech city project was ongoing since 2017-18.

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83 Information Technology enabled services.

84 SWOT analysis is a framework for identifying and analysing an organisation's strengths, weaknesses, opportunities and threats.

85 Total revenue from operation during 2017-2022: ₹ 193.34 crore. Revenue from DL/RC printing activity: ₹ 70.67 crore. Percentage of DL-RC revenue over total revenue= ₹ 70.67 crore x 100/ ₹ 193.34 crore = 37 *per cent.*

Audit also noticed several instances of time overrun, poor project management, delay in delivery of services, underutilisation of capacity and losses incurred in operation of commercial activities.

Thus, the poor financial position of the Company can be attributed to the lack of planning for business development in new areas and inefficient business operations and weak financial management.

2.8 Analysis of three commercial activities of the Company

During 2017-18 to 2022-23 the Company carried out three commercial activities on its own, *viz.*, printing of DL/RC, providing internet services under the brand name 'Magic Surf' and Education/Training business for generation of revenue. ***Table 2.2*** depicts the Position of revenue earned, expenditure, profit/loss from these commercial activities.

Table 2.2: Details of Revenue, Expenditure and Profit/Loss from commercial activities

(₹ in crore)

Sl. No.	Activities	Financial Performance	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Total
1.	Printing of DL/RC	Revenue received	10.16	11.61	12.44	11.69	24.77	Under compil-ation[86]	70.67
		Expenditure	5.77	6.77	5.94	6.99	7.56		33.03
		Profit/(Loss)	4.39	4.84	6.50	4.70	17.21		37.64
2.	Internet Services	Revenue received	0.49	0.22	0.24	0.19	0.25	0.19	1.58
		Expenditure	0.66	0.41	0.50	0.39	0.81	0.33[87]	3.10
		Profit/(Loss)	(0.17)	(0.19)	(0.26)	(0.20)	(0.56)	(0.14)	(1.52)
3.	Education &Training	Revenue received	0.74	1.46	0.68	0.18	0.95	1.69	5.70
		Expenditure	0.98	1.11	1.12	0.97	1.09	0.92	6.19
		Profit/(Loss)	(0.24)	0.35	(0.44)	(0.79)	(0.14)	0.77	(0.49)
Total		**Revenue received**	**11.39**	**13.29**	**13.36**	**12.06**	**25.97**	**1.88**	**77.95**
		Expenditure	**7.41**	**8.29**	**7.56**	**8.35**	**9.46**	**1.25**	**42.32**
		Profit/(Loss)	**3.98**	**5.00**	**5.80**	**3.71**	**16.51**	**0.63**	**35.63**

Source: Information furnished by the Company

As can be seen from ***Table 2.2***, the Company earned aggregate revenue of ₹ 77.95 crore during April 2017 to March 2023 from the above three commercial activities. As against this, the Company incurred an expenditure of ₹ 42.32 crore and earned overall net profit of ₹ 35.63 crore from these activities, which was mainly contributed by the profit earned (₹ 37.64 crore)[88] from the printing of DL/RC activity. Otherwise, the Company suffered loss of ₹ 2.01 crore from the operation of other two activities, *viz.,* (i) Internet services and (ii) Education and training activities.

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[86] Figure for printing of DL/RC was available only for 2017-22 as the data for the year 2022-23 was under compilation.

[87] Excluding the Bandwidth cost, which was pending to be finalised for 2022-23.

[88] For the period April 2017 to March 2022.

Further audit analysis of the three commercial activities of the Company revealed the following observations.

2.8.1 Printing of Driving License and Registration Certificate

The Transport Department, GoA appointed (August 2005) the Company as service provider for printing and issuing smart card based DL/RC in all District Transport Offices (DTOs) of Assam. For this, the Department allowed the Company to collect fees from the applicants at the rate of ₹ 88.20 and ₹ 126 for each DL and RC, which was further revised (June 2021) to ₹120 and ₹ 180 respectively. ***Table 2.3*** depicts the revenue collected and expenditure incurred by the Company from this activity during April 2017 to March 2022.

Table 2.3: Year-wise details of revenue and expenditure

(₹ in crore)

Year	Revenue	Pay and allowance	Other Expenditure	Total expenditure	Surplus
(i)	**(ii)**	**(iii)**	**(iv)**	**(v)=(iii)+(iv)**	**(vi)=(ii)-(v)**
2017-18	10.16	1.44	4.33	5.77	4.39
2018-19	11.61	1.69	5.07	6.77	4.84
2019-20	12.44	2.17	3.77	5.94	6.50
2020-21	11.69	2.31	4.69	6.99	4.70
2021-22	24.77	2.80	4.76	7.56	17.21
Total	**70.67**	**10.41**	**22.62**	**33.03**	**37.64**

Source: Information furnished by the Company

As can be seen from ***Table 2.3***, there was consistent increase in revenue earnings from ₹ 10.16 crore (2017-18) to ₹ 24.77 crore (2021-22). The sudden increase in 2021-22 was mainly due to increase in the rate of printing DL/RC and receipt of postal charges separately. As a result, the Company was able to earn an overall surplus of ₹ 37.64 crore during 2017-2022.

However, in a fresh tendering in March 2022 for awarding the job of printing of DL/RC, the Company lost this profitable business to a more competitive bidder. Though the Company was earning overall profit of ₹ 37.64 crore, by quoting a high rate (₹ 149.86 *per* card) in the fresh bidding as compared to the rate quoted (₹ 66.94 per card) by the lowest bidder, the Company's quote became less competitive.

Thus, the Company could not retain this profitable contract due to lack of an aggressive business strategy to retain this contract by remaining competitive through suitable cost cutting measures.

In reply, the Company stated (October 2023) that while participating in the tender it took into consideration the tenure of the project, uncertainty in volume of cards to be printed, manpower cost involved as per statutory requirement, *etc*.,

The fact, however, remains that the bid of the Company was not competitive as it had fallen to L[5] (last bidder) in the bidding process despite having sufficient space to be more aggressive while bidding its price, considering high profit margin of 53 *per cent* that the Company earned from this activity.

2.8.1.1 Lack of synergy between the Company and GoA

As per letter of appointment (Clause-f) issued (August 2005) by GoA to the Company, the DL/RC must be in accordance with upto date amendments of Motor Vehicles (MV) Act 1988, Central Motor Vehicles Rules (CMV) 1989 and Assam Motor Vehicles (AMV) Rules 2003.

GoI amended (March 2019) CMV Rules and notified the CMV (Second Amendment) Rules, 2019 (effective from 1 October 2019). As per new format prescribed under the amended Rules, it was essential to print the details of DL/RC on both sides (*viz.* front and reverse) of the card while the reverse side of the DL/RC card must have Quick Response (QR) code for retrieving the details of the card holder online. However, issuing an Ordinary Laminated type of DL/RC or Smart Card type DL/RC was optional. Further, inclusion of 'chip' on the front side of the card was also optional.

The amended CMV Rules further provided for levy of ₹ 200 per card, where a Laminated or Smart Card type DL was issued in *Form 7* prescribed under the Rules. GoI issued similar directions in case of RC and stipulated levy of ₹ 200 for issue of RC in *Form-23A*.

