

82% of listed CPSEs without independent directors: CAG

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The Comptroller and Auditor General of India (CAG) has raised concern over the high number of vacancies for the post of independent directors in 59 of the 72 (82 per cent) listed central public sector enterprises (CPSEs).

While no Maharashtra company has the mandated number of independent directors on its board, CPSEs such as Coal India Ltd (CIL), NHPC, Mahanagar Telephone Nigam Ltd (MTNL), and REC have not appointed an independent director.

The Companies Act, as well as the guidelines issued by the Department of Public Enterprises, mandates that in case the chairman of the board is an executive director, at least half the board should have independent directors.

The CAG recommended the boards of directors of the listed CPSEs ensure compliance with these guidelines and regulations to bring in better transparency and accountability

“The Administrative

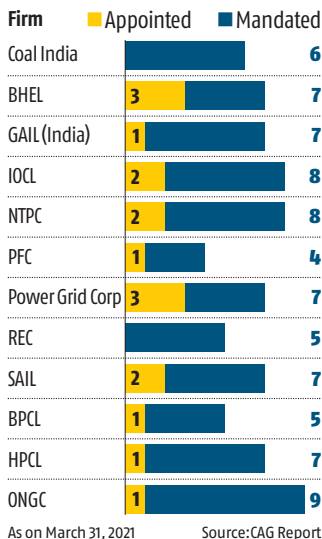


ILLUSTRATION: AJAY MOHANTY

Ministries/Departments may ensure submission of quarterly compliance reports by listed CPSEs as prescribed in DPE/SEBI guidelines/regulations,” the CAG said in a compliance audit report tabled in Parliament for the year ended March 31, 2021.

Independent directors are

STATUS CHECK



required to report concern about unethical behaviour, suspected fraud, or violations of the company’s code of conduct or ethics policy. They ensure integrity of financial information, safeguard the interests of all stakeholders, and balance conflicting interests of shareholders.

“The presence of independent representatives on the Board, capable of taking an independent view on the decisions of the management is widely considered as a means of protecting the interests of shareholders and other stakeholders,” the report noted.

Recently, in PTC India, a state-run power trading company, independent directors resigned, mentioning lapses in governance and compliance.

The boards of 37 of the 72 (51 per cent) listed CPSEs did not have a woman director. This includes top CPSEs in terms of market capitalisation such as Bharat Petroleum Corporation, CIL, and NTPC. The Companies Act, 2013, provides the board of directors of a company must have at least one woman director.

In 32 (44 per cent of the total) listed CPSEs, including National Aluminium Company, Steel Authority of India, GAIL (India), Oil and Natural Gas Corporation (ONGC), NTPC, and Indian Oil, the required number of non-executive directors was not on their boards.