भारतीय विमानपत्तन प्राधिकरण
AIRPORTS AUTHORITY OF INDIA

No. AAI / IA / Physical verification fixed Assets/ 2021-22 Dt. 06.04.2022

M/s N K. Bhargava & Co.
C-31, Ist Floor, Acharva Niketan,
Phase-1, Mayur Vihar,
New Delhi-110091

Name of work: conducting Physical verification of Fixed Assets/Inventory/Stores and reconciliation with books of Accounts at CHQ, AAI for F.Y. 2021-22.

Ref. No.: Your E-bid for Tender Id: 2021_AAI_110632_1

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Sir,

Your e-tender for the above-mentioned work has been accepted on behalf of the Chairman, Airports Authority of India, at the item rates quoted by you totaling to ₹ **244,000/- (Rupees Two Lakhs Forty-four Thousand Only)** excluding GST **which is 61.87% below the estimated cost of ₹ 640,000/-** with the terms and conditions as detailed below:

1. Coverage: Guidelines and Terms & Conditions (Annexure-1), Scope for conducting Physical verification of Fixed Assets/Inventory/stores and reconciliation with books of accounts (Annexure-2), SOP for conducting Physical verification of Fixed Assets/Inventory/stores and reconciliation with books of accounts (Annexure-3), Report on Physical verification and reconciliation of assets/stores (format-1 to 17).
2. This is only illustrative but not exhaustive. However, if any other observations noticed or identified during Auditing may also be highlighted in the Audit Report.

3. **Period of Audit:** 01.04.2021 to 31.03.2022

4. **Commencement of Audit / Period of Assignment:** The Audit may be taken up from **11.04.2022** for the period **from 01.04.2021 to 31.03.2022** Attendance Sheet duly certified by AAI is to be submitted along with the Audit Report / Invoice.

5. **Constitution of the Audit Team:** The Audit Team should consist of minimum of 2 (Two) Nos. of Qualified CAs and 4 (four) Audit Assistants having experience of 10 years in the field.

6. **Audit Report:** On completion of the Audit, the draft Audit report has to be discussed and Final Report may be submitted within the timelines specified under para 7 of Guidelines and Terms & Conditions as per Annexure-1.

7. **Fee:** Total Fee payable is ₹ **244,000/- (Rupees Two lakhs forty-four Thousand Only)** excluding GST and you must quote your GSTIN as well as AAI's GSTIN **07AAACA6412D2Z9** in your GST Invoice.

8. **Terms of Payment:** The payment will be released after receipt of complete Audit report and its approval by the competent Authority.

9. **Others:**

a. In case of any disputes arising out of the assignment, the decision of the Member (Fin), AAI shall be final and binding on both the parties.

b. For further clarifications, if any, the matter may be addressed to the ED(Fin)-IA, Airports Authority of India, CHQ, Rajiv Gandhi Bhawan, Safdarjung Airport, New Delhi-110003.

10. **Acceptance:** Your acceptance may be conveyed within a period of 3 days from the date of receipt of this letter (by post or e-mail) failing which, it will be construed that you are not interested to take up this assignment.

11. **Penalty:** In case of non-completion of Audit or non-submission of Audit Report within the permissible time, Penalty @ 2% per week subject to maximum of 20% of awarded value will be deducted from the payment of the Firm.

12. Other terms and conditions mentioned in the Bid Document will remain the same.

Yours faithfully,

6/4/22

(Lala Ram)
Asst General Manager (F&A)-IA

Encl:

1. Scope of Physical verification of Fixed Assets/Inventory/Stores and

reconciliation with books of Accounts at CHQ, AAI for F.Y. 2021-22 (Annexure-2)

2. Guidelines and Terms & Conditions (Annexure-1)
3. SOP for conducting Physical verification of Fixed Assets/Inventory/Stores and reconciliation with books of Accounts at CHQ, AAI for F.Y. 2021-22 (Annexure-3)
4. Reporting format 1 to 17 (Annexure-8)

Copy, for kind information, to:

