Puducherry Electricity Department

Report on Corporate Governance & Board Structure

January 15, 2010

This report contains 390 pages

Report on Corporate Governance

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1 Introduction

Corporate Governance is the system by which companies are directed and controlled by the management in the best interest of the stakeholders and others ensuring greater transparency and better and timely financial reporting. The **Board of Directors** is responsible for governance of their companies. As the Boards provide stewardship of companies, they play a significant role in their efficient functioning.

Corporate governance has several claimants –shareholders and other stakeholders - which include suppliers, customers, creditors, the bankers, the employees of the company, the government and the society at large. The fundamental objective of corporate governance is the "enhancement of shareholder value, keeping in view the interests of other stakeholder". This definition harmonizes the need for a company to strike a balance at all times between the need to enhance shareholders' wealth whilst not in any way being detrimental to the interests of the other stakeholders in the company.

The imperative for corporate governance lies not merely in drafting a code of corporate governance, but in practicing it. The best results would be achieved when the companies begin to treat the code not as a mere structure, but as a way of life. It follows that the real onus of achieving the desired level of corporate governance, lies in the proactive initiatives taken by the companies themselves and not in the external measures like breadth and depth of a code or stringency of enforcement of norms.

2 Board of Directors

The Board of a company provides leadership and strategic guidance, objective judgment independent of management to the company and exercises control over the company, while remaining at all times accountable to the shareholders. The measure of the Board is not simply whether it fulfils its legal requirements but more importantly, the Board's attitude and the manner it translates its awareness and understanding of its responsibilitie**s.** An effective corporate governance system is one, which allows the Board to perform these dual functions efficiently. The Board of Directors of a company thus directs and controls the management of a company and is accountable to the shareholders.

The Board **directs** the company, by formulating and reviewing company's policies, strategies, major plans of action, risk policy, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performanc**e,** and overseeing major capital expenditures, acquisitions and divestitures, change in financial control and compliance with applicable laws, taking into account the interests of stakeholders. It **controls** the company and its management by laying down the **code of conduc**t, overseeing the process of disclosure and communications, ensuring that appropriate systems for financial control and reporting and monitoring risk are in place, evaluating the performance of management, chief executive, executive Directors and providing checks and balances to reduce potential conflict between the specific interests of management and the wider interests of the company and shareholders including misuse of corporate assets and abuse in related party transactions. It is **accountable** to the shareholders for creating, protecting and enhancing wealth and resources for the company, and reporting to them on the performance in a timely and transparent manner. However, it is not involved in day-to-day management of the company, which is the responsibility of the management.

2.1 Number

The minimum number of Directors of a public company (other than a deemed public company) as stipulated in sub-section (1) of Section 252 of Companies Act, 1956 is three. However, the articles of association of a company can stipulate a higher number to be the minimum strength of the Board. Section 259 of the same Act specifies that an increase in the number of Directors beyond the permissible maximum specified in the articles of association shall have no effect unless approved by the Central Government. However, when such permitted maximum is twelve or less than twelve, no approval of the Central Government shall be required if the increase in the number of its directors does not make the total number of its directors more than twelve.

2.2 Responsibilities

It is not possible to list every task that each individual Board of Directors has to carry out. Each Board has to consider its own situation and circumstances. However, the broad tasks that are pertinent to every Board and also the indicators of good practice can help Boards of Directors reflect on how they are fulfilling those tasks. Hence, the primary responsibilities can be outlined as:

- ***Establishing vision, mission and values***

    - Determine the company's vision and mission to guide and set the pace for its current operations and future development

    - Determine the values to be promoted throughout the company

    - Determine and review company goals

    - Determine company policies

- ***Setting strategy and structure***

    - Review and evaluate present and future opportunities, threats and risks in the external environment; and current and future strengths, weaknesses and risks relating to the company

    - Determine strategic options, select those to be pursued, and decide the means to implement and support them

    - Determine the business strategies and plans that underpin the corporate strategy.

    - Ensure that the company's organisational structure and capability are appropriate for implementing the chosen strategies.

- ***Delegating to management***

    - Delegate authority to management, and monitor and evaluate the implementation of policies, strategies and business plans

    - Determine monitoring criteria to be used by the Board

    - Ensure that internal controls are effective

    - Communicate with senior management

- ***Exercising accountability to shareholders (currently Government of Puducherry) and being responsible to relevant stakeholders***

    - Ensure that communications both to and from shareholders and relevant stakeholders are effective

    - Understand and take into account the interests of shareholders and relevant stakeholders

- Monitor relations with shareholders and relevant stakeholders by the gathering and evaluation of appropriate information

- Promote the goodwill and support of shareholders and relevant stakeholders

2.3 Meetings

The various committees of the Board (mentioned later) would enable the Board to have an appropriate structure to assist it in the discharge of its responsibilities. These need to be supplemented by certain basic procedural requirements in terms of frequency of meetings, the availability of timely information, and sufficient period of notice for the Board meeting as well as circulation of agenda items well in advance, and more importantly, the commitment of the members of the Board.

Section 285 of Companies Act, 1956 specifies that a meeting of its Board of Directors shall be held at least once in every three calendar months, and at least four such meetings shall be held in every year. Moreover, to ensure that the members of the Board give due importance and commitment to the meetings of the Board and its Committees, there should be a ceiling on the maximum number of Committees across all companies in which a Director could be a member or act as Chairman.

2.4 Information flow

The Board should be provided with the information listed below as and when required:

- Annual operating plans and budgets, capital budgets, updates and all variances
- Quarterly results of the Company and its operating divisions or business segments
- Minutes of the meeting of the Audit Committee and other committees *(as mentioned below)*
- Information on recruitment and remuneration of key executives just below the Board level
- Significant regulatory matters
- Issues, which involve possible public or product liability claims of a substantial nature
- Details of any joint venture or collaboration agreement
- Significant sale of investments, subsidiaries, assets, which are not in the normal course of business
- Contracts in which Directors are deemed to be interested
- Materially important show cause, demand, prosecution and penalty notices
- Fatal or serious accidents or dangerous occurrences
- Significant effluent or pollution problems

- Materially relevant default in financial obligations to and by the Company or substantial non-payment for services rendered by the Company
- Significant labour problems and their proposed solutions
- Significant development on the human resources and industrial relations fronts
- Non-compliance of any regulatory or statutory nature or listing requirements as well as shareholder services

Such information is usually to be submitted as part of the agenda papers generally 15 days in advance of the Board meetings or in the form of presentations made during the meetings of the Board or the Committees.

2.5 Primary Activities

The Directors are primarily expected to be responsible for the following areas:

- Corporate Governance and related issues
- Financial review
- Business Proposals
- Operational matters
- Strategic matters
- Statutory and other approvals

2.6 Composition

The composition of the Board of Directors is critical to the independent functioning of the Board. The composition of the Board is important in as much as it determines the ability of the Board to collectively provide the leadership and ensures that no one individual or a group is able to dominate the Board. The executive Directors (like Director-Operation, Director-Finance) are involved in the day-to-day management of the companies; the non-executive Directors bring external and wider perspective and independence to the decision-making. Till recently, it has been the practice of most of the companies in India to fill the Board with representatives of the promoters of the company, and independent Directors if chosen were also handpicked thereby ceasing to be independent. This has undergone a change and increasingly the Boards comprise of following groups of Directors - Promoter Director, executive and non-executive Directors, and a part of who are independent.