Audit noticed that GoA directed (August 2019) the Company to implement the new form of DL/RC immediately. The Company, accordingly, prepared sample cards in the new form and submitted (September 2019) to GoA for approval, for which there was no response from GoA. The Company, meanwhile, without pursuing the issue further with GoA, continued to issue DL/RC in old format at a per card fee of ₹ 120 and ₹ 180 respectively through its counters located in 32 DTOs of Assam. It was seen that the QR code in new DL/RC was made (October 2019) mandatory with a view to have easy verification of the antecedents of cardholders by scanning the QR code on a mobile phone without risk of duplication. The Company by issuing DL/RC in old format without QR code defeated this objective, thereby making it difficult for the law enforcing authorities to verify the details of card holders in single scan.

Audit further noticed that while the Company continued to issue DL/RC in old format, the Transport Department, GoA, also started (October 2021) online collection of fees from applicants directly at the time of receiving applications at higher rate of ₹ 200 per DL/RC against DL/RC issued by the Company. During October 2021 to March 2022, the Department collected ₹ 9.48 crore from online applicants at the rate (₹ 200 per card) applicable against upgraded DL/RC, while the Company continued to issue DL/RC in old format in violation of GoI's new instructions. GoA transferred the fee collected from online applicants to the Company. This resulted in excess collection of ₹ 1.48 crore[89] from online applicants and reimbursement to the Company, without issue of card of appropriate type in violation of applicable Rules.

The above facts indicated lack of synergy between the Company and Transport Department, GoA and absence of proactive action on Company's part to upgrade

[89] DL: 1,63,192 × (₹200-120) and RC: 87,802 × (₹200-180).

DL/RC as per new Rules, despite charging service fee from public at higher rates by GoA.

In reply, the Company stated (October 2023) that it did not receive specific directives from the Department and as such was not in a position to print QR code based DL/RC without approval of the Department. The Company further stated that the QR code based DL/RC was discontinued by GoA with effect from 1 September 2023.

The reply is not tenable as GoI/GoA already issued (August 2019) instructions including rates to be charged for printing of QR code based DL/RC. The Company, however, continued issuing DL/RC in old format which was non-compliant to GoI's latest instruction. Further, the GoA although, stopped (August 2023) issuing QR code based smart cards of DL/RC in physical mode, it directed to start issuing DL/RC only in electronics mode (self-printable PDF format) with effect from 1 September 2023 and the electronic version of DL/RC prescribed by GoA also included the QR code.

2.8.2 Magic Surf internet service

The Company provided internet services to public under the brand name of 'Magic Surf' through 12 franchisees. The franchisees were responsible for providing new connection, disconnection, repairs and maintenance of lines and equipment. The franchisees were entitled to share[90] a part of the revenue. ***Table 2.4*** depicts the revenue collected and expenditure incurred by the Company from this activity during April 2017 to March 2023.

Table 2.4: Revenue collected and expenditure incurred

(₹ in crore)

Year	Number of customers	Revenue	Manpower Cost	Other Expenditure	Total expenditure	Net Loss
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2017-18	523	0.49	0.20	0.46	0.66	(-) 0.17
2018-19	255	0.22	0.22	0.19	0.41	(-) 0.19
2019-20	274	0.24	0.23	0.27	0.50	(-) 0.26
2020-21	346	0.19	0.25	0.14	0.39	(-) 0.20
2021-22	354	0.25	0.27	0.54	0.81	(-) 0.56
2022-23	289	0.19	0.29	0.04	0.33[91]	(-) 0.14
Total	**--**	**1.58**	**1.46**	**1.64**	**3.10**	**(-) 1.52**

Source: Information furnished by the Company.

As can be seen from ***Table 2.4***, the Company suffered losses during 2017-18 to 2022-23. The loss from operation of this activity increased by ₹ 0.39 crore (229 *per cent*) from ₹ 0.17 crore (2017-18) to ₹ 0.56 crore (2021-22). From 2020-21, the revenue earned by the Company was not even sufficient to fully recover the manpower cost. Thus, the Company could not recover the costs. The loss figure for 2022-23 (₹ 0.14 crore) was not realistic in absence of bandwidth cost, which was pending realisation. Further audit analysis revealed the following:

90 25 to 50 *per cent* of tariff of different plans.

91 Excluding the Bandwidth cost, which was pending to be finalised for 2022-23.

2.8.2.1 Lack of competitiveness

There was decrease of 234 consumers (45 *per cent*) from 523 consumers (2017-18) to 289 consumers (2022-23). As a result of reduction in the consumer base, the average monthly revenue[92] generated by the Company from each consumer decreased from ₹ 781 to ₹ 548 during 2017-2023. Monthly entry level tariff charged by the Company as compared to other market operators during 2017-2023 was as shown in ***Table 2.5***.

Table 2.5: Comparison of monthly entry level tariff of internet service providers

Speed	Magic Surf	Jio	Airtel	BSNL
Monthly entry level	₹ 800 per month for bandwidth speed of 20 mbps for usage upto 100 GB thereafter speed reduced to 2 mbps	₹ 399 per month for bandwidth speed of 30 mbps with unlimited data usage	₹ 499 per month for bandwidth speed of 40 mbps with unlimited data usage	₹ 329 per month for bandwidth speed of 20 mbps for usage upto 1,000 GB data thereafter speed reduced to 2 mbps
OTT[93] services	No	Yes	Yes	Yes

As can be seen from ***Table 2.5***, the tariff charged by the Company for usage of one gigabyte data was ₹ 8 in comparison to ₹ 0.33 charged by Bharat Sanchar Nigam Limited. Further, the tariff charged by the Company against data speed/usage offered was not compatible with service providers in private sector *viz.* Reliance Jio Infocomm Limited and Bharti Airtel Limited. Thus, uncompetitive tariffs of the Company in providing the internet services led to substantial decrease in market share and consumer base of the Company during 2017-2023 as evident from ***Table 2.4***.

The Company, however, did not initiate any action to analyse the reasons for continuous operational losses from this business for appropriate corrective action so as to stay competitive in the market.

In reply, the Company stated (October 2023) that due to entry of private players like Jio, Airtel, *etc*., and requirement of huge investment, the Company had lost its market share in the business.

2.8.2.2 Dues recoverable from franchisees

Out of 12 franchisees engaged by the Company, six franchisees had outstanding dues of ₹ 0.91 crore as of March 2022. Of these, four franchisees having dues of ₹ 0.61 crore were inactive as on June 2023. The Company had been recovering the dues from two active franchisees by adjusting 25 *per cent* of the commission[94]. The Company, however, had not taken legal action against defaulting franchisees to recover the outstanding dues (June 2023).

2.8.3 Education and training business

The Company imparted computer education to students and Government servants through its 52 centres as shown in ***Table 2.6***.

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[92] Column 3 of ***Table 2.4*** ÷ (column 2 of ***Table 2.4*** × 12 months).

[93] OTT (over-the-top) is a means of providing television and film content over the internet at the request and to suit the requirements of the individual consumer.

[94] As on June 2023, the Company could recover ₹ 0.10 crore from one franchisee

Table 2.6: Number of education and training centres

Nature of Centre	Type of operation		Total
	Own	Franchisee	
District Computer Centre[95]	3	23	26
Education and Training wing	3	23	26
Total	**6**	**46**	**52**

Source: Information furnished by the Company.