1. ED(Fin)-IA, AAI, New Delhi
2. GM(Fin)-IA, AAI, New Delhi
3. DGM(Fin.)-IA, AAI, New Delhi

Annexure-1

भारतीय विमानपत्तन प्राधिकरण
AIRPORTS AUTHORITY OF INDIA

Guidelines and Terms & Conditions

1. The unconditional acceptance letter (Annexure–5), Undertaking (Annexure –6), Undertaking regarding debarment / blacklisting (Annexure-7) and Proof for appointment as Statutory Central Auditors in Public Sector Banks by RBI for F.Y. 2021-22 are to be submitted in Technical Bid (Envelope-I). In case of any deficiencies & requisite documents are not submitted in Envelope-I by the firm, the bid of the firm will be rejected and Financial Bid (Envelope-II) of the firm will not be opened.
2. Rates are to be quoted without GST. GST as applicable shall be paid extra.
3. The firm cannot sub-contract the work. Only partners of the firm or employees or qualified associates whose bio data is provided at least 7 days in advance can take up the audit. Any form of canvassing/ lobbying influence will result in disqualification of the firm and which is the sole discretion of AAI.
4. The Team should consist of minimum of 2 Nos. of CA and 4 Nos. of Assistants having experience of 10 years in the field.
5. The Assignment will be terminated in the following cases:
   a.) If the firms obtain the appointment on the basis of false information /false statement.
   b.) If the firm does not take up audit in terms of appointment letter within one month.
   c.) If the firm does not submit the report, complete in all respects, as per terms of appointment within stipulated time.
   d.) If the performance of the firm is not found satisfactory.
   e.) If any fraud/embezzlement is detected subsequently and not reported to AAI
   f.) The firm has to maintain the confidentiality requirement in terms of professional code of conduct and they shall not appoint/utilize the services of those who are not employee/ partner/director of the firm.
   g.) If progress/performance of the firm is not satisfactory, the management reserves the right to terminate the appointment or debar the firm for participating in any future tender invited by AAI for one year.
   h.) AAI reserves the right to reject any or all the tenders without assigning any reason thereof and to call for any other detail or information from any of the tender(s).

6. The above bid amount is inclusive of professional fees, TA/DA, local conveyance, lodging & boarding etc. except GST/applicable taxes. No other payment shall be

made except the amount quoted above. The payment shall be released after acceptance and approval of the report by the Competent Authority.

7. Report Submission :The report is to be submitted to ED (Finance)-Internal Audit by 25th April 2022, after an exit meeting with GM (Finance)-Internal Audit . Immediate corrective action after the exit meeting may be done and the same shall be covered in the *Final Report* for acceptance. The Report shall be submitted within 05 working days of Exit Meeting on completion of work. The report along with relevant information should be submitted in the prescribed format only. No statement other than the prescribed format will be accepted and no payment will be made till the acceptance of the report by the Competent Authority.
8. Payments shall be made on production of original invoices indicating GST No. and after acceptance of the report by the Competent Authority.
9. The firm must be familiarized with the scope of the work and consider the same before quoting for the tender. To obtain first-hand information on the assignment and scope, firm may visit the GM(Finance)-Internal Audit before submitting the Proposal.
10. AAI reserves the right to reject or accept or withdraw the tender in full or part, as the case may be, without assigning any reasons thereto. No conditional tenders will be accepted.
11. Penalty: If the job is not completed and Report is not submitted as per the requirement within prescribed period of time, Penalty @ 2% per week subject to maximum of 20% of awarded value will be levied and deducted from the payment of the Firm. Delay in finalization of the assignment and submission of Report for reasons beyond of the Auditors may be condoned with the approval of the competent Authority at CHQ.

12. Others:
    I. In case of any disputes arising out of the assignment, the decision of Member (Finance), Airports Authority of India shall be final and binding on both the parties.
    II. For clarifications, if any, the matter may be addressed to the Internal Audit Department, CHQ, Airports Authority of India.

Bid Manager
AIRPORTS AUTHORITY OF INDIA
Internal Audit Dept, CHQ, New Delhi

Annexure-2

SCOPE for "Physical verification of Fixed Assets / inventory/stores and Reconciliation with books of accounts"

The physical verification of fixed assets / reconciliation of fixed assets/Stores has to be carried out as follows and the corrective actions if any, has to be reported in the specified format as mentioned follows:

I. Verification of Capitalization of Assets

(i) Capitalization is carried out as per policy of AAI. Deviations, if any, to be reported in **FORMAT-1**

a. Construction Works (Project) – Capitalization is done from the time the project is ready for intended use

b. Equipment relating to Airport, Cargo, Security & I.T. and CNS Equipment not requiring Calibration: Capitalization is done from the date of installation, testing and commissioning

c. CNS Equipment requiring Calibration – ILS, RADAR, VORs, ADSB: To be capitalized from the date the fight calibration is completed as certified by Flight Information Unit (FIU) of AAI or immediately after 3 months from the date of installation as certified by Radio Construction and Development Unit (RCDU) of AAI / Suppliers whichever is earlier

(ii) Fixed assets have been accounted correctly as per invoices and include all Costs and Taxes. Deviations, if any, to be reported in **FORMAT-2**

(iii) Apportionment of expenditure of project office have been made correctly to various schemes implemented during the financial year. Deviations, if any, to be reported in **FORMAT-3**

(iv) Expenditure like shifting of overhead cables / underground cables which have not created new assets have been charged to revenue. Expenditure on revenue account like repairs and maintenance, renewals etc. have been charged to capital accounts and vice versa. Deviations, if any, to be reported in **FORMAT-4**

