

## CHAPTER III: MINISTRY OF CORPORATE AFFAIRS

### *3.1 Avoidable expenditure of ₹5.04 crore due to idling of office space*

**Out of space measuring 22,875.91 sq. ft. Ministry could not utilise (September 2018) space measuring 7,203 sq. ft. on the second floor due to non-operationalisation of NFRA and NFRAA. The Ministry made a total payment of ₹16.04 crore towards rent for the entire hired space for the period from November 2016 to September 2018. Out of this, ₹5.04 crore pertained to unutilised space of 7,203 sq. ft. Thus, hiring of space by the Ministry on lease without ascertaining the actual requirement resulted in avoidable payment of rent amounting to ₹5.04 crore.**

The Ministry of Corporate Affairs (the Ministry) invited (June 2016) open tenders for hiring of 37,917 square feet (sq. ft.) space for office accommodation for their office/units which included space for Corporate Data Management (CDM) Scheme, Investors Education and Protection Fund Authority (IEPFA), National Financial Reporting Authority (NFRA), National Financial Reporting Appellate Authority (NFRAA) and Insolvency and Bankruptcy Board of India (IBBI).

Sixteen bids were received from thirteen firms. After technical evaluation of the bids, nine bids were selected for opening of financial bids. A Tender Evaluation Committee (TEC) categorised the premises offered by the technically qualified firms into three categories viz. unfurnished (Seven firms, monthly rental offered by L1 was ₹140 per sq. ft.), semi-furnished (One firm, monthly rental offered ranged from ₹175 per sq. ft. to ₹350 per sq. ft., depending on the location of the floor) and furnished (One firm, monthly rental offered- ₹340.96 per sq. ft.). Office Space for CDM and IEPFA (to be made functional shortly) were immediately required. The TEC opined (August 2016) that renovating unfurnished premises would have required more time and therefore it would be appropriate to go in for semi furnished premises where immediately proposed offices could be made functional and the need based renovation could also be taken up simultaneously. Further, considering the locational advantages and specific requirements of both the Ministry and the organisations concerned, the TEC recommended to accept the bid of Life Insurance Corporation of India (LIC), for the semi furnished premises.

The Ministry accepted (September 2016) the bid for the semi-furnished premises (22,875.91 sq. ft.) offered by the LIC at Jeevan Vihar, Parliament Street. The Ministry entered (October 2016) into a deed of lease for the area of 22,875.91 sq. ft. at a monthly rental of ₹45.24 lakh plus applicable taxes. The IBBI was allotted space at Mayur Vihar and other four offices were allotted space in Jeevan Vihar building. The offices viz. CDM and IEPFA used the space allotted to them. After one month of entering into the lease deed, the Ministry proposed (November 2016) that as the NFRA/NFRAA had not been operationalised, space measuring 11,844.07 sq. ft. may be surrendered to LIC. LIC disagreed (December 2016) with the proposal and stated that partial surrender of the space was not possible, as the whole unit was an integrated unit. Thus, the Ministry had no option but to take the whole space without having any actual requirement. However,

NFRA was notified in March 2018 and the Government decided to drop the formation of NFRAA and pass on its work to National Company Law Appellate Tribunal.

Scrutiny of records revealed that out of space measuring 22,875.91 sq. ft., the Ministry could not utilise space measuring 7,203 sq. ft. on the second floor due to non-operationalisation of NFRA and NFRAA. The Ministry made a total payment of ₹16.04 crore towards rent for the entire hired space for the period from November 2016 upto September 2018. Out of this, ₹5.04 crore pertained to unutilised space of 7,203 sq. ft. Thus, hiring of space by the Ministry on lease without ascertaining the actual requirement resulted in avoidable payment of rent amounting to ₹5.04 crore.

The matter was referred (September 2018) to the Ministry. In reply, the Ministry accepted (September 2018) the fact of non-utilisation of space at the second floor (7,203 sq. ft.). The Ministry further stated that they had decided to allot the unutilised office space at the second floor to the Insolvency and Bankruptcy Board of India (IBBI) to meet their legitimate demands and a part of the IBBI is now functioning from the second floor, Jeevan Vihar. Further, NFRA was operationalised in October 2018. However, it is working from Eighth Floor, HT Building, KG Marg, New Delhi, 110003. At present, the space occupied by NFRA in the new office is 15,750 sqft. and the monthly rent for this space is ₹340.58 per sq. ft. (excluding GST). In addition to this space, NFRA has further been allotted 15,750 sq. ft. at the Seventh floor of the aforesaid office premises which is under renovation.

Thus, hiring of space by the Ministry on lease without any realistic requirement resulted in avoidable payment of rent amounting to ₹5.04 crore till September 2018.