From ***Table 2.6***, it may be seen that out of 52 training centres, 26 centres were District Computers Centres (DCCs) created by GoA during 2005 to 2023 and 26 centres were operated through the Education and Training Wing of the Company. One DCC (DCC, Silchar) out of 26 DCCs created by the Company to operate as a 'training centre' could not be utilised for the intended purpose since 2013. At present, the DCC, Silchar was being utilised by the Board of Secondary Education, Assam as a 'Strong Room' defeating the prime objective of creating the DCC.

Out of 51 functional centres, 45 centres were operated by franchisees on revenue sharing basis.[96] ***Table 2.7*** depicts the details of year-wise revenue earned and expenditure incurred during 2017-23 on these activities.

Table 2.7: Revenue/expenditure from education and training business

(₹ in crore)

Particulars	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**Total**
Company's own operation (6 centres)							
Revenue earned	0.39	0.86	0.25	0.13	0.33	0.57	2.53
Expenditure	0.59	0.64	0.72	0.74	0.64	0.68	4.01
Surplus/Deficit (-)	(-) 0.20	0.22	(-) 0.47	(-) 0.61	(-) 0.31	(-) 0.11	(-) 1.48
Franchisee operation (45 centres)							
Revenue earned	0.35	0.60	0.43	0.05	0.62	1.12	3.17
Expenditure	0.39	0.47	0.40	0.23	0.45	0.24	2.18
Surplus/Deficit (-)	(-) 0.04	0.13	0.03	(-) 0.18	0.17	0.88	0.99
Overall Surplus/Deficit (-)	**(-) 0.24**	**0.35**	**(-) 0.44**	**(-) 0.79**	**(-) 0.14**	**0.77**	**(-) 0.49**

Source: Information furnished by the Company.

As can be seen from ***Table 2.7,*** while the Company incurred loss of ₹ 1.48 crore in running its owned DCCs, it earned a profit of ₹ 0.99 crore from operation of centres by franchisees during 2017-2023. Of the total expense of ₹ 6.19 crore, the manpower cost amounted to ₹ 4.47 crore, which represented 78 *per cent* of total revenue (₹ 5.70 crore) for the period upto March 2023. As such, the overall losses of ₹ 0.49 crore suffered by the Company during 2017-2023 were largely attributable to high administrative cost. Action to reduce its overhead cost to make this venture profitable was not on record.

In reply, the Company stated (October 2023) that during 2017-2020 the DCCs were operated with machines and equipment which were outdated and defunct and suffered certain losses due to Covid. The management added that few manpower engaged in education and training (E&T) business were shared with other projects of the

[95] Including one DCC in Silchar, which was non-functional since 2013.

[96] The Company earns 100 *per cent* of Registration fee and 20 *per cent* of course fee for each trainee.

Company. Hence, entire salary of manpower should not be allocated to E&T business. The reply is not acceptable as the Company continued operation of education centres without any plan in place to replace old machines and equipment. Further, the manpower cost has been considered after suitable allocation among the projects.

2.8.3.1 Outstanding dues from the franchisees

Though the Company earned a profit of ₹ 0.99 crore during the last six years ending March 2023, there were outstanding dues of ₹ 0.45 crore from nine franchisees for a period ranging from 7 to 16 years. Action to recover outstanding dues was not on record.

In reply, the Company stated (October 2023) that efforts were undertaken from time to time to recover the existing dues from franchisees. The reply is not tenable as the efforts made by the Company did not reduce the position of outstanding dues since 2016-17.

Thus, based on analysis of three commercial activities, it can be concluded that the Company lacked planning to reduce cost/ operational losses, indicating inefficient business operations. Further, the Company failed to adapt itself to the fast-changing business environment owing to lack of business strategy to retain the profitable contract by remaining competitive against its competitors in the market, coupled with lack of synergy with the Government.

2.9 Implementation and operation of Government projects

The Company implemented two projects funded by GoA/GoI during 2017-18 to 2022-23. In addition, the Company operated and maintained two projects that had been completed prior to 2017-18. The details of the four projects[97] being operated by the Company have been summarised in ***Table 2.8***.

Table 2.8: Year-wise details of fund received and expenditure incurred for the projects

(₹ in crore)

Sl. No.	Project (Funding Source)	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Total	Status
1	Tech City (GoI)	Fund received	23.97	7.43	17.86	14.73	104.05[98]	8.00	176.04	In progress
		Expenditure	0.34	16.27	14.29	24.07	104.42	16.18	175.57	
2	State Data Centre (Commissioned in February 2021 (GoI/GoA)	Fund received	3.00	1.00	1.49	10.28	12.33	8.55	36.65	Commissioned in February 2021 and is under operation
		Expenditure	2.85	0.96	1.41	9.65	11.77	8.14	34.78	
		Agency commission due	0.15	0.05	0.07	0.63	0.57	0.41	1.88	

[97] Tech City Project was owned by the Company including land measuring 100 acres on which Tech City project was taken up with GoI share funding. The remaining three projects (*i.e.* e-District, Assam State Wide Area Network, State Data Centre) were of GoA, being executed through the Company and the Company was entitled to agency commission for looking after the operation and maintenance activities.

[98] Including Term loan of ₹100 crore received from Bank of Maharashtra.

Sl. No.	Project (Funding Source)	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Total	Status
3	e-District (GoI/GoA) (Rolled out in September 2015)	Fund received	1.00	1.00	16.39	6.22	0.80	3.33	28.74	Project completed prior to 2017-18 and in operation
		Expenditure	1.00	1.00	6.40	13.70	2.52	2.89	27.51	
		Agency commission due	--	--	0.44	0.32	0.04	0.16	0.96	
4	Assam Wide Area Network (GoA) (Rolled out in : November 2011)	Fund received	6.00	6.00	14.00	5.75	4.00	3.80	39.55	Project completed prior to 2017-18 and in operation
		Expenditure	6.01	8.86	9.95	10.35	10.17	3.64	48.98	
		Agency commission due	0.30	0.44	0.50	0.52	0.51	0.18	2.45	
Total: All Projects		**Fund received**	**33.97**	**15.43**	**49.74**	**36.98**	**121.18**	**23.68**	**280.98**	
		Expenditure	**10.20**	**27.09**	**32.05**	**57.77**	**128.88**	**30.85**	**286.84**	
		Agency commission due	**0.45**	**0.49**	**1.01**	**1.47**	**1.12**	**0.75**	**5.29**	

Source: Information furnished by the Company.

Audit observed that during 2017-2023, the Company received ₹ 280.98 crore from GoI/GoA for implementation/operation of the projects, against which the Company utilised ₹ 286.84 crore. In addition, the Company was also entitled to agency commission of ₹ 5.29 crore.

Thus, an amount of ₹ 11.15 crore (expenditure: ₹ 5.86 crore and agency commission: ₹ 5.29 crore) was receivable from GoA as of March 2023. This indicated that the Company not only failed to adjust its agency commission from projects in a timely manner but also spent its own funds in advance, which was not prudent financial management.

Audit observations on individual projects are discussed in the subsequent paragraphs.

2.9.1 Tech City project (ongoing)

The Company initiated (January 2018) a proposal for developing an Information Technology (IT) Park and Electronic Manufacturing Cluster (EMC) known as "Tech City" on a plot of land measuring 100 acres at Kamrup, Assam owned by the Company.