2.6.1 Executive Directors

The role of Executive/ Functional Directors is to:

- Assist the Board in its decision making process in respect of the company’s strategy, policies, code of conduct and performance targets by providing necessary inputs.

- Implementing the policies and code of conduct of the Board
- Managing the day-to-day affairs of the company to best achieve the targets and goals set by the Board
- Ensuring compliance with all regulations
- Setting up and implementing an effective internal control systems, commensurate with business requirements

2.6.2 Non-Executive Directors

Non-executive Directors play several critical roles in the functioning of the company, like:

- They provide an external perspective and bring in an appreciation of the market and business environment in which the company operates
- They provide adequate representation of the key stakeholders of the company and help address their concerns
- They could bring in specific expertise, key to the functioning of the company but not available within the organisation
- They bring in independent judgement to bear on Board’s deliberations especially on issues of strategy, performance, and management of conflicts and standards of conduct

2.6.3 Independent Directors

Among the non-executive Directors are independent Directors, who have a key role in the entire mosaic of corporate governance. **Material pecuniary relationship** which affects independence of a Director should be the litmus test of independence and the Board of the company would exercise sufficient degree of maturity when left to itself, to determine whether a Director is independent or not. Thus, independent Directors are Directors who apart from receiving Director’ s remuneration do not have any other material pecuniary relationship or transactions with the company, its promoters, its management or its subsidiaries, which in the judgment of the Board may affect their independence of judgment. Further, all pecuniary relationships or transactions of the non-executive Directors should be disclosed in the annual report.

Good corporate governance dictates that the Board be comprised of individuals with certain personal characteristics and core competencies such as recognition of the importance of the Board’s tasks, integrity, a sense of accountability, track record of achievements, and the ability to ask tough questions. Besides, having financial literacy, experience, leadership qualities and the ability to think strategically, the Directors must show significant degree of commitment to the company and devote adequate time for meeting, preparation and attendance. It is important that adequate compensation package be given to the non-executive independent Directors so that these positions become sufficiently financially attractive to attract talent and that the non-executive Directors are sufficiently compensated for undertaking this work. **Independence of the Board** is critical to ensuring that the Board fulfils its oversight role objectively and holds the management accountable to the shareholders.

2.6.4 Nominee Directors

Besides the above categories of Directors, there is another set of Directors, who are the nominees of the financial or investment institutions to safeguard their interest. The nominees of the institutions are often chosen from among the present or retired employees of the institutions or from outside.

There are arguments both for and against the institution of nominee Directors. Those who favour this practice argue that nominee Directors are needed to protect the interest of the institutions who are custodians of public funds and who have high exposures in the projects of the companies both in the form of equity and loans. On the other hand those who oppose this practice, while conceding that financial institutions have played a significant role in the industrial development of the country as a sole purveyor of long term credit, argue that there is an inherent conflict when institutions through their nominees participate in Board decisions and in their role as shareholders demand accountability from the Board. They also argue that there is a further conflict because the institutions are often major players in the stock market in respect of the shares of the companies on which they have nominees.

Actually, there is merit in both points of view. Clearly when companies are well managed and performing well, the need for protection of institutional interest is much less than when companies are badly managed or under-performing. Thus, institutions should appoint nominees on the Boards of companies only on a selective basis where such appointment is pursuant to a right under loan agreements or where such appointment is considered necessary to protect the interest of the institution.

Moreover, when a nominee of the institutions is appointed as a Director of the company, he should have the same responsibility, be subject to the same discipline and be accountable to the shareholders in the same manner as any other director of the company.

2.7 Chairman

The role of Chairman is to ensure that the Board meetings are conducted in a manner which secures the effective participation of all Directors, executive and non-executive alike, and encourages all to make an effective contribution, maintain a balance of power in the Board, make certain that all Directors receive adequate information, well in time and that the executive Directors look beyond their executive duties and accept full share of the responsibilities of governance. It is clarified that the Chairman's role should in principle be different from that of the chief executive, though the same individual may perform both roles.

The role of the Chairman can be summarised as to:

- Create strategic vision for the business that stems from the organisation's strengths and builds on its competitive advantage
- Create and work with a Board that is capable (competent) of helping and supporting him/her in the overall direction and governance of the organisation
- Establish the basic priorities, ethical values, policies and attitudes that will transfer the company from being a 'repeating' culture into a 'learning'

culture and instil a sense of personal involvement in and commitment to the strategic vision throughout the organisation

- Establishing standards of performance in terms of such criteria as customer service, product quality, technological leadership, market share and financial measures (margins, return on capital, growth, etc) that will meet shareholders' and other financial stakeholders' expectations
- Chairing Board and General meetings
- High level public and corporate relations activities including at government level
- Involvement in take-overs, mergers and other strategic alliances
- Relations with shareholder (especially institutional investors) and other major providers of funds

The Chairman has the ultimate responsibility for the performance and behaviour of the company. Law prescribes part of this responsibility and he/she can face penalties for non-compliance.

2.8 Managing Director

The role of the Managing Director is to manage the business in totality subject only to directives from the Board. His principal tasks are:

- Developing business strategies and operating plans that reflect the longer-term corporate goals and priorities established by the Board
- Maintain dialogue with the Board to ensure that the goals and priorities are updated to reflect changes in the external environment
- Restructuring the business portfolio in line with the Board's decisions that determine the future shape and strategy of the company
- Reviewing and as necessary redefining the management organisation structure to meet the current demands of the business
- Ensuring the availability of a competent and well motivated staff at all levels capable of meeting the current and future demands of the business
- Ensuring stable and satisfactory relationships with other (non-staff and non-investor) stakeholders, i.e. suppliers, customers, pressure groups, public at large, etc
- Ensuring the availability and use of operational and financial planning, monitoring and control systems appropriate to the needs and structure of each unit
- Ensuring that operating, financial, behavioural and other standards of performance :
- Reflect the Board's standards and expectations
  - are realistic and attainable
  - are understood and owned at each level

- Monitoring operating, financial and other results of and behaviour within each business unit against agreed plans, budgets and standards of performance; and ensuring remedial action is initiated to correct adverse variances and to exploit favourable variances.

2.9 Remuneration of Directors

Section 309 of Companies Act, 1956 stipulates the remuneration payable to Directors. It may be noted that only the articles of a company or a resolution of the general body or a special resolution can determine the remuneration payable to Directors if the articles so require. The Directors cannot themselves fix the remuneration of all or any one of themselves. A Managing Director or whole-time Director is not entitled to draw more than five percent or where there is more than one such Director, ten percent of net profits by way of remuneration.

3 Committees of the Board

3.1 Audit Committee

A system of good corporate governance promotes relationships of accountability between the principal actors of sound financial reporting – the Board, the management and the auditor. It holds the management accountable to the Board and the Board accountable to the shareholders. The audit committee's role flows directly from the Board's oversight function. It acts as a catalyst for effective financial reporting.