(v) Availability of Test check reports, completion certificates, installation and commissioning reports for plant and machinery, equipment etc. Deviations, if any, to be reported in **FORMAT-5**

(vi) Assets and loose tools below the specified limit i.e., Rs.5,000 have been charged to revenue. Deviations, if any, to be reported in **FORMAT-6**

(vii)Ownership of land are clear and free from encumbrance and title deed and all relevant documents relating to lands are available. Deviations, if any, to be reported in **FORMAT-7**

II. Verification of Disposal of Assets

(i) Accounting entries in case of assets transferred from one unit to another have been made correctly in the books and supported by relevant papers i.e. Transfer Voucher, E – Bill, and other required documents. Deviations, if any, to be reported in **FORMAT-8**

ii)Accounting entries in case of assets sold or disposed of have been made correctly in the books and supported by relevant papers i.e. Transfer Voucher, E-Bill, copy of Survey Committee Reports and other required documents. Deviations, if any, to be reported in **FORMAT-9**

(iii) Accounting entries towards profit or loss on sale of fixed assets, removal from Gross Block and accumulated depreciation have been made correctly. Deviations, if any, to be reported in **FORMAT-10**

III. Physical Verification of Assets/Inventory/Stores and reconciliation with Books of Accounts

(i) Carrying out of Physical verification of assets/inventory/stores, as per Accounting Policy.

ii) Entries in the Fixed Asset Registers/Schedules, are to be reconciled with SAP GL Balance. Variations, if any, to be reported in **FORMAT-11**

iii) Entries in the Fixed Asset Registers / Schedules are to be reconciled with physical Verification report. Shortage /Excess, if any, to be reported in **FORMAT-12** and **13** respectively.

(iv) Unserviceable assets if any, to be reported in **FORMAT-14**

(v) Entries in the Store Registers / Schedules are to be reconciled with physical Verification report of stores/inventory. Shortage/excess of Inventory/stores to be reported in **FORMAT-15 and FORMAT-16 respectively**

vi)Deviation in the accounting of stores/inventory from accounting policy of AAI if any to be reported in **Formatr-17**

Significant ACCOUNTING POLICIES to be noted

- Expenditure incurred on procurement of arms / ammunitions for CISF, which is dealt by NASFT [National Aviation Security Fee Trust], is not forming part of Fixed Assets.

2.1.7 Part completion of works / projects and put to use are to be capitalized based on the technical assessment.

2.1.8 Expenditure not represented by AAI Assets is charged off as Revenue expenses.

2.1.9 Pre-project expenditure in case of abandoned works and expenditure incurred for
foreclosed and abandoned works are charged off as Revenue expenses.

2.1.10 Fixed Assets which have been fully depreciated are shown at residual value of Re.1/- till disposal.

2.1.11 Any non-monetary asset acquired from State Government free of cost is valued at nominal value of Re.1/- for each type of asset.

2.1.12 Wherever land is sold / transferred / disposed-off and the specific value of such land is
not available, it is valued at average cost of acquisition, except in cases where it is acquired free of cost.

2.2.1 Direct revenue expenditure of exclusive Project Division handling capital projects are capitalized along with the completion cost of the work(s).

2.2.2 The interest on mobilization advance in respect of project is set off against the project expenses.

2.2.3 Interest on borrowings for projects is capitalized up to the date of capitalisation.

2.3.1 Computer Software (not being an embedded software in the equipment) which is put to use and is expected to provide future enduring economic benefits is recognized as Intangible Assets and amortized on straight line basis over a period of five years or licence period of the software whichever is earlier. However where such computer software is still in development stage, costs incurred during the development stage of such software are accounted as "Intangible Assets Under Development".

2.3.2 Expenditure on Research & Development, other than on capital account, is charged to revenue.

2.6 Physical Verification of Fixed Assets

The Physical Verification of Fixed assets are carried out as under :

Big Airports (including ATC centres/Security/Cargo units) : **Every 3 years.**

Medium Airports : **Every 2 years.**

Small Airports (includes ACS, CHQ, CATC, RCDU, CRSD, FIU, EMO, and RHQ (Administrative offices) : **Every year**.

5 Inventories

i. Stock/Spares consumed during the year are charged as revenue expenditure.

ii. Stock at year end (except store/spare with unit cost of Rs. 5000 and less) is valued at cost price on FIFO basis for a period of five years from the date of receipt. Thereafter the net realizable value is worked out as under and is shown at cost or net realizable value whichever is less:

6th year	70% of the cost
7th year	40% of the cost
8th year onwards	10% of the cost

Annexure-3

SOP for conducting "Physical verification / Reconciliation of Fixed Assets/Stores"

1. The senior partner of CA Firms appointed for conducting **"Physical verification / Reconciliation of Fixed Assets / Stores"** for the **F.Y. 2021-22** along with his team members will approach various departments and discuss the Scope of work.