The Company prepared (January 2018) a Detailed Project Report (DPR) of ₹ 119.85 crore, which was sanctioned (February 2018) by GoI. Subsequently, the Company prepared (July 2019) revised DPR of ₹ 607.21 crore (IT park: ₹ 487.36 crore and EMC: ₹ 119.85 crore) for the entire project to develop Tech City for providing manufacturing base for Electronics and IT sector, by attracting national and multinational manufacturing companies and earn revenue through leasing of land/ spaces to manufacturing units. The funding of the project cost (₹ 607.21 crore) was as follows: EMC for ₹ 119.85 crore (GoI: ₹ 50 crore, GoA: ₹ 39.89 crore as grants; and Company: ₹ 29.96 crore) and ₹ 487.36 crore for IT park was to be financed by the Company by arranging term loan of ₹ 400 crore from Bank of Maharashtra (BoM) (January 2021). The component-wise details of sanction, fund received, status of works undertaken as on 31 March 2023 was as shown in ***Table 2.9***.

Table 2.9 Details of sanction, funds received, status of works under the project as on 31 March 2023

(₹ in crore)

Name of project	Date of sanction	Scheduled date of completion	Sanctioned /estimated cost	Funds received	Expenditure incurred	Status	Delay in months
EMC (Government funded) includes Common Facility Centre (CFC) buildings, Roads, Drainage etc	1 February 2018	31 December 2018	119.85	76.04	75.57	Incomplete	51
IT Park (own resources/ loan) Includes construction of G+8 and G+3[99] Steel structure building, multi-level car parking, Solar Panel *etc*.	--	No target date was fixed for completion	487.36	100.00	100.00	Incomplete	No target date was fixed
Total			**607.21**	**176.04**	**175.57**		

Source: Information furnished by the Company.

Audit observed that against project cost of ₹ 607.21 crore, the Company could arrange ₹ 176.04 crore[100] (29 *per cent* of total cost). Of the remaining ₹ 431.17 crore, the Company was to receive ₹ 40.56 crore[101] from GoI/GoA and arrange ₹ 390.61 crore[102] (including bank loan of ₹ 300 crore) through own sources as of March 2023. The Company incurred expenditure of ₹ 175.57 crore against the fund received of ₹ 176.04 crore, leaving unspent balance of ₹ 0.47 crore as of March 2023. However,

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[99] G+8/ G+3 means Ground plus eight and Ground plus three storied steel building.

[100] ₹ 25 crore (GoI) + ₹ 24.33 crore (GoA) + ₹ 26.71 crore (own sources) + ₹ 100 crore

[101] GoI (₹50 crore - ₹25 crore) + GoA (₹ 39.89 crore - ₹ 24.33 crore)

[102] ₹607.21 crore - ₹89.89 crore (GoI & GoA) -₹26.71 crore (own contribution) - ₹100 crore (Bank loan)

the project which started in 2017-18 remained incomplete till March 2023 even after expiry of more than five years.

Audit further observed that:

- the Company received ₹ 76.04 crore for EMC project from GoI (₹ 25 crore) and GoA (₹ 24.33 crore) and its own contribution (₹ 26.71 crore) during 2017-2023. The balance fund (₹ 43.81 crore) for this project is yet to be arranged from GoI/GoA (₹ 40.56 crore) and from Company's own sources (₹ 3.25 crore).

- the Company could mobilise a loan of ₹ 100 crore out of ₹ 400 crore planned for IT park project from BoM and the same was fully utilised by the Company as of March 2023. Even after lapse of more than five years since sanction (February 2018) of the project, the Company neither fixed target date for completion nor tied up the source of funding as of March 2023.

2.9.1.1 Poor project management

Audit observed poor project management of the Company as elaborated below:

(i) The Company started (2017-18) an ambitious project of Tech City, involving ₹ 607.21 crore, without proper funding arrangement, despite its precarious financial health. Of this, ₹ 89.89 crore was to be provided by GoI/GoA under EMC and the balance amount of ₹ 517.32 crore was to be arranged from own sources.

(ii) The Company approached BoM to provide loan of ₹ 400 crore to finance the project and received first instalment of ₹ 100 crore in June-September 2021 without any guarantee from GoA.

(iii) As per terms of loan agreement, the Company was to provide irrevocable and unconditional guarantee of GoA to the extent of loan to BoM by October 2021, failing which the Company was liable for payment of a penalty of two *per cent* per annum on the outstanding amount of loan from the end of October 2021.

The Company requested (August 2021 and April 2022) GoA to provide guarantee, to which GoA informed its inability. As a result, BoM stopped (September 2022) release of further loan and claimed (November 2022) ₹ 2.81 crore[103] as additional penal interest on the outstanding loan.

(iv) As per sanction letter of GoI for EMC, the Company was required to form a Special Purpose Vehicle (SPV) before scheduled project completion date (31 December 2018) or before release of second instalment wherein at least seven EMC units should be on the BoD of the SPV and these units must hold at least 51 *per cent* of the share capital of the SPV with no single unit holding more than 25 *per cent*. Though the Company nominated (June 2019) its subsidiary company named AMTRON Informatics India Limited as SPV but due to poor progress of the project, only five acres out of 41 acres of leasable land could be allotted to three units. As

[103] Calculated at the rate of 2 *per cent* per annum on outstanding amount of loan.

such, the condition of including at least seven EMC units in the BoD of the SVP could not be complied by the Company. Therefore, GoI did not release balance fund of ₹ 25 crore to the Company due to non-compliance of stipulated conditions.

The Company, based on sanction of ₹ 119.85 crore, could have completed the EMC project at the first stage, which was a self-sustainable component of the project to generate revenue after receipt of ₹ 176.04 crore for EMC project during March 2018 to March 2023, which included development of basic infrastructure such as CFC buildings, electrical sub-station, roads, drainage, etc. The Company, instead, decided (July 2019) to take up the work of IT park, which included construction of G+8/G+3 steel structure building, International Internet Gateway project, *etc.,* which were not part of the EMC component of the project, without tying up its funding sources. As such works under Tech City project were held up and remained incomplete for more than five years (as shown in ***Figure 2.1*** to ***2.4***) as of June 2023.

Figures 2.1 to 2.4

<table>
<tr><td>
Figure 2.1: Incomplete CFC Building Block-A</td><td>
Figure 2.2: Incomplete CFC Building Block-B</td></tr>
<tr><td>
Figure 2.3: Incomplete G+8 Steel Structure Building</td><td>
Figure 2.4: Incomplete G+3 Steel Structure Building</td></tr>
</table>

Thus, the decision of the Company to execute both the components of the project without ensuring availability of funds was not prudent. Due to poor management of the project, the Company not only incurred extra liability of ₹ 2.81 crore towards penal interest, but it also led to blockage of ₹ 175.57 crore already invested, without achieving the objective of creating a manufacturing base for electronics and IT sector even after more than five years as of June 2023.

In reply, the Company stated (October 2023) that:

- the Tech City was a high capital incentive project where the exact requirement of fund could not be ascertained beforehand.
- budgetary support provided by GoI/GoA was not adequate and as such it opted for commercial borrowing.
- funds from government were received in staggered manner which shifted the entire burden on the Company.
- stringent banking norms for securing mortgage against borrowing for such an ambitious project had been a hindrance in securing the fund.
- the interest liability component would be paid through revenue to be generated from commercial ventures planned to be entered into with the electronics and IT companies.
- there were several disruptions during implementation of the project such as Covid pandemic among others which delayed the completion of the project.