The need for having an audit committee grows from the recognition of the audit committee's position in the larger mosaic of the governance process, as it relates to the oversight of financial reporting.

A proper and well functioning system exists therefore, when the three main groups responsible for financial reporting – the Board, the internal auditor and the outside auditors – form the three-legged stool that supports responsible financial disclosure and active and participatory oversight. The audit committee has an important role to play in this process, since the audit committee is a sub-group of the full Board and hence the monitor of the process. Certainly, it is not the role of the audit committee to prepare financial statements or engage in the myriad of decisions relating to the preparation of those statements.

The committee's job is clearly one of oversight and monitoring and in carrying out this job it relies on senior financial management and the outside auditors. However it is important to ensure that the Boards function efficiently for if the Boards are dysfunctional, the audit committees will do no better. The Committee believes that the progressive standards of governance applicable to the full Board should also be applicable to the audit committee.

Thus, the Board of a company should set up a qualified and independent audit committee. This would go a long way in enhancing the credibility of the financial disclosures of a company and promoting transparency.

Why Audit Committee: -

We are in an era where there is unprecedented focus on the role of the board of directors, corporate governance standards and the integrity of financial reporting. As a result, the role of the audit committee is being redefined.

As per Sec 292A of Companies Act 1956, every public company having paid up capital of not less than five crores of rupees shall constitute a committee known as the Audit Committee.

3.1.1 Mandatory Provisions

Section 292A of the Companies Act, 1956 relating to the constitution and operationalisation of the Audit Committee is reproduced herein below:

"(1) Every public company having paid-up capital of not less than five crores of rupees shall constitute a committee of the Board known as "Audit Committee" which shall consist of not less than three Directors and such number of other Directors as the Board may determine of which two-thirds of the total number of members shall be Directors,

other than managing or whole-time Directors.

(2) Every Audit Committee constituted under sub-section (1) shall act in accordance with terms of reference to be specified in writing by the Board.

(3) The members of the Audit Committee shall elect a chairman from amongst themselves.

(4) The members of the company shall disclose the composition of the Audit Committee.

(5) The auditors, the internal auditor, if any, and the director-in-charge of finance shall attend and participate at meetings of the Audit Committee but shall not have the right to vote.

(6) The Audit Committee should have discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the half-yearly and annual financial statements before submission to the Board and also ensure compliance of internal control systems.

(7) The Audit Committee shall have authority to investigate into any matter in relation to the items specified in this section or referred to it by the Board and for this purpose, shall have full access to information contained in the records of the company and external professional advice, if necessary.

(8) The recommendations of the Audit Committee on any matter relating to financial management, including the audit report, shall be binding on the Board.

(9) If the Board does not accept the recommendations of the Audit Committee, it shall record the reasons therefore and communicate such reasons to the shareholders.

(10) The chairman of the Audit Committee shall attend the annual general meetings of the company to provide any clarification on matters relating to audit.

(11) If a default is made in complying with the provisions of this section, the company, and every officer who is in default, shall be punishable with imprisonment for a term which may extend to one year, or with fine which may extend to fifty thousand rupees, or with both."

In many organizations, the audit committee has become a committee of review on a wide range of matters prior to them being considered by the board. Today's audit committee has three key areas of responsibility:

- Assessing the risk and control environment;
- Overseeing financial reporting; and
- Evaluating the audit processes.

In carrying out these responsibilities, audit committees need to become actively engaged in ensuring that the combined scope of internal and external audit and the strength of the risk and control framework implemented by management are such that they provide adequate assurance to the board and ultimately to the stakeholders, on the quality of risk management and the quality and integrity of financial reporting.

Key responsibilities: -

Effective corporate governance depends on the active and collaborative participation of all its principal champions – the audit committee, board of directors, independent external auditors, internal auditors and management.
Ensuring that this collaboration occurs effectively and efficiently is fundamental to an audit committee's success. Its functions and responsibilities, which are approved by the board of directors, vary from organization to organization, but each committee's key responsibilities are essentially the same.

Assessing the risk and control environment: -

The board and audit committee determine that management has implemented policies designed to ensure that the organization's risks are identified and that controls are adequate, in place and functioning properly.

The interrelated aspects of a good internal control system are:

- Control environment: sets the tone of the organization. It is the foundation of all aspects of internal control, providing discipline and structure. It depends on the integrity, ethical values, and competency of the personnel;

- Risk assessment: identifies and analyzes relevant risks to the achievement of organization's objectives and forms the basis for determining how those risks should be managed;

- Control activities: are the policies and procedures that help ensure that the necessary actions are taken to address risks to the achievement of the organization's objectives;

- Information: must be identified, captured and communicated in a form and timeframe that enables personnel to carry out their responsibilities; and

- Monitoring: assesses the performance of the control system over time.

Overseeing financial reporting: -

The audit committee's responsibilities in respect of financial reporting include:

- Reviewing financial reports;

- Assessing the appropriateness of management's selection of accounting policies and disclosures;

- Reviewing significant or unusual transactions and accounting estimates;

- Conferring with both management and the independent external auditor about the financial report;
- Understanding management's responsibilities and representations; and
- Assessing whether the financial report represents a true and fair view of the organization's financial position and performance and complies with regulatory requirements.

Evaluating the audit process: -

An organization's audit process is executed by the independent external auditor and by internal audit, whether it be an internal or an outsourced function. While each has its own unique responsibilities, the audit committee should attempt to ensure that external audit and internal audit complement each other and that their efforts are co-ordinated and effective.

In summary:

- The independent external auditor is responsible for auditing the financial report; the internal auditor for evaluating the effectiveness of risk management, control and governance processes;
- The external auditor should identify the internal audit activities that are relevant to planning and executing the independent audit;
- The audit committee should determine if the internal audit is conducted in accordance with the standards of the AAS 6 Revised – "Risk Assessment and Internal Control" & AAS 7 – "Relying upon the work of an Internal Auditor" issued by the Institute of Chartered Accountants of India and that a regular external review is undertaken of internal audit's performance; and
- In evaluating the external auditor, the committee should consider the auditor's competence and independence, the frankness and openness of the relationship, the scope of the audit and whether the fee is sufficient to enable a quality audit to be undertaken.

Key participants and roles: -

The role of audit committee shall include the following: -

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, reappointment and if required, the replacement or removal of statutory auditor and fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by them.
- Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to: -
    - Matters required to be included in the Directors Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act 1956.

- Changes, if any, in accounting policies and practices and reasons for the same.
- Major accounting entries involving estimates based on the exercise of judgement by management.
- Significant adjustments made in the financial statements arising out of audit findings.
- Compliance with listing or other legal requirements relating to financial statements.
- Disclosure of any related party transactions.
- Qualifications in the draft audit report.

- Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- Discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in payment to the depositors, debenture holders, shareholders, (in case of non payment of declared dividends) and creditors.
- To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Further the Audit Committee shall mandatorily review the following: -

- Management discussion and analysis of financial condition and result of operations.
- Statement of significant related party transactions (as defined by the Audit Committee), submitted by the management.
- Management letters/ letters of internal control weaknesses issued by the statutory auditors.
- Internal audit reports relating to internal control weaknesses, and
- The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee.

