

नॉर्थ ईस्टर्न इलेक्ट्रिक पावर कॉर्पोरेशन लिमिटेड  
**NORTH EASTERN ELECTRIC POWER CORPORATION LTD.**

**TERMS OF REFERENCE OF AUDIT COMMITTEE**

- 1) To assist the Board in its oversight functions relating to:
  - a) quality and integrity of disclosures contained in the audited and unaudited financial statements;
  - b) compliance with legal and regulatory requirements;
  - c) qualifications, experience, performance and independence of external auditors;
  - d) integrity of the internal controls established from time to time; and
  - e) Investments of the Company.
- 2) To investigate into any matter in relation to the items specified in Section 177 of the Companies Act, 2013 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 seek external professional advice, if necessary.
- 3) To investigate any activity within its terms of reference.
- 4) To seek information from any source including employees.
- 5) To obtain outside legal or other professional advice, if necessary.
- 6) To secure attendance of outsiders with relevant expertise, if it considers necessary.
- 7) To protect whistle blowers.
- 8) The role of the Audit Committee shall include the following:
  - a) Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
  - b) Reviewing with the management, the quarterly / half yearly financial statements before submission to the Board for approval.
  - c) Reviewing with the management, annual financial statements and auditors report thereon before submission to the Board for approval, with particular reference to:
  - d) Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (3)(c) of Section 134 of the Companies Act, 2013;
  - e) Changes, if any, in accounting policies and practices and reasons for the same;
  - f) Major accounting entries involving estimates based on the exercise of judgment by management;
  - g) Significant adjustments made in the financial statements arising out of audit findings;
  - h) Compliance with accounting standards issued by the Institute of Chartered Accountants of India;

- i) Compliance with legal requirements relating to financial statements;
- j) Disclosure of any related party transaction; and
- k) Qualifications in the draft audit report.

9) **Audit(s)**

**a) Internal Audit:**

- Reviewing, with the management, performance of internal auditors (external firms) and adequacy of internal control systems.
- Reviewing the adequacy of internal audit (in house) function, if any, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of such audit.
- Discussion with internal auditors on any significant findings and follow up thereon.
- Recommending to the Board appointment and fixation of fees for Internal Auditors for Audit and other services if any.

**b) Statutory Audit & Branch Audit:**

- Discussion with Statutory Auditors & Branch Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Discussion with Statutory Auditors & Branch Auditors on any significant findings and follow up thereon.
- Recommending to the Board the fixation of Statutory and Branch Audit Fees.
- Approval of payment to statutory auditors for any other services (other than audit) rendered by them.
- Recommend the terms of appointment of the auditor, approval for rendering other services by the auditor as per section 144 and other applicable provisions, if any, of the Companies Act, 2013.

**c) Cost Audit & Tax Audit:**

Recommending to the Board, the appointment, re-appointment and if required, replacement or removal of cost auditors and tax auditors and fixation of Audit fees and other terms of appointment.

- 10) Reviewing and monitoring the auditors' independence and performance and effectiveness of audit process.
- 11) Review the Cost Audit Report along with full information and explanation on every reservation or qualification contained therein and recommend the report to the Board for consideration
- 12) Provide an open avenue of communication between the independent auditor, internal auditor and the Board of Directors.

- 13) Review with the independent auditors the co-ordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of all audit resources.
- 14) Consider and review the following with the independent auditors and management:
  - a) The adequacy of internal controls including computerized information system controls and security, and
  - b) Related findings and recommendations of the Independent auditor and internal auditor, together with the management responses.
- 15) Consider and review the following with the management, internal auditor and the independent auditor:
  - a) Significant finding during the year, including the status of previous audit recommendations
  - b) Any difficulties encountered during audit work including any restrictions on the scope of activities or access to required information.
- 16) Government audit- To review the follow up action on the audit observations of the C&AG audit.
- 17) Reviewing the findings of any internal investigations by the internal auditors/statutory auditors/other agencies 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.
- 18) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- 19) To review the functioning of the Whistle Blower Mechanism.
- 20) To review the follow-up action taken on the recommendations of committee on public undertakings (COPU) of the Parliament.
- 21) Review and pre-approve all related party transactions in our Company. For this purpose, the Audit Committee may designate a member who shall be responsible for pre-approving related party transactions.
- 22) Review the Company's financial policies, commercial policies and risk management policies.
- 23) Evaluation of internal financial controls and risk management system.
- 24) Reviewing with the management, the statement of uses/application of funds raised through an issue (public issue, right issue, preferential issue etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice, and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or right issue, and making appropriate recommendations to the Board to take up steps in this matter.
- 25) Scrutiny of inter-corporate loans and investments.
- 26) Valuation of undertakings or assets of the Company, wherever it is necessary.
- 27) Approval or any subsequent modification of transactions of the Company with related parties.
- 28) Review the following information:
  - a) The management discussion and analysis of financial condition and results of

- operations;
- b) Statement of significant related party transactions (as defined by the Audit Committee), submitted by the management;
  - c) Management letter / letters of internal control weaknesses issued by the statutory auditors;
  - d) Internal audit reports relating to internal control weaknesses;
  - e) The appointment, removal and terms of remuneration of internal auditors/chief internal auditor; and
  - f) Certification / declaration of financial statements by the chief executive/chief finance officer.
- 29) To call for comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and to discuss any related issue with the internal and statutory auditors and the management of the Company.
- 30) Review of the quarterly statement for deviation including report of monitoring agency, if applicable submitted to Stock Exchanges.
- 31) Appointment of the registered valuer and prescribing the terms and conditions as per section 247 of the Companies Act, 2013
- 32) Advise and evaluate on maintaining a proper system for storage, retrieval, display or printout of the electronic records.
- 33) Consult with the Internal Auditor for formulation of the scope, functioning, periodicity and methodology for conducting the internal audit.
- 34) The Audit Committee shall give the auditors of the company and the key managerial personnel a right to be heard in the meetings of the Audit Committee when it considers the auditor's report.
- 35) The Audit Committee shall oversee the vigil mechanism established for the directors and employees for reporting genuine concerns or grievances and shall provide for adequate safeguards against victimisation of employees and directors who use such mechanism. The Chairperson of the Audit Committee shall be directly accessible in appropriate and exceptional cases. In case of repeated frivolous complaints being filed by a director or an employee, the audit committee may take suitable action against the concerned director or employee including reprimand. Review contracts awarded on nomination / offer basis in terms of guidelines issued by the CVC / DPE/ other authorities, from time to time.
- 36) Carrying out such other functions as may be specifically referred to the Committee by the Company's Board of Directors and/or other Committees of Directors.
- 37) Review the Budget Estimate, Revised Estimate of the Company and recommend the same to the Board for consideration. (incorporated in 283<sup>rd</sup> Board Meeting)

All such other roles as per acts, rules, SEBI (LODR) Regulations, 2015 etc. as may be prescribed for Audit Committee from time to time.