The reply is not tenable as the main objective of preparing DPR is to assess the actual requirement of funds necessary for timely completion of project. The decision to take up such a huge project without firming up funding sources was not prudent as evident from the fact that the project remained incomplete for five years and the Company could not generate any income to fund its loan liability. Further, the funds from GoI were staggered due to non-fulfilment of SPV conditions by the Company. As regards banking norms for securing the mortgage, these were standard in nature and the Company was aware of the same before taking up the project. The contention of the Company regarding covid was also not justified as the Company was to complete EMC project in December 2018 itself, while the outbreak of the covid took place in 2020. The Company could not arrange balance fund required for the project, pay its interest liability incurred for the project and did not have any concrete plan to complete the project as of June 2023.

2.9.2 State Data Centre

Under National e-Governance Plan (NeGP) 2006, GoI envisaged creation of State Data Centres (SDCs) in all the States to consolidate services, applications and infrastructure to provide efficient electronic delivery of Government to Government, Government to Citizen and Government to Business services. The SDC was to act as central repository of State data, ensure data security, online delivery of services, citizen information/services portal, state intranet, remote management and service integration. The SDC was to host or co-locate systems.

GoA designated (August 2009) the Company as State Designated Agency (SDA) for receiving funds from Department of Information Technology, GoI and for implementation of the SDC project. Year-wise fund received and expenditure incurred on the project was as given in ***Table 2.10***.

Table 2.10: Details of fund received and expenditure on SDC project

(₹ in crore)

Particulars	Prior to 2017-18	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Fund received from GoI	7.74	--	--	--	10.28	8.33	--	26.35
Fund received from GoA	20.89	3.00	1.00	1.49	--	4.00	8.55	38.93
Total Fund received	**28.63**	**3.00**	**1.00**	**1.49**	**10.28**	**12.33**	**8.55**	**65.28**
Capital expenditure incurred	28.18	1.33	--	--	9.03	6.29	--	44.83
Operating expenditure incurred	--	1.52	0.96	1.41	0.62	5.48	8.14	18.13
Total expenditure incurred	**28.18**	**2.85**	**0.96**	**1.41**	**9.65**	**11.77**	**8.14**	**62.96**
Agency commission earned	0.45	0.15	0.05	0.07	0.63	0.57	0.41	2.33

Source: Information furnished by the Company and annual accounts of the Company

Audit observed that the Company received ₹ 65.28 crore (GoI: ₹ 26.35 crore[104] and GoA: ₹ 38.93 crore) till March 2023, which included ₹ 36.65 crore received during April 2017 to March 2023. The Company earned agency commission of ₹ 2.33 crore from the project, of which ₹ 1.88 crore pertained to 2017-2023. The project, though scheduled to be completed in January 2009 was commissioned in February 2021 after delay of 12 years. The Company incurred expenditure of ₹ 62.96 crore on the project till March 2023. The details of expenditure incurred for the project are given below:

Sl. No.	Expenditure Head	Amount
1.	Construction of building of State Data Centre	₹ 21.82 crore
2.	Procurement of hardware, software and other infrastructure	₹ 23.01 crore
3.	Operation expenses for warranty, license, fuel *etc.*	₹ 18.13 crore
Total		**₹ 62.96 crore**

2.9.2.1 Deficiencies of State Data Centre

(i) Under-utilisation of capacity

The SDC is a unified place where government departments and agencies could host their applications and websites. The SDC had two server rooms having capacity of 1,638 rack units (RU) in each server room. The Company could, however, partially utilise one server room (672 RU), while the other server room was lying idle. Thus, 2,604 RU capacity (79 *per cent*) out of 3,276 RU remained unutilised as of September 2023.

[104] Comprising of hardware, software *etc.*

Audit noticed that despite having capacity, websites and applications were hosted outside SDC, either in Mini Data Centre (MDC) of the Company or private cloud despite GoA notification (September 2022) as discussed subsequently.

Audit observed that five departments and agencies[105] continued to host applications either in private cloud or department's own servers. One agency (State Coordinator, National Register of Citizens, Assam) issued (June 2023) work orders for management of data centre including data in private cloud. Another state PSU (Assam Power Generation Corporation Limited) entered (January 2022) into agreement with a private data centre to host its Enterprise Resource Planning (ERP) application in cloud for 3 years at a cost of ₹ 3.54 crore. Information regarding cost incurred by other departments was not furnished to Audit. Thus, as of June 2023, the SDC did not act as a central repository of state data for which funds of ₹ 62.96 crore had been invested by GoI/GoA even after two years of its commissioning in February 2021.

In reply, the Company stated (October 2023) that free space will be allocated and populated with IT infrastructure as and when there is requirement for expansion of cloud and co-location services. The fact, however, remains that several departments and agencies were not utilising the SDC's capacity. The objective of creating SDC as central repository would not be achieved unless the Company/GoA issue instructions to Government departments to mandatorily use SDC for hosting their applications and websites. Thus, it is incumbent on the Company to apprise GoA about facilities created in SDC for optimum utilisation of the capacity for issuing clear directions.

(ii) Dual power supply not ensured

As per SDC guidelines, the Company was to draw power from two different feeders to ensure continuity of power supply.

The Company procured (March 2018) two 750 KVA transformers costing ₹ 0.30 crore each for transformation of power from electricity grid to SDC. The two transformers were, however, connected to the same electrical feeder and in case of any defect in feeder, there would be no alternate feeder to maintain uninterrupted power supply for the server room. Thus, the procurement of two transformers for ₹ 0.60 crore for the entire SDC for a connected load of 705.88 KVA back-up electrical connection for the system of SDC was not ensured as required under the guidelines of SDC issued by GoI.

(iii) Applications/services of GoA's departments not migrated to SDC

As per GoA notification (November 2019), once the SDC was fully operational, all critical application and services of the State were to be migrated from Mini Data Centre (MDC) to SDC.

Audit observed that as on June 2023, 46 websites of different government departments and agencies and two applications pertaining to e-District and State

[105] State Coordinator, NRC, Assam, Public Works Department, GoA, Finance Department, GoA, Revenue Department, GoA and Assam Power Generation Corporation Limited.

Service Delivery Gateway (SSDG) were hosted in MDC though SDC was already commissioned in February 2021. As SDC also had facility of far site backup of data in Noida, Uttar Pradesh, continuation of storing critical data in MDC was a violation of GoA's instruction to use MDC as a near Disaster Recovery Centre. The management cited that the current hardware of MDC was obsolete and storage capacity was limited, causing slow processing of application. Continued use of MDC involved the risk of data loss and business continuity of the department, non-delivery/slow delivery of various Government services to citizens, business and other government agencies.

In reply, the Government/Company stated (October 2023) that websites would be migrated from MDC to SDC once additional server/storage infrastructure is provisioned at SDC. Thereafter, MDC would act as a Near Disaster Recovery site for SDC.

(iv) Disaster Recovery and Business Continuity Plan

As per GoI guidelines, high system availability was one of the critical requirements of SDC. Further, the State was required to establish appropriate Disaster Recovery (DR) and Business Continuity Plan along with appropriate data backup and recovery infrastructure. National Informatics Centre (NIC) informed (March 2013) GoA that it would provide DR for the SDC of Assam.

Audit, however, noticed that the Company entered (February 2020) into contract with M/s Nxtra Data Limited (a private data centre) at ₹ 0.08 crore *per annum* for backup service for 10 TB data. Thus, despite having option of securing sensitive Government data in the data centre of Government agency (NIC), the Company compromised on the data security by engaging a private agency in violation of guidelines.