The key participants, who need to work together to carry out the governance processes entrusted to the audit committee, are:

a) <u>The full Board of Directors (board): -</u>

As the audit committee's responsibilities are ultimately the responsibility of the board, it is important that board members fully understand significant audit committee issues. It is critical that proper reporting mechanisms are in place between the board and its audit committee including established and recurring reporting of key risk areas.

It is common practice for audit committee minutes to be circulated with the papers of the next board meeting and for the audit committee chairman to provide an update to the board on their contents.

The audit committee must convey any significant concerns that internal audit or the external auditor has, to the full board immediately.

In providing recommendations to the board, the audit committee should ensure that enough information is provided to allow directors to make fully informed and well-reasoned decisions. In respect of review of the financial report, this may involve the whole board meeting as an audit committee or a full presentation by the Audit Committee Chairman and Director - Finance to the board with the external auditor being present.

Recommendations from the audit committee to the board should be supported by an analysis of the decision-making process and the reasons for the recommendations including any contingent risks or strong counter arguments. It would normally not be sufficient to merely circulate the audit committee minutes.

If the board resolves to accept the audit committee's recommendations, the minutes should clearly state the resolution and not merely note that the minutes of the audit committee meeting were tabled.

The board should also accept the internal and external audit plans, have an understanding of the processes of the audit committee and receive assurance on an annual basis that those processes are adequate.

b) Management: -

It is the role of the directors and management to maintain the system of internal controls and the role of the internal and external auditor to assess the strength and quality of those controls and the overall control environment.

As a result, the managing director or chief executive officer needs to foster a culture of co-operation and understanding within management towards the role of the internal and external auditors. The managing director or chief executive officer will be aware of management's response to requests for information from the auditors and it is his or her role to present counter arguments to the audit committee on behalf of management, where there is a difference of opinion between management and either the internal or external auditors.

Given the importance of the managing director or chief executive officer's role and those of other senior management, in respect of the risk and control framework, it is critical that these senior executives have the respect and confidence of those they lead and those they report to. This includes, but is not limited to, demonstrating the organization's values in their day-to-day behaviour and in their interactions with the audit committee and the board. These actions, underpinned by appropriate policies, processes and reward systems, support a "no surprises" environment.

The managing director or chief executive officer and chief financial officer usually have a standing invitation to attend audit committee meetings.

c) Internal Audit Department: -

The Head of Internal Audit is in the unique position of being employed by management but expected to review its conduct. As such, it is important for the internal auditor to retain a degree of independence from management.

Where the internal audit function resides in-house, it is preferable that the Head of Internal Audit reports to the managing director and chief executive officer on a functional basis and to the chief financial officer for administrative purposes only.

The internal auditor should also have unfettered access to the audit committee.

Where the internal audit function is outsourced, the head of internal audit usually reports directly to the audit committee and a senior executive.

The committee should receive regular reports from internal audit on the results of their activities including management's responses to recommendations made on controls and compliance. Internal audit should be pro-active in bringing matters to the attention of the audit committee.

d) External Auditors: -

The external auditor should also have unrestricted access to the audit committee. If the audit committee comprises executive directors, then the non-executive members of the audit committee should request separate meetings with the external auditor to allow them to freely discuss issues involving management.

In reviewing the scope of external audit and the remuneration of the external auditor, the audit committee should undertake the necessary steps to satisfy themselves that a comprehensive, complete and independent audit can be and is undertaken.

There should be open and frank dialogue with the external auditor throughout the year and not simply at the time of finalizing the financial report.

Composition and induction of members: -

As per Section 292A of Companies Act 1956, the Audit Committee shall consist of not less than three directors and such number of other directors as the board may determine of which two thirds of the total number of members shall be directors, other than managing or whole time directors.

The members of the Audit Committee shall elect a chairman from amongst themselves.

The audit committee should have a formal process to induct new committee members to ensure they understand their responsibilities, current issues, the objectives of the audit processes and the expectations of the board concerning the performance of audit committee members. As a minimum, the induction process should include:

- providing a copy of the committee's charter and recent committee papers and minutes;
- providing copies of relevant company policies;
- An explanation by management and internal audit of the control, risk and compliance frameworks and current audit and financial reporting issues. Written materials should support oral presentations;
- meetings with management and internal audit to discuss any unusual transactions or other matters as required; and
- Introduction to the external auditor.

The Audit Committee should meet at least four times in a year and the gap between two meetings should not exceed four months.

Powers: -

The audit committee shall have powers, which should include the following: -

- To investigate any activity within its terms of reference
- To seek information from any employee
- To obtain outside legal and other professional advice
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

Benefits of a well defined audit committee: -

Some of the benefits of a well functioning audit committee are that it:

- Increases the emphasis on risk and control, including the levels of authority delegated to management by the board;
- Demonstrates the board's intention to exercise care in reviewing financial information;
- Enhances non-executive directors' knowledge and understanding of the organization's finances;
- Gives directors more insight into the organization's accounting and control systems;
- Increases directors' understanding of both the external and internal audit processes;
- Improves communication between the board and the external auditor;
- Helps improve the quality of financial reporting by providing greater focus;
- Creates a forum for the chief financial officer or finance director to raise issues of concern and for the external auditor to assert independence in the event of a dispute with management; and
- Strengthens the internal audit function by giving it greater independence from management.

3.2 Remuneration Committee of the Board

A company must have a credible and transparent policy in determining and accounting for the remuneration of the Directors. The policy should avoid potential conflicts of interest between the shareholders, the Directors, and the management. The overriding principle in respect of Directors' remuneration is that of openness and shareholders are entitled to a full and clear statement of benefits available to the Directors.

For this purpose, the Board should set up a remuneration committee to determine on their behalf and on behalf of the shareholders with agreed terms of reference, the company' s policy on specific remuneration packages for executive Directors including pension rights and any compensation payment.

However, the remuneration package should be good enough to attract, retain and motivate the executive Directors of the quality required, but not more than necessary for the purpose. The remuneration committee should be in a position to bring about objectivity in determining the remuneration package while striking a balance between the interest of the company and the shareholders.

3.2.1 Composition, Quorum etc. of the Remuneration Committee

To avoid conflicts of interest, the remuneration committee, which would determine the remuneration packages of the executive Directors should comprise of at least three Directors, all of who should be non-executive Directors, the chairman of committee being an independent director. It would not be necessary for the committee to meet very often. Furthermore, the Board of Directors can also decide the remuneration of non-executive Directors.

3.2.2 Disclosures of Remuneration Package

It is important for the shareholders to be informed of the remuneration of the Directors of the company. Thus the following disclosures should be made in the section on corporate governance of the annual report:

- All elements of remuneration package of all the Directors i.e. salary, benefits, bonuses, pension, etc.
- Details of fixed component and performance linked incentives, along with the performance criteria.
- Service contracts, notice period, severance fees.

3.3 Nomination Committee

A Nomination Committee can be formed to:

- Lay out the procedure for selection of nominees on the Board of the Company

- Shortlist nominees for induction to the Board of the Company
- Recommend appointment of members to the Board for its consideration
- Plan long-term succession planning for Executive and Independent Directors

3.4 Investment Committee

An Investment Committee can be formed to review the Company's investment proposals and ongoing projects. During the year, the investment Committee is expected to discuss and recommend investment proposals to the Board. The Company Secretary can act as the secretary of the committee.

