

CHAPTER V : MINISTRY OF FINANCE

Department of Economic Affairs

Insurance Regulatory and Development Authority

5.1 Irregular appointment of consultant

The Insurance Regulatory and Development Authority arbitrarily appointed a consultant in violation of the guidelines of the Central Government and the Central Vigilance Commission and made irregular payment of Rs. 21.75 lakh.

According to the guidelines issued in February 1998 by Government of India, a consultant can be engaged for tapping of skills that are not available within an organisation. The guidelines further provide that consultants should be engaged for the minimum period necessary subject to the ceiling of two years. The consolidated fee payable to a consultant is to be decided by the concerned Ministry/Department in each case subject to the limit of Rs. 26,000 per month (with no DA, HRA, CCA or any other relief). The Central Vigilance Commission (CVC) had also stressed (January 2002) that consultants should be appointed only when absolutely necessary after following the competitive tendering system and collecting adequate data about the performance, capability and experience of the expert and the appointment should be made in a transparent manner.

Audit ascertained (April 2004) that the Insurance Regulatory and Development Authority (Authority) had appointed 'X', a journalist, as a consultant from 1 August 2002 on a monthly remuneration of Rs. 50000, to advise the Authority on the planning and publication of a monthly journal. The appointment was not made on the basis of competitive tendering but was pursuant to the discussions that the Authority's Chairman had with 'X' at Chennai. Additional benefits of reimbursement of conveyance charges, petrol charges, telephone expenses, newspapers/magazines and rent of accommodation were also allowed subsequently based on a request (September 2002) from 'X'. As the initial appointment letter of August 2002 was silent about the period for which the appointment was made, the then Chairman issued a letter in March 2003 stating that the contract would continue till 31 July 2005 i.e. for three years from the date of appointment against the prescribed maximum period of two years.

The consultant received Rs. 21.75 lakh from August 2002 to June 2005 towards remuneration and other benefits*. The decision of the Authority to appoint 'X' was arbitrary and inconsistent with the general guidelines and instructions issued by the Central Government and the CVC from time to time.

The Authority stated (August 2004) that it was not necessary to issue an advertisement for selection of an Editor as it would not only have entailed additional costs but would also have been time consuming. The reply of the Authority was not tenable as the appointment, level of remuneration, granting of other benefits etc. were in violation of the clear Government guidelines and the standing instructions of the CVC. Further, consultants are to be engaged for specific and time bound jobs and not for regular work.

In response to the Audit observation, the Ministry forwarded (June 2005) the reply of the Authority which highlighted the qualification/experience of the consultant and stated that remuneration and perks were paid to the consultant keeping in view the prevailing market standards. It also stated that the present tenure of the consultant was expiring by the end of July 2005 and action had been initiated for appointing an Editor through advertisement. It was also stated in the reply that while the Authority was generally guided by the practices of the Union Government in service matters, it enjoyed a certain autonomy and it was not mandatory for it to adopt all government practices.

The reply was not tenable as the appointment was not made in a transparent manner after following the competitive tendering system in terms of the general principles and guidelines issued by the CVC. Further, the remuneration paid to the consultant should not have exceeded the ceiling of Rs. 26,000 per month (with no DA, HRA, CCA or any other relief) fixed by the Government of India, Department of Personnel and Training in February 1998 in the case of non-officials (outside experts) engaged on a whole-time basis. Also, the maximum period of engagement of a consultant (outside expert) could not exceed two years in terms of the same guidelines. While the Authority does enjoy autonomy in administrative matters, yet at the same time it cannot overlook the general standards of propriety and transparency in appointment as laid down by various orders of the Government and the CVC.

* Remuneration Rs. 17.00 lakh plus other benefits towards reimbursement of expenses on accommodation, telephone facility, conveyance, newspapers and petrol charges amounting to Rs. 4.75 lakh.