In reply, the Company stated (October 2023) that a proposal has been submitted to IT Department, GoA for a full-fledged DR. The contracts with various private data centres, however, show that the Company failed to take effective action to ensure utilisation of its resources created at significant cost after substantial delays.

2.9.3 e-District Project

The e-District project was a Mission Mode Project (MMP) under National e-Governance Plan (NeGP). The project aimed at electronic delivery of identified high volume citizen centric services at district and sub-district levels, which were not part of any other MMP. The Company was appointed by GoA as the State Designated Agency (SDA) for implementation of e-District project in the State. State-wide roll out of e-District project was completed in September 2015. During 2017-2023, the Company carried out operational and maintenance activities of the project. As on March 2023, the project was offering 46 services. The fund received and expenditure incurred for the project during 2017-2023 was as shown in ***Table 2.11***.

Table 2.11: Fund received and utilised under e-District project

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Total
From GoI	-	-	9.55	1.76	-	-	11.31
From GoA	1.00	1.00	6.84	4..46	0.80	3.33	17.43
Total fund received	**1.00**	**1.00**	**16.39**	**6.22**	**0.80**	**3.33**	**28.74**
Capital Expenditure	-	-	2.22	5.01	0.12	-	7.35
Operating Expenditure	1.00	1.00	4.18	8.69	2.40	2.89	20.16
Agency commission earned	-	-	0.44	0.32	0.04	0.16	0.96
Total fund utilised	**1.00**	**1.00**	**6.84**	**14.02**	**2.56**	**3.05**	**28.47**

Source: Information furnished by the Company.

As can be seen from ***Table 2.11***, the Company received ₹ 28.74 crore from GoI/GoA under e-District project during 2017-2023. Of this, the Company spent ₹ 27.51 crore on operational and maintenance activities and adjusted ₹ 0.96 crore as agency commission for operation of the project, leaving a balance of ₹ 0.27 crore as on 31 March 2023. The details of expenditure incurred by the Company during 2017-18 to 2022-23 were as under.

Sl. No.	Expenditure Head	Amount
1.	Manpower Expenses	₹ 14.72 crore
2.	Hardware cost	₹ 4.82 crore
3.	Site Preparation Expenses	₹ 2.53 crore
4.	Training Expenses	₹ 1.94 crore
5.	Application Support Expenses	₹ 1.68 crore
6.	System Support Expenses	₹ 0.44 crore
7.	Connectivity Expenses	₹ 0.64 crore
8.	Annual Maintenance Cost of hardware	₹ 0.49 crore
9.	Others (contingency, awareness)	₹ 0.25 crore
	Total	**₹ 27.51 crore**

2.9.3.1 Revenue sharing arrangement

GoA devised (August 2016) a revenue sharing model, wherein the Company was entitled to receive 94 *per cent* of User Charges[106] collected on applications submitted by citizens directly. As regards applications submitted by citizens through Common Service Centres[107] (CSCs), the Company was eligible to receive 7 *per cent* of user charges. ***Table 2.12*** provides the details of e-service charges collected by the Company as its share of revenue under e-District project during 2017-2023.

Table 2.12: Year-wise e-Service charges collected under e-District Project

(₹ in crore)

Year	E-service charge collected from applicants directly (94 *per cent*)	E-service charge collected from CSC (7 *per cent*)	Total e-service charges collected
2017-18	0.53	0.04	0.57
2018-19	0.25	0.08	0.33

[106] ₹ 30 per application.
[107] Private operators for providing citizen centric services.

Year	E-service charge collected from applicants directly (94 *per cent*)	E-service charge collected from CSC (7 *per cent*)	Total e-service charges collected
2019-20	0.37	0.13	0.50
2020-21	0.42	0.11	0.53
2021-22	0.65	0.13	0.78
2022-23	1.91	0.23	2.14
Total collection	**4.13**	**0.72**	**4.85**

As can be seen from ***Table 2.12***, the Company collected e-service charge of ₹ 4.85 crore[108] during 2017-2023. Further, the revenue collected by the Company consistently increased from ₹ 0.33 crore (2018-19) to ₹ 2.14 crore (2022-23).

Audit observed that the revenue collection of the Company could have further increased if it had implemented the instantaneous service by digitising records in a time bound manner to provide e-services across the counters, as elaborated in ***paragraph 2.9.3.3***.

2.9.3.2 Delay in delivery of e-Services

As per Clause 1.2.2 of Integrated Framework for Delivery of Services (IFDS) issued (August 2012) by GoI, the primary emphasis was on improvement in service levels. The project was to have a clear commitment on achieving acceptable service levels for the services selected.

To improve public service delivery system, GoA enacted the Assam Right to Public Service Act, 2012 (ARTPS Act) and notified (April 2015 and May 2016) timelines for delivery of Government to Citizen services electronically under the project. Further, e-District application should provide for an online Service Level (SLA) Management System to escalate any issue to the next superior authority in case the service levels were not met by the officials concerned.

Audit analysed e-District data and found that 48.67 lakh certificates were issued in respect of 17 active services through e-District during April 2017 to March 2023. The position of delivery of services was as given in ***Table 2.13***.

Table 2.13: Analysis of the time taken in delivery of e-services

Year	No. of applications received	No. of application processed on time	No. of applications processed beyond time	Range of delay (in days)
2017-18	5,00,335	2,36,414	2,63,921	1 to 1,753
2018-19	5,60,665	2,72,664	2,88,001	1 to 1,426
2019-20	6,87,627	3,56,106	3,31,521	1 to 1,051
2020-21	6,09,621	3,47,272	2,62,349	1 to 695
2021-22	6,96,180	4,02,272	2,93,908	1 to 354
2022-23	18,12,937	9,89,959	8,22,978	1 to 349
Total	**48,67,365**	**26,04,687**	**22,62,678**	**1 to 1,753**

Source: Information furnished by the Company.

108 ₹ 4.13 crore on direct applications made by citizens + ₹ 0.72 crore on applications made through CSCs.

As can be seen from ***Table 2.13***, out of 48.67 lakh applications received during 2017-2023, 26.04 lakh applications (53.51 *per cent*) were processed within the stipulated timeframe and the balance 22.63 lakh applications (46.49 *per cent*) were issued after a delay ranging from 1 to 1,753 days. ***Appendix 5*** provides details of service-wise applications received and processed during 2017-2023. It was further seen that the Company deactivated (2015) the provisions for online SLA management, which was meant to monitor the pending applications and for escalation pending applications to the higher authorities. Consequently, service delivery within the timeframe as specified under ARTPS Act for various Government to Citizen services was not ensured.

In reply, the Company stated (October 2023) that the provision of escalation mail was deactivated during User Acceptance Test due to inconvenience faced by dealing officials. The reply is not acceptable as in absence of provision regarding escalation mail, the purpose behind introducing IFDS was not fulfilled. Further, the Company did not obtain approval from GoI/GoA for exemption from the provision of escalation mail.

2.9.3.3 Instantaneous service delivery not provided

The IFDS issued by Ministry of Electronics and Information Technology, Government of India identified e-services into three categories *viz*. Type I, II and III depending upon the nature of service required. GoI focused on Type I services that can be provided instantaneously across the counter. The States were to identify 3 to 4 services of Type I, which could immediately be provided to citizens. For this purpose, GoI sanctioned (March 2012) ₹ 12.50 crore for digitisation of data in Assam. The Company as SDA was required to ensure completion of digitisation of records in a time bound manner to provide e-services instantaneously across the counters.