3.4.1 Overall underlying objective of current reforms

The objective of the current power sector reform programme for the PED is to create enterprises capable of supplying quality power, at a reasonable cost, on a reliable and sustainable basis to consumers in the state. Further, it is well accepted that the objectives of the reform programme cannot be achieved unless the utilities become financially viable on a continuing basis. The creation of financial surpluses is essential to finance network improvements, augment supply to profitable consumers, attract managerial and operational talent and reduce the fiscal burden on the Government of Puducherry. Therefore, the objective of achieving sustainable financial turnaround of the utilities is concomitant to the quality, reliability and affordability goals stated earlier. In summary, the objective of the reform of the utility is to ensure their sustainable financial turnaround, with the capability to supply quality power, at affordable cost, on a reliable basis.

3.4.2 Provisions for appointment/ re-appointment of Directors

The provisions *(if any)* framed to ensure appointment/ re-appointment of Directors of PESCO should be drafted in consonance with the provisions of Section 268 of Companies Act, 1956, which reads as

"In the case of a public company or a private company which is a subsidiary of a public company, an amendment of any provision relating to the appointment or re-appointment of a managing or whole-time director or of a director not liable to retire by rotation, whether that provision be contained in the company's memorandum or articles, or in an agreement entered into by it, or in any resolution passed by the company in general meeting or by its Board of Directors, shall not have any effect unless approved by the Central Government; and the amendment shall become void if, and in so far as, it is disapproved by that Government."

4 Proposed Structure

4.1 Puducherry Electricity Supply Corporation (PESCO)

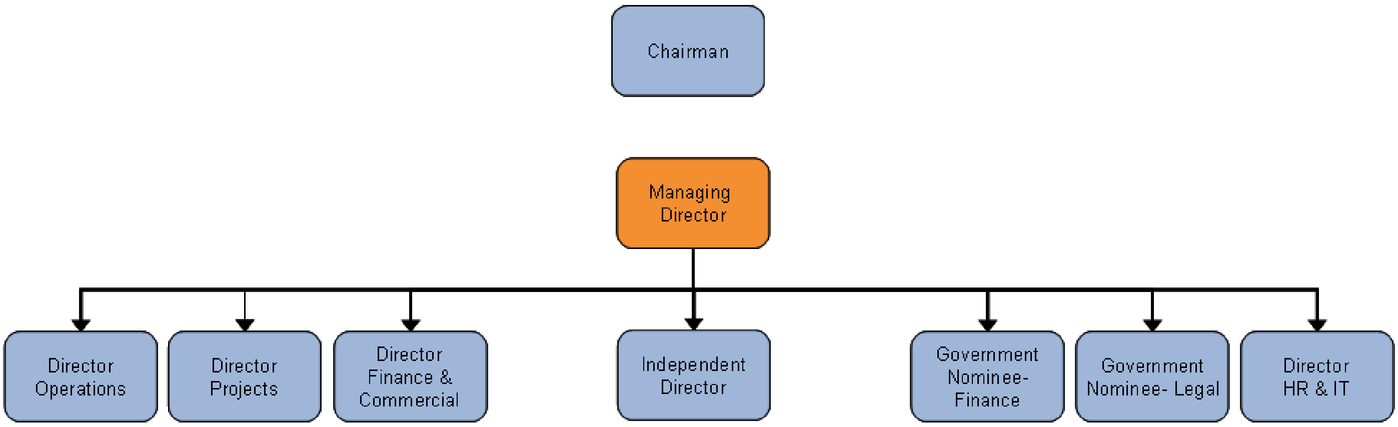
4.1.1 Present Arrangements

Puducherry Electricity Department by virtue of being a Government Department does not have an existing board structure

4.1.2 Suggested Board Constitution

The suggested Board structure of the PESCO should be drafted in accordance with summary chart mentioned below. Moreover, the issues mentioned in the subsequent sub-sections to this section needs to be kept in mind before taking a final decision on Board composition of the PESCO, and representation from Government of Puducherry.

However, it is clarified in advance, that if it is decided not to have any full time functional Director in-charge of a function named below for any reason whatsoever, such functions can be headed by people, who are not members of the Board of Directors of PESCO, and can be designated as Executive Director or any such similar relevant name.



4.1.3 Functional Directors

4.1.3.1 Chairman

The Chairman of the Discom can either be the Managing Director of the same Discom or can be separate and distinct from the position of Managing Director of the Discom.

The Board members of the Discom not only need to ensure that the Discom is functioning optimally, but also need to interact with other stakeholders to achieve multiple objectives, including:

- Guide the senior management of the Discom, through objective policies and decisions, which will benefit the Discom, without being affected by “conflict of interest”
- Develop a consensus on critical decisions, which are optimal for the state as a whole, rather than just for the Discom
- Monitoring the adequate management of load level for the entire state
- Present a common considered view to various stakeholders, including the generators, consumers, state government, central government, state and central regulatory commissions etc.

The Chairperson would also act as a single point contact for communication with the government. Given the criticality of the function, the person should be of a very senior level, with significant experience in maybe administrative services or otherwise. Such a Chairperson would be responsible for the following main objectives:

- Chair and moderate the Discom Board to ensure that objective decisions are taken on policy and operational matters relating to the functioning of the Discom
- Act as the single-point interface with the state government for the distribution aspect of the power sector
- Guide the Board on taking strategic decisions relating to the long-term growth of the company

4.1.3.2 Managing Director

The Managing director will be responsible for setting a vision for the Organization and to direct the organization to achieve the same. The key responsibilities of the managing director include:

- Financial and commercial viability of the company
- Developing the long term business plan and strategy of the organisation
- Smooth operations of the organisation

- Cmmissioning all expansion activities to be undertaken for the expansion of the distribution system

- Primary liaison between the organisation and the key stakeholders including JERC, funding agencies, Government bodies and customers

- Representing the company in matters of disputes with the suppliers, consumers and any other interest groups.

