

POLICY GUIDELINES/ SYSTEM FOR APPOINTMENT OF COST AUDITORS

(w.e.f. 07/09/2020)

1. *The Company shall invite Expression of Interest (EOI) from Cost Accountants/firms of Cost Accountants for Empanelment/ appointment as Cost Auditor for cost audit of NHPC's Power Stations.*
2. *(i) Document for Expression of Interest based on "Non Price Criteria" shall be prepared by an internal committee constituted by Director (Finance). However, "Price Criteria" i.e. Cost Audit Fees shall be decided by the Company from time to time.*
 - (ii) Qualification criteria shall be framed considering the following factors:*
 - a. Firm's experience in practice*
 - b. No. of Partners/Cost Accountants associated with the firm for not less than 3 Years*
 - c. No. of Cost audit assignment completed in PSUs*
 - d. No. of Cost audit assignment completed in Power Sector Companies*
 - (iii) Qualification criteria shall be evaluated on the basis of attainment of Marks. In EOI, each criterion shall be assigned marks per criteria, maximum marks and basis of marks to be awarded.*
 - (iv) All Power Stations would be divided in zones as per requirement. From the EOI received by the Company, zone wise panel of Cost Accountants/ firms of Cost Accountants who secure at least 50 % marks as per qualifying criteria shall be prepared and maintained in descending order on the basis of attainment of highest marks, by the internal committee constituted. In other words, the Cost Accountants /Firm of Cost Accountants securing highest marks shall be kept at no.1 in the panel. Separate panels shall be maintained for each zone.*
 - (v) In case of a tie, the following sequence shall be adopted for selection:*
 - a) Cost Accountants /Firm of Cost Accountants with longer experience shall be given preference based on the year of registration.*
 - b) Firm with higher number of Fellow and/or Associate Members of the Institute of Cost Accountants as partners shall be given preference.*
3. *Internal committee constituted by Director (Finance) shall recommend panel of qualifying Cost Accountants/ firms of Cost Accountants out of which Management shall propose name of Cost Accountants/ firms of Cost Accountants for appointment as Cost Auditor of Power Stations and as Lead Cost Auditor.*
4. *Empanelment of Cost Accountant/Firm of Cost Accountants for appointment as cost auditor shall remain valid for 3 financial years. Thereafter fresh EOI shall be invited and fresh panel shall be prepared.*
5. *Required number of Cost Auditors for each zone shall be selected sequentially starting from the firm attaining highest marks in the zone wise panel of Cost*

Accountants/ firms of Cost Accountants. Each Cost Auditor shall be allotted maximum three Power Stations for a year.

- 6. While considering the name of Cost Auditors for appointment from the approved panel, the management shall consider the proximity, to the extent possible, from the office of Cost Auditor to the Power Station.*
- 7. To meet out the eventuality like requirement of additional cost auditor for any new project becoming commercially operative during the period or non-accepting the offer of appointment by any of the selected firms or their becoming subject to any disqualification or any other requirement arises during the period, the cost auditor shall be appointed from the panel so maintained.*
- 8. Maximum tenure of appointment for a cost auditor shall be a continuous period of **three** (3) years. After that Cost Auditor shall be considered for re-appointment after the cooling period of **three** years. In other words, after serving continuously for three years, a Cost Auditor shall be given rest for next three years.*
- 9. Appointment of Cost Auditors shall be made every year as per laid down procedure of appointment read with relevant provisions of Companies Act, 2013 and Companies (Cost Records and Audit) Rules, 2014.*
- 10. For wider participation of Cost Accountants/Firms of Cost Accountants, notice inviting Expression of Interest (EOI) for Empanelment/Appointment of cost auditors shall be placed on web site of Company and Institute of Cost Accountants of India.*

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