Though the state-wide roll out of e-District was completed in September 2015, Audit noticed that the Company could execute works valuing ₹ 0.11 crore (0.88 *per cent*) out of ₹ 12.50 crore earmarked for data digitization as of March 2023. Slow progress of action taken by the Company for data digitisation was as given in ***Table 2.14***.

Table 2.14: Status of data digitisation

Date	Events	Remarks
27 May 2013	Issue of Letter of Intent (LoI) to Medhassu eSolutions India Private Limited as system integrator (SI).	The scope of work included data digitisation, supply of hardware/ software *etc.*
27 May 2013	In a meeting, it was decided to remove the work of data digitisation from the scope of work of SI.	The decision was taken without any recorded reason. Further, the instructions were issued to select vendors through tendering process.
31 May 2013	SI accepted the LoI.	-
4 March 2014	Fresh expression of interest was invited from parties for the work of data digitisation.	The Company took 9 months from the date of decision (27 May 2013) to exclude the digitisation work from the SI's scope of work.

Date	Events	Remarks
29 August 2015	The Company awarded the digitisation work to two firms[109] for completion of work within four years (*i.e.* August 2019).	The Company took 17 months in finalisation of tender

As can be seen from ***Table 2.14***, the Company took 2 years 3 months from May 2013 to August 2015 to award the work to two parties. There was delay at every stage. Moreover, the two parties could not complete digitisation work as per target date of August 2019 due to lack of cooperation from district authorities to ensure availability of required office space, speedy transfer of records/registers, *etc*. The Company, being SDA for the project, should take up the matter with district authorities regularly to speed up progress of the work.

Thus, in absence of digitised database (permanent resident certificate, caste certificate, income certificate, non-creamy layer certificate *etc.*), none of the services could be provided 'instantaneously' across the counter even after elapse of seven years of state-wide rollout of e-District project in September 2015. Hence, the direction of MeitY for providing instantaneous services to citizens was not achieved as of March 2023.

In reply, the Company stated (October 2023) that digitization of data could not be completed due to non-availability of data in readable format in district offices, lack of adequate records/registers, *etc*. and hence instantaneous services could not be provided.

2.9.4 Assam State Wide Area Network (ASWAN)

State Wide Area Network was one of the core projects under NeGP, which aimed at establishing infrastructure to create network connectivity between State Headquarters and all the Blocks via district/subdivisions in a vertical structure by creating Point of Presence[110] (PoP) at each location. GoI sanctioned (March 2005) ₹ 72.50 crore against the project and the work was completed in November 2011.

The Company was entrusted by GoA (October 2014) to carry out operational activities, *viz.* providing internet service, repairs and maintenance of infrastructure and engaging manpower for the project. Details of fund received, expenditure incurred and agency commission earned by the Company for this project during 2017-18 to 2022-23 was as shown in ***Table 2.15***.

Table 2.15: Fund received, expenditure and agency commission earned

(₹ in crore)

Year	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Receipt of Fund from GoA (A)	6.00	6.00	14.00	5.75	4.00	3.80	**39.55**
Actual expenditure incurred (B)	6.01	8.86	9.95	10.35	10.17	3.64	**48.98**

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109 Writer Information Management Services and SREI Infrastructure Finance Limited

110 A point-of-presence (POP) is a point or physical location where two or more networks or communication devices build a connection from one place to the rest of the internet.

Year	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Agency commission due (5 *per cent* of expenditure) (C)	0.30	0.44	0.50	0.52	0.51	0.18	**2.45**
Total fund receivable from GoA (B+C-A)	**0.31**	**3.30**	**(-) 3.55**	**5.12**	**6.68**	**0.02**	**11.88**

Source: Information furnished by the Company.

As can be seen from ***Table 2.15***, the Company received ₹ 39.55 crore for operation of the project during 2017-2023. Against this the Company incurred expenditure of ₹ 48.98 crore as shown in ***Table 2.16***:

Table 2.16: Fund received, expenditure and agency commission earned

(₹ in crore)

Sl. No.	Expenditure Head	Amount
1.	Manpower Expenses	31.57
2.	Bandwidth cost	9.09
3.	Hiring and procurement of optical fibre	5.89
4.	Procurement of router	2.43
	Total	**48.98**

Audit further observed the following:

(i) Against actual expenditure of ₹ 48.98 crore incurred by the Company for operation and maintenance of ASWAN and agency commission of ₹ 2.45 crore thereagainst, GoA released ₹ 39.55 crore. GoA did not release balance funds of ₹ 11.88 crore pertaining to 2020-21 to 2022-23 as of June 2023.

(ii) 287 points of presence (PoPs) were created at State headquarters, district headquarters and block offices in a three tier structure as on March 2023, of which 225 PoPs were functional and the remaining 62 PoPs (21.60 *per cent*) had zero uptime (*i.e.* not in working condition). Audit observed that out of 62 non-functional PoPs, the Company paid ₹ 0.91 crore on deployment of manpower in respect of 19 PoPs to a private manpower agency (*i.e.* Infotech Solution Limited) during 2017-2023. No action was taken by the Company to analyse the zero uptime of these 19 PoPs for taking remedial measures.

In reply, the Company stated (October 2023) that it is incorporating measures in current proposals to make all the POPs functional. The reply, however, did not justify excess payment already made for manpower engaged in those non-functional PoPs.

(iii) The Company procured Optical Fibre Cable (OFC) cables (₹ 1.44 crore), switch and router (₹ 2.23 crores) and hired the OFC cable on lease (₹ 4.82 crore) during 2017-2023. All the above procurements valued more than ₹ 1 lakh on each occasion and more than ₹ 5 lakh in a year. The Company, however, incurred ₹ 8.49 crore during the period without following tendering process, in violation of Assam Public Procurement Act, 2017. Thus, the Company need to take corrective action on the above and comply with provisions of Assam Public Procurement Act, 2017 to ensure competitive price for execution of work.

In reply, the Company stated (October 2023) that since April 2023 onwards, the RFPs were released for all network items required for ASWAN. The reply, however, remained silent regarding non-following of proper procurement process during 2017-2023.

2.10 Management of Electronic Waste (E-waste)

E-waste denotes electronic or electrical products such as computers, laptops, television, mobiles phones *etc.* that are unwanted, not working and nearing or at the end of their useful life. E-waste is hazardous when such waste is dismantled without scientific processing or recycling prior to its final disposal.

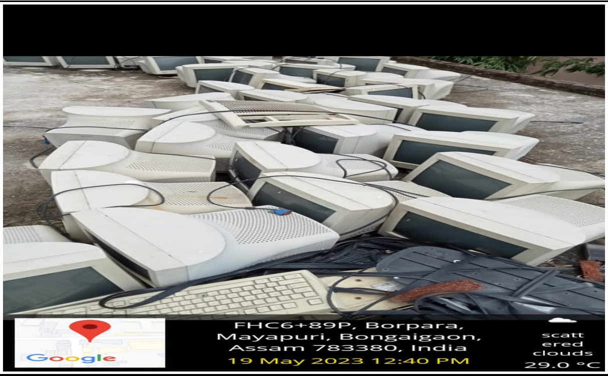
Under E-Waste (Management) Rules, 2016, which came into effect from 1 October 2016, the responsibility of disposal of e-waste in a scientific and environmentally sound manner was assigned to manufacturers, producers, consumers, bulk consumers, dealers, *et*c., of notified electrical and electronic equipment as listed in Schedule-I thereof. As per the definition of bulk consumer of electrical and electronic equipment, the Company falls under the category of 'bulk consumer'.