- Optimising employee and organisation performance

4.1.3.3 Director (Operations)

The Director (Operations) would be to ensure the operation of an effective and profitable electricity distribution business, which satisfies the needs of customers and the needs of PESCO for growth and return on assets. The key roles and responsibilities can be summarised as to ensure:

- Timely availability of approved Distribution Operations business strategies, policy, procedures, practices and operating plans that reflect the longer-term corporate goals and priorities established by the Board
- Business of electricity distribution satisfies the demand for electricity and associated customer services, through effective, safe and environmentally correct O&M
- Availability and use of operational and financial planning, monitoring and control systems appropriate to the needs and structure of each unit
- Availability of funds to achieve long and short term objectives for the business of electricity distribution
- Compliance with License conditions and Regulatory directives
- Availability and efficient utilisation of assets and other resources to achieve short and long-term objectives

4.1.3.4 Director (HRD & Commercial)

The Director (Commercial) would strive to ensure the development and implementation of a commercial strategy that satisfies current and future customer demand and PESCO’s profit, cash flow and growth targets. He/She also has to ensure a sound HR policy providing result orientation and create an organisation culture, which will motivate employees to contribute their level best for the growth of the company. The key roles and responsibilities can be summarised as to ensure:

- Timely availability of approved commercial business strategies and operating plans that reflect the longer-term corporate goals and priorities established by the Board

- Commercial function identifies and contracts reliable sources of supply which satisfy demand for electricity of customers of the company
- Availability of agreed tariffs that meet the company's needs and satisfy the Regulator
- Availability and use of operational and financial planning, monitoring and control systems appropriate to the needs and structure of each function of the Commercial Department
- Availability of long-term demand forecasts
- Development of personnel policies, procedures and practices that will motivate employees throughout the company
- Organisation of a comprehensive job evaluation exercise at all levels and appropriate delegation of powers for effective and efficient performance of individuals
- Creation of a culture that is performance-oriented wherein the rewards are commensurate with results and which motivates employees to contribute their best towards accomplishment of organisation goals
- Timely and economic availability of human resources including continuous review of staffing norms to satisfy the requirements of the company
- Creation of good and pleasant working conditions to facilitate better efficiency
- Development of suitable policies for reward and punishment
- Development and installation of proper appraisal, career planning and succession planning systems
- Development of policies to promote participatory culture and decision making and also encourage workers' participation in management
- Development of management development and training programs on continuous basis for up-gradation of skills based on technology and process change
- Development of a comprehensive computerised database of the employees covering qualifications, experience, performance, training needs, disciplinary proceedings and appraisal records
- Creation of an environment where each and every employee feels that he/she is a part of the family and willingly takes responsibility.

4.1.3.5 Director (Finance & IT)

The Director (Finance) will strive to ensure the financial stability and integrity of the company through the timely and economic satisfaction of the company's funding and reporting requirements and to ensure the effectiveness of internal financial controls throughout the company. Increased emphasis on internal audit and change in accounting methodology will need a new set of skills Directorate of Finance will play a key role in ensuring the adherence to accounting policies and to companies act. He will further ensure the satisfaction of the company's Information Systems requirements through the development and maintenance of a secure, cost effective and reliable IT systems & infrastructure.The key roles and responsibilities can be summarised as to ensure:

- Development of financial policy, strategies and operating plans that reflect the longer-term corporate goals and priorities established by the Board
- Development of accounting, Financial Management and Internal Control Strategies, Policy, Procedures and Practices
- Availability of up-to-date reliable financial information and suitable interpretations (accounts and budgets) necessary to control the business and satisfy statutory and other external requirements
- Establishment of good and beneficial relationships with relevant external parties both institutional and private
- Effective and efficient management of short and long term cash credit and investments and its optimum financing by equity and debt sources
- Optimisation of the taxation position of the company
- Timely availability of, and compliance with, an up to date and approved corporate IT strategy, policy and standards
- Timely and economic availability of hardware and software and technical IT support required by the Company
- Availability of a proven and economical corporate IT disaster recovery plan

4.1.3.6 Director (Projects)

The Director (Projects) will strive to ensure timely co-ordination of all planning activities, including construction of distribution systems, monitoring of projects and implementation and maintenance of proper Quality systems. The role of Director (Projects) becomes critical as the new Capex plan is significantly higher than the existing capex. Hence a dedicated directorate is needed for coordinating with various agencies and ensuring timely completion of projects within timelines. The key roles and responsibilities can be summarised as to ensure:

- Co-ordination of all planning activities of the company
- Planning relevant distribution projects
- Timely and proper monitoring of various projects
- Complete management of the Material Management function of the company
- Ensure the development of an appropriate Quality Policy and prepare the company for TQM implementation

5 Puducherry Electricity Transmission Corporation (PETCO)

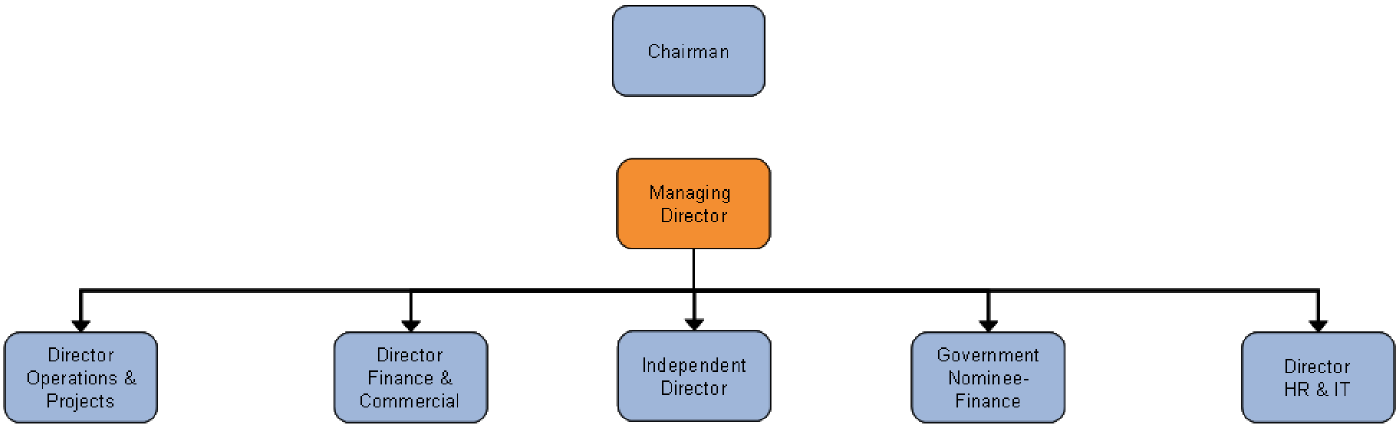
5.1.1 Present Arrangements

Puducherry Electricity Department by virtue of being a Government Department does not have an existing board structure

5.1.2 Suggested Board Constitution

The suggested Board structure of the PETCO should be drafted in accordance with summary chart mentioned below. Moreover, the issues mentioned in the subsequent sub-sections to this section needs to be kept in mind before taking a final decision on Board composition of the PETCO, and representation from Government of Puducherry.

However, it is clarified in advance, that if it is decided not to have any full time functional Director in-charge of a function named below for any reason whatsoever, such functions can be headed by people, who are not members of the Board of Directors of PESCO, and can be designated as Executive Director or any such similar relevant name.



5.1.3 Functional Directors

5.1.3.1 Chairman

The Chairman of the Transco can either be also the Managing Director of the same Transco or can be separate and distinct from the position of Managing Director of the Transco.

The Board members of the Transco not only need to ensure that the Transco is functioning optimally, but also need to interact with other stakeholders to achieve multiple objectives, including:

- Guide the senior management of the Transco, through objective policies and decisions, which will benefit the Transco, without being affected by "conflict of interest"
- Develop a consensus on critical decisions, which are optimal for the state as a whole, rather than just for the Transco
- Monitoring the adequate management of load level for the entire state
- Present a common considered view to various stakeholders, including the generators, consumers, state government, central government, state and central regulatory commissions etc.