2. Department Heads after discussion, will intimate and coordinate with all the Officials to keep the records as requisitioned by the firm and ready for their inspection / verification/Auditing as per the schedule submitted by the CA firm.

3. Department Heads will immediately detail a Nodal Officer from the Section / Department to co-ordinate with all other Officers / Officials to carry out the assigned work smoothly.

4. The physical verification report of previous years needs to be made available to the firm immediately. Department-Heads may instruct the concerned to provide the *Physical Verification Report* to the Audit Team on arrival.

5. All the related documents, files, approvals, reports, work orders, agreements, correspondence with the statutory bodies / Authorities, vouchers / invoices / bills etc. should be made available to the firm. Department-Heads may ensure full cooperation and timely submission of requisite documents to the firm during the course of verification.

6. Regarding viewing the SAP (ERP) System by the firm, it has been decided that the Coordinator / Nodal Officer from the concerned Section will open the SAP system by using his ID to enable the Auditor to verify the details. As access of SAP(ERP) system to the Audit Team is paramount for this assignment, Department-Heads may ensure this on request.

Annexure – 8

Report on "Physical Verification and reconciliation of Assets/Stores"

Format 1	Capitalization of Assets not made, as per AAI's Policy				
Asset id in SAP	Asset Description	Asset Class	Cost Centre	Value (Rs.)	Remarks

Format 2	Fixed Assets not accounted as per Invoice				
Asset id in SAP	Asset Description	Asset Class	Cost Centre	Value (Rs.)	Remarks

Format 3	Improper apportionment of expenditure on project office				
Asset id in SAP	Asset Description	Asset Class	Cost Centre	Value (Rs.)	Remarks

Format 4	Revenue Expenditure charged to Capital				
Asset id in SAP	Description	Asset Class	Cost Centre	Value (Rs.)	Remarks

Format 5	Non- availability of Test check reports, completion certificates, commissioning reports etc.				
Asset id in SAP	Asset Description	Asset Class	Cost Centre	Value (Rs.)	Remarks

Format 6	Assets and loose tools below the specified limit not charged to revenue				
Asset id in SAP	Asset Description	Asset Class	Cost Centre	Value (Rs.)	Remarks

Format 7	Assets not free from encumbrance /not having title deeds				
Asset id in SAP	Details of Land	Value of Land not free from all encumbrances (Rs.)	Value of Land for which title deed not available (Rs.)	Cost Centre	Remarks

Format 8	Transfer of Assets from one Region / Airport to another not accounted for				
Asset id in SAP	Asset Description	Date of Transfer	Transfer from	Value (Rs.)	Remarks

Format 9	Disposal of assets not accounted for				
Asset id in SAP	Asset Description	Date of disposal	Value of disposal (Rs.)	Whether the same has been reflected in FAR as well as in SAP	Remarks

Format 10	Profit / Loss on sale of Fixed Assets not accounted for				
Asset id in SAP	Asset Description	Date of disposal	Value of disposal (Rs.)	Whether the asset has been removed from the Gross Block and accumulated Depreciation has been done properly?	Remarks

Format 11	Difference in Value of Assets in Fixed Assets Register and SAP GL Balance				
Asset id in SAP	Asset Description	Asset Class	Cost Centre	Value as per SAP GL (Rs.)	Remarks

Format 12	Assets found short on physical verification				
Asset id in SAP	Asset Description	Date of capitalization	Value as per FAR (Rs.)	Value as per physical verification (Rs.)	Remarks

Format 13	Assets found in excess on physical verification				
Asset id in SAP	Asset Description	Date of capitalization	Value as per FAR (Rs.)	Value as per physical verification (Rs.)	Remarks

Format 14	Survey Action i.r.o. unserviceable assets				
Asset id in SAP	Asset Description	Asset Class	Value (Rs.)	Whether Disposal Action has been completed for write-off assets?	Remarks

Format 15	Stores found short on physical verification				
Stock id in SAP	Stock Description	Value as per Stock Register / Schedule (Rs.)	Value as per physical verification (Rs.)	Stock not accounted for as per accounting policy (Rs.)	Remarks

Format 16	Stores found excess on physical verification				
Stock id in SAP	Stock Description	Value as per Stock Register / Schedule (Rs.)	Value as per physical verification (Rs.)	Stock not accounted for as per accounting policy (Rs.)	Remarks

Format 17	Stores not accounted for as per accounting policy of AAI				
Stock id in SAP	Stock Description	Class	Value (Rs.)	Stock not accounted for as per accounting policy (Rs.)	Remarks

Signature Not Verified

Digitally signed by RAM LALA
Date: 2022.09.15 14:54:44 IST
Location: eProcurement System for Central PSUs