Further, in the IT and Electronics Policy, 2017, GoA affirmed its commitment to environmental protection by ensuring proper e-waste management and disposal of obsolete ICT equipment in accordance with policy/guidelines of GoI.

Audit observed that during 2017-2023, the Company did not formulate any specific policy or guidelines for identification, storage and disposal of e-waste. The Company kept old and scrap electronics items *i.e.*, monitors, CPUs, servers *etc.* at the store yard located within the premises of its head office/District Computer Centres (DCCs) as shown in ***Figure 2.5*** and ***2.6***.

Figure 2.5: e-Waste at Company's central store

Figure 2.6: e-Waste at one of the DCCs



Details of e-waste generated and disposed of by the Company during the last five years ending March 2023 were not furnished to Audit.

Non-compliance of provisions of E-Waste Rules by the Company was as detailed in ***Table 2.17***.

Table 2.17: Non-compliance of provisions of E-Waste (Management) Rules, 2016

Sl. No.	Clause	Provisions of E-Waste (Management Rules, 2016	Audit observations
1	Clause 9(1)	To ensure that e-waste generated is channelised through collection centre or dealer of authorised producer or dismantler or recycler or through the designated take back service provider of the producer to authorised dismantler or recycler;	The Company did not engage any agency for channelising its e-waste.
2	Clause 9(2)	To maintain records of e-waste generated in Form-2 and make such records available for scrutiny by the concerned State Pollution Control Board (SPCB);	Though the Company has been using electrical and electronic items, it did not maintain any records for e-waste generated.
3	Clause 9(4)	Filing annual returns in Form-3, to the concerned SPCB on or before the 30th day of June following the financial year to which that return relates.	The Company did not file any return in compliance.
4	Clause 15	E-waste Rules stipulated a period of 180 days for storage of E-Waste. Approval of SPCB was required for storage beyond 180 days (upto maximum of 365 days).	Such exercise carried out was not on record.

Thus, the Company's handling of e-waste was not adequate as per the Rules. Non-disposal of these e-wastes as per the Rules can be harmful to both public health and the environment.

In reply, the Company stated (October 2023) that it would follow the guidelines as laid down under E-waste (Management) Rules, 2016.

2.11 Monitoring mechanism

2.11.1 Internal Audit

The Company did not have any Internal Audit Wing. The Company, however, appointed Chartered Accountant firms as internal auditors every year for review of financial statements. The core activities of the Company, however, remained outside the purview of Internal Auditor.

In reply, the Company stated (October 2023) that it was in the process of undertaking a systematic approach for enabling Internal Audit for reviewing its core activities after due discussion with BoD of the Company.

2.11.2 Inadequate monitoring of projects and systems

Audit observed that out of five sanctioned posts in the higher management, four posts (80 *per cent*) remained vacant during 2017-18 to 2021-23. Such shortage of personnel puts constraints on effective monitoring of projects and systems in operation as seen in the several instances of delay in completion of works, non-recovery of dues, non-compliance with rules, operational inefficiencies, *etc*. highlighted earlier.

2.11.3 Accounts in arrears

As per section 96(1) of the Companies Act 2013, every company was required to finalise annual accounts by the end of six months from the date of end of the relevant financial year *i.e.* by 30 September. The accounts of a Government Company as approved by BoD were subject to audit by Statutory Auditors (SA), who were appointed by CAG, followed by supplementary audit by CAG. The audited accounts along with the report of SA and supplementary comments of CAG were to be adopted in Annual General Meeting.

Audit observed that the certification of the Annual Accounts of the Company by the Statutory Auditors and supplementary audit by CAG was completed upto the accounting year 2017-18. The Company prepared its provisional accounts for subsequent four years (2018-19 to 2021-22), which were yet to be submitted to CAG for supplementary audit pending certification by the Statutory Auditors.

Delay in finalisation of accounts may entail the risk of fraud/misappropriation and leakage of public money apart from violation of the provisions of the relevant statutes.

Conclusion

Several deficiencies noticed in Audit in the management of the Company are summarised as follows:

During 2017-18 to 2022-23, the Company did not have any specific short and long-term strategic plan to develop its business operations so as to derive advantage of the changing business scenario in light of GoA's IT policy. It also did not have laid down strategies to reduce cost, operational losses and risk of losing current and new business and to give new direction for long term sustainability.

The Company made an overall profit of ₹ 35.63 crore from its three own commercial activities. While the Company earned profit (₹ 37.64 crore) from printing of DL/RC, it suffered loss (₹ 2.01 crore) from other two commercial activities (internet services and training & education business). The Company, however, lost the most profitable business of printing of DL/RC in the tender invited (March 2022) by GoA, due to quotation of abnormally high rate compared to L1 bidder and lack of aggressive tendering policy.

The Company neither fixed target dates nor tied up the source of funding for completion of Tech City project. As a result, the Company not only incurred extra liability of ₹ 2.81 crore towards penal interest, but it also resulted in blockage of ₹ 175.57 crore already invested, without achieving the objective of the project even after more than five years. The State Data Centre was not active as central repository of state data even after two years of its commissioning. Further, instances of underutilisation of capacity, absence of dual power supply to ensure uninterrupted power supply for server room, hosting of critical Government websites and applications outside SDC and compromising of data security by engaging private agency were noticed in respect of SDC project.

Under e-District project, the Company failed to ensure timely delivery of e-services to 22.63 lakh (46.49 *per cent*) out of 48.67 lakh applicants due to deactivation of provision for escalation mail, in violation of instructions issued by GoI. Further, the Company could not complete data digitalisation work due to lack of strict monitoring to secure cooperation from district authorities in providing essential amenities required for the work (*viz.* office space, speedy transfer of records/registers, *etc.*). In absence of digitised database, none of the services could be provided 'instantaneously' across the counter even after seven years from state-wide rollout of e-District project in September 2015.

Against actual expenditure of ₹ 51.43 crore (including agency commission of ₹ 2.45 crore) incurred for operation and maintenance of Assam State Wide Area Network, the Company received ₹ 39.55 crore from GoA. The balance amount of ₹ 11.88 crore was not received as of March 2023. Further, in 62 out of 287 points of presence (PoPs) which were non-functional (zero uptime), the Company incurred idle expenditure of ₹ 0.91 crore on deployment of manpower in 19 PoPs without analysing the reasons for zero uptime.

The Company did not have inbuilt mechanism to deal with e-waste in compliance with the E-Waste (Management) Rules 2016.

The monitoring mechanism in place for implementation/operation of projects, internal audit and preparation of annual accounts was found to be inadequate.

Recommendations

The Company should:

1. ***formulate short and long term plan for business development in new areas and enhance its business operations by taking advantage of the changing business scenario in light of GoA's IT Policy.***
2. ***carry out cost cutting measures by rationalising manpower management and adopting a more competitive pricing policy to make its existing commercial activities viable and for new activities in future.***
3. ***initiate steps to improve its project management to achieve the envisaged objectives of the projects entrusted by Government in a time bound manner.***
4. ***strengthen its financial management by exercising due diligence in recovery of dues to improve its financial health.***