The Chairperson would also act as a single point contact for communication with the government. Given the criticality of the function, the person should be of a very senior level, with significant experience in maybe administrative services or otherwise. Such a Chairperson would be responsible for the following main objectives:

- Chair and moderate the Transco Board to ensure that objective decisions are taken on policy and operational matters relating to the functioning of the Transco
- Act as the single-point interface with the state government for the distribution aspect of the power sector
- Guide the Board on taking strategic decisions relating to the long-term growth of the company

5.1.3.2 Managing Director

The Managing director will be responsible for setting a vision for the Organization and to direct the organization to achieve the same. The key responsibilities of the managing director include:

- Financial and commercial viability of the company
- Developing the long term business plan and strategy of the organisation
- Smooth operations of the organisation

- Commissioning all expansion activities to be undertaken for the expansion of the transmission system

- Primary liaison between the organisation and the key stakeholders including JERC, funding agencies, Government bodies and customers

- Representing the company in matters of disputes with the suppliers, consumers and any other interest groups.

- Optimising employee and organisation performance

5.1.3.3 Director (Operations & Projects)

The Director (Operations) would be to ensure the operation of an effective and profitable electricity transmission business, which satisfies the needs of customers and the needs of PETCO for growth and return on assets. He/She will strive to ensure timely co-ordination of all planning activities, including construction of lines and Sub Stations, monitoring of projects and implementation and maintenance of proper Quality systems. In transmission company a separate projects directorate is not set up as the scope for expansion and hence new projects is less. The key roles and responsibilities can be summarised as to ensure:

- Timely availability of approved Operations business strategies, policy, procedures, practices and operating plans that reflect the longer-term corporate goals and priorities established by the Board
- Business of electricity transmission satisfies the demand for availability of transmission network and associated services, through effective, safe and environmentally correct O&M
- Availability and use of operational and financial planning, monitoring and control systems appropriate to the needs and structure of each unit
- Availability of funds to achieve long and short term objectives for the business of electricity transmission
- Compliance with License conditions and Regulatory directives
- Availability and efficient utilisation of assets and other resources to achieve short and long-term objectives
- Co-ordination of all planning activities of the company
- Load flow studies and system improvement works
- Planning relevant network augmentation projects
- Timely and proper monitoring of various projects
- Complete management of the Material Management function of the company
- Ensure the development of an appropriate Quality Policy and prepare the company for TQM implementation

5.1.3.4 Director (HRD & Commercial)

The Director (Commercial) would strive to ensure the development and implementation of a commercial strategy that satisfies current and future customer demand and PESCO's profit, cash flow and growth targets. He/She also has to ensure a sound HR policy providing result orientation and create an organisation culture, which will motivate employees to contribute their level best for the growth of the company. The key roles and responsibilities can be summarised as to ensure:

- Timely availability of approved commercial business strategies and operating plans that reflect the longer-term corporate goals and priorities established by the Board
- Commercial function identifies new sources of revenue by effectively utilisiign Open Access etc …
- Availability of agreed tariffs that meet the company's needs and satisfy the Regulator
- Availability and use of operational and financial planning, monitoring and control systems appropriate to the needs and structure of each function of the Commercial Department
- Availability of long-term system forecasts
- Development of personnel policies, procedures and practices that will motivate employees throughout the company
- Organisation of a comprehensive job evaluation exercise at all levels and appropriate delegation of powers for effective and efficient performance of individuals
- Creation of a culture that is performance-oriented wherein the rewards are commensurate with results and which motivates employees to contribute their best towards accomplishment of organisation goals
- Timely and economic availability of human resources including continuous review of staffing norms to satisfy the requirements of the company
- Creation of good and pleasant working conditions to facilitate better efficiency
- Development of suitable policies for reward and punishment
- Development and installation of proper appraisal, career planning and succession planning systems
- Development of policies to promote participatory culture and decision making and also encourage workers' participation in management
- Development of management development and training programs on continuous basis for up-gradation of skills based on technology and process change

- Development of a comprehensive computerised database of the employees covering qualifications, experience, performance, training needs, disciplinary proceedings and appraisal records
- Creation of an environment where each and every employee feels that he/she is a part of the family and willingly takes responsibility.

5.1.3.5 Director (Finance & IT)

The Director (Finance) will strive to ensure the financial stability and integrity of the company through the timely and economic satisfaction of the company's funding and reporting requirements and to ensure the effectiveness of internal financial controls throughout the company. He will further ensure the satisfaction of the company's Information Systems requirements through the development and maintenance of a secure, cost effective and reliable IT systems & infrastructure. The key roles and responsibilities can be summarised as to ensure:

- Development of financial policy, strategies and operating plans that reflect the longer-term corporate goals and priorities established by the Board
- Development of accounting, Financial Management and Internal Control Strategies, Policy, Procedures and Practices
- Availability of up-to-date reliable financial information and suitable interpretations (accounts and budgets) necessary to control the business and satisfy statutory and other external requirements
- Establishment of good and beneficial relationships with relevant external parties both institutional and private
- Effective and efficient management of short and long term cash credit and investments and its optimum financing by equity and debt sources
- Optimisation of the taxation position of the company
- Timely availability of, and compliance with, an up to date and approved corporate IT strategy, policy and standards
- Timely and economic availability of hardware and software and technical IT support required by the Company
- Availability of a proven and economical corporate IT disaster recovery plan

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6 Functions of various Directorates

6.1.1 Operations

The Operations Directorate should be designed keeping in mind the business and regulatory requirements. Care should be taken to ensure that the support functions are enhanced at the field level. For this purpose, the current Circle Offices should be identified for the purpose of enhancing support and service functions. A Circle can function as an SBU of the company, with the following units under it/ functions discharged:

Distribution

- Various divisions/ sub-divisions/ sections responsible for distribution O&M and ERO
- Meter Relay Testing (MRT)
- Transformer Repair
- Distribution Planning (including Rural Electrification)
- Field level Commercial (like new connection, loss detection, metering, billing & collection, customer services, etc)
- Environment, Safety and R&D
- Human Resources
- Finance & Accounts

Since the distribution function interacts with the public, efficient and effective customer service requires that the decision process is devolved and local managers are empowered. The Division can be the lowest profit centre. The Division would then need to have all the support functions necessary for it to be self sufficient, e.g. Engineers, Accountants, HR specialists, commercial staff, civil engineering staff and administrative staff. Other functions under this Directorate relate to Environment, Safety issues, and R&D.

Transmission

- Various divisions/ sub-divisions/ sections responsible for distribution O&M
- Protection & TRE
- Power Transformer Repair
- Load flow studies and System planning
- O&M of Sub Stations

- Environment, Safety and R&D
- Human Resources
- Finance & Accounts

6.1.2 Commercial

The major thrust of the Reform Programme is to commercialise the successor entities. Commercialisation of the utilities involves cost effective procurement of power from National and State owned entities and Independent Power Producers. The Reforms at National and State level are increasingly looking for introduction of competitive markets for power generation and are in the process of introducing pricing and tariff arrangements to reflect those requirements. The effective management of these tasks would result in the expected benefits such as cost effective tariffs and improved quality of supply.

Broadly the following will be the functions of the Commercial Directorate:

6.1.2.1 Power Purchase

- Managing existing PPA's including ensuring compliance by all to PPA's and other agreements and initiating action to correct non-compliance.
- Advising on settlement of all suppliers billing disputes
- Preparing an annual report on all suppliers base inter alia field and site visits
- Advising on least cost generation options to meet current and future demands
- Advising the board on the terms of and negotiation for new PPA's and to participate in negotiation

6.1.2.2 Regulatory Affairs

- Being the company's sole interface with regulators –APERC, etc.
- Filing of annual revenue requirement (ARR) before the Regulatory Commission
- Protecting the company's interests in discussion with the regulatory Commissions and to advice the company on likely implications of proposed Regulation
- Reviewing licenses, initiate changes and ensure that any new license issued reflects the needs of the company
- Ensuring that Regulatory Commissions receive in a timely manner all regular and ad hoc information they require in the current level of this desegregation by providing a conduit for all necessary inputs

6.1.2.3 Load Monitoring

- Ensuring the availability of an accepted rolling forecast of power demand for the company in the short term to ensure information requirement for power purchase as per "*availability based tariff*"

6.1.2.4 Tariff Management

- Reviewing formally the company's tariff strategy and gain board approval to strategy to be adopted in annual revision
- Ensuring the availability of up-to-date information to develop and update tariff policy and philosophy
- Monitor periodically the adequacy of the tariff to meet company objectives
- Satisfy the requirements of the regulators
- Design, develop and defend tariff revisions
- Designing developing defending, presenting, gaining acceptance of and promulgating tariff revision

6.1.2.5 System Statistics

- Collecting, receiving, compiling and publishing in a way that will help management device strategies for more efficient working, all system performance statistics required
- For approving invoices
- For financial and management accounting
- For costing and tariff determination
- By regulatory commission
- By other Directorates

6.1.3 Finance

The main functions to be discharged by the Finance Directorate are as:

6.1.3.1 Accounting Policy and Time Tables

- Changes to accounting system in light of the requirements under Companies Act, 1956

6.1.3.2 Financial Accounting

- Formulation of Accounting policies and Timetables
- Ensuring compliance with accounting policy

- Timely production and maintenance of Trial Balances and reconciliation
- Preparation of annual accounts

6.1.3.3 Fixed Asset Accounting

- Ensure timely preparation and submission of accurate fixed asset accounts and related information required for company financial and Management accounts, budget and costing
- Ensure verification of assets

6.1.3.4 Taxation

- Taxation inputs for budgeting, annual plan, etc
- Negotiate tax claims in courts

6.1.3.5 Stores Accounting

- Ensure the accurate accounting for stores for inventory management as in maximum and minimum stocks, stock turnover, and etc and also ensure that stocking programs are completed to timetable and discrepancies are investigated and properly accounted for

6.1.3.6 Loan

- Ensure timely availability of Funds

6.1.3.7 Cash Management

- Ensure the timely availability of corporate cash flow forecasts and maintain corporate cash book
- Ensuring day-to-day and month-to-month basis the company's cash balances, over drafts and short-term investment of surplus cash

6.1.3.8 Pension and Provident Fund

- Administration of staff Terminal Benefits
- Advising the trustees of various investment strategy, financial aspects of RPFC, etc.

6.1.3.9 Budgeting

- Preparation of annual budget, including variance analysis

6.1.3.10 Management Accounting

- Preparation of detailed management accounts and variance report

6.1.3.11 Cost Management

- Analysis and identification of costs for various activities for regulators, tariff, etc

6.1.4 Projects, Planning & IT

The main functions to be discharged by the Projects, Planning & IT Directorate are:

6.1.4.1 Projects, and Planning

- Planning, development and monitoring of relevant distribution projects
- Co-ordinating other corporate planning activities
- Co-ordination and compilation of Annual Administration report and other such relevant reports
- Overall co-ordination and management of purchase of centralized items

6.1.4.2 Quality Management

- Quality Inspection
- TQM implementation
- Establishment and compliance with standards
- Quality assurance

6.1.4.3 Information Technology

- Reviewing IT strategy, policy, standards and practice annually
- Responsible for implementation and compliance with IT standards for software, hardware and security
- Responsible for updating IT training modules and participation in training delivery
- Develop, install, configure, update, maintain and ensure the security of the company network and central processing equipment
- Procurement and stocking of computer Hardware/ Network spares and consumables
- Responsible for installation of Computer Hardware and Operating systems in all departments

6.1.5 Human Resources

The primary HR functions to be discharged by the company in the new scenario are summarised as follows:

6.1.5.1 HR Policy

Development of HR Policy, including review and making changes whenever necessary

Review formally the HR procedures, practices and timetables in light of the changing requirements both within and outside the company and make recommendations for change

Ensure promulgation and compliance with HR policy, standards, procedures and timetables

6.1.5.2 HR Administration

- Speedy promulgation to field units for accurate information on terms and conditions, pay, etc and respond to individual queries

- Ensure that a consistent appointment process is followed throughout the company for the recruitment, transfer and promoting of staff

- Provide HR support for the recruitment of staff, including review of Job Descriptions and person Specifications, drafting and placing of adverts, long and short listing, administration of tests, interview participation, and all administration such as advising candidate of progress through the process

- Maintain the personal records of staff

- Authorise changes to the pay and allowances for staff

- Process in a timely manner all terminal benefits arising from the retirement or death of an employee or pensioner

6.1.5.3 Industrial Relations

- Ensure stable relations with unions and associations

- Advise on impact on company due to labour laws

- Help in deciding management stance in regard to Labour negotiations

- Lead the development of the company’s stance in negotiations with representatives of the employees, participate in finalising approach to major negotiations, lead negotiations and participate in escalated negotiations

6.1.5.4 Discipline

- Ensure the correct and timely handling of all employee disciplinary cases, from charge sheeting through to dismissal of case or final award of punishment

- Advise local HR practitioners and management on the handling of discipline including for example, penalties

- Maintain records of all disciplinary actions so as to provide a basis for consistency and avoid setting undesirable precedents

- Review, update and promulgate the Company's Code of Conduct for all employees covering expected standards of behaviour and examples of unaccepted behaviour, which could result in disciplinary action

6.1.5.5 Structure and Grading

- Effective grading of jobs based on duties, responsibilities and competence

6.1.5.6 Appraisal/Performance Management

- Co-ordinate the company's performance management system

- Introduce any new appraisal system to facilitate better review of employee performance

6.1.5.7 Manpower, Succession and Career Planning

- Co-ordinate the development of the corporate manpower plan, advise other departments on their career and succession planning

6.1.5.8 Training and Development

- Identification of training needs

- Timely development and delivery of External and Internal Training courses

- Identify corporate training needs, skill and education needs based on discussions with department heads, personal development objectives arising from staff appraisals and job descriptions

- Develop and design, training courses that reflect the standards and policies of the organisation to meet identified training needs and publish programme

6.1.5.9 Welfare

- Compliance with statutory welfare requirements and company policy

6.1.5.10 Occupational Health

- Availability of Doctors, First aid etc and plans to deal with medical emergencies that may arise

- Advising the organisation on occupational health issues

- Monitoring occupational health problems and advising on remedial measures

- Policy formation for medical health management

-