File no. AAI/392/2021-Finance/984 August 09, 2023

M/s S.S. Kothari Mehta & Company,
Chartered Accountants, Plot No. 68,
Okhla Industrial Area, Phase-III,
New Delhi-110020.

Sub: Appointment of independent Auditor for Verification of Revenue of Mumbai International Airport Limited (MIAL) for the Financial Years 2023-24 & 2024-25.
(Tender ID: 2023_AAI_155071_1)

Sir's,

Your offer quoted through e-tender for the said work is hereby accepted on behalf of Chairman, Airports Authority of India at your quoted amount of **Rs.21,00,000/- (Twenty One Lakh Only)** inclusive of all taxes except applicable GST which shall be paid extra as per actual as an Independent Auditor in line with provisions of clause 11.2 of Operation, Management and Development Agreement (OMDA) executed between MIAL and AAI on the following terms and conditions:

I. Scope of Audit:

Airports Authority of India (Authority) has entered into an Operation, Management and Development Agreement (OMDA) with JVC (Mumbai International Airport Limited -MIAL, in the instance case).

As per terms of the OMDA, JVC has to share 38.70% of its applicable Gross Revenue with AAI. The applicable Gross Revenue used for final verification/reconciliation of the Annual Fee (AF) shall be Revenue of the JVC as certified by the Independent Revenue Auditor every quarter.

In terms of OMDA provision, AAI intends to appoint a Chartered Accountants Firm for verification of books of account of JVC in accordance with the following scope of work.

OMDA Provisions:

S. No.	Scope	OMDA provisions
	Definition of Revenue	
(a)	Revenue means all pre-tax gross revenue of the JVC, excluding the following: • Payments made by JVC, if any, for the activities undertaken by relevant Authorities or payments received by JVC for provision of electricity, water, sewerage or	Clause 1.1

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राजीव गांधी भवन
Rájiv Gandhi Bhawan
सफदरजंग हवाई अड्डा नई दिल्ली–110003
Safdarjung Airport, New Delhi-110003
दूरभाष : 24632950
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	analogous utilities to the extent of amounts paid for such utilities to third party service providers. • Insurance proceeds except insurance indemnification for loss of revenue. • Any amount that accrues to JVC from sale of any capital assets or items. • Payments and/ or monies collected by JVC for and on behalf of any governmental authorities under applicable law. • Any bad debts written off provided these pertain to past revenue on which annual fee has been paid to AAI. It is clarified that annual fees payable to AAI pursuant to Article 11 and Operational Support Cost payable to AAI shall not be deducted from Revenue.	
(b)	Annual Fee	Refer clause 11.1.2. for details

Keeping in view the various OMDA provisions, the illustrative (but not exhaustive) list of tasks to be performed as Independent Auditor by Practicing Chartered Accountants Firm given is as under: -

A. General:

(i) To confirm that JVC observes due diligence in reporting revenue.

(ii) To confirm the inclusion of all revenue in calculation of Monthly Annual Fee (MAF).

(iii) To ensure that the revenue accounting controls & procedure are adequate to record revenue earned. The flow of information in internal controls of JVC in order to ensure for recording revenue in SAP and in case of any deficiency, same to be reported in the audit report.

(iv) To verify the leakages in recording of revenue reporting noted during the audit.

(v) The MAF payable by JVC shall be as per Clause 11.1.2 of OMDA and shall be certified by the Independent Auditor in every quarter of the financial year of which audit has been conducted.

(vi) Auditor will obtain SAP access from JVC before commencement of audit in order to conduct audit independently and timely manner.

(vii) The Audit Report should clearly mention the method and size of sample selected for audit. Further, it may be ensured that 100% data has been checked and verified from the books of accounts of JVC to ensure that revenue share as per OMDA is accruing to AAI.

(viii) Auditor will annex the relevant documents in support of observation reported in audit report.

(ix) At the end of each Financial Year auditor will consolidate the details of income from all revenue heads and report in Quarter 4th audit report.

(x) Also, all previous audit observations will be consolidated along with Action Taken against these observations by JVC.

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B. AAI Revenue Share:

(i) Verification of income heads reflecting in the monthly management accounts as wells as the unaudited quarterly P&L account, Balance Sheet and Cash Flow Statement submitted by JVC in accordance with clause 10.3 of OMDA.

(ii) Verification of income received from various Joint Ventures / Group Entity / Lessees / Concessionaires formed by JVC and confirm amount received forming part of sharable revenue with AAI.

(iii) Verify of all income heads (related to aeronautical-revenue, non-aeronautical revenue, Cargo, CPD Income, other income heads flow up in the Escrow Account) and expenses charged, having impact on revenue. The details of revenue under various heads will be the part of audit report on quarterly basis.

(iv) Review of Annual Budget / approved Annual Business Plan with respect to advance payment of MAF made to AAI on commencement of each month. Any updation in business plan/ annual budget shall be reviewed with respect to MAF paid or payable, as the case may be.

(v) Examination of Financials / Accounts, on quarterly and yearly basis, prepared under Ind AS system and submit a reconciliation of Gross revenue and Annual Fee as per JVC Financials and actual paid to AAI. If any difference noticed, the detail of same will be incorporated in audit report along with comments from JVC.

(vi) Verification of Exclusions, along with their approval, from gross revenue in terms of clause 1.1 of OMDA. The details of exclusions will also be incorporated in Quarterly Audit Report.

(vii) Reporting of provisions made in Ind AS in relevant heads to check if the provisions are as per the respective Accounting Standards. If any difference or ambiguity found shall be incorporated in audit report.

(viii) Examination and determination of penal interest payable by JVC on delayed / short payment of MAF as per provisions of Chapter 11.1.2 of OMDA.

(ix) The detail of income charged and recovered as penal interest from concessionaires/airlines, or other agencies. In accordance with the clauses of OMDA, auditor will confirm that interest charged is considered in gross revenue sharable with AAI.

(x) Verification of all security deposits received & deposited by JVC in each month against commercial contracts, lease contract, rent contract or any other sub-contract awarded by JVC or awarded to JVC by any third party. Security deposits shall be verified under terms of tender documents published by JVC or agreement executed between JVC and third party. Auditor to verify the booking of the deposits in accounts, and interest income earned from security deposits shared with AAI, if any.

(xi) Verification of reversal of income under any revenue head of aeronautical, non-aeronautical, cargo, CPD, other income. Brief of said reversal should be the part of audit report in respective quarter.

(xii) Verification of reversal of interest receivable or payable, if any.

(xiii) Verification of MTOW of aircraft registered in SAP master with the certificates issued to aircraft by DGCA in order to ensure accurate billing of aeronautical revenue.

(xiv) Verification of collection charges payable by AAI to JVC, on quarterly basis with respect to bills raised to various airlines, by JVC. Credit Note issued in this regard shall also be verified, if any.

(xv) Prepare and verify a list of new concessionaire agreement executed by JVC during the quarter and revenue earned from these agreements as per commercial terms.

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(xvi) Any other issue, related to revenue of JVC, assigned by AAI during the currency of contract.

C. Documents/Records to be examined / Verified by the Auditor:

(a) Ledgers in SAP including income GL.
(b) Existing Agreement between JVC and trade concessionaires. Further if require, in compliance of previous audit observation of Independent Auditor, the old agreements as specified by AAI from time to time.
(c) Revenue statement of concessionaries and airlines submitted to JVC.
(d) CA certificates submitted by concessionaires / airlines.
(e) Investment proof (FD Receipts/ Mutual Funds statements etc.)
(f) AODB text files as submitted by AOCC.
(g) CA certified statements submitted by airlines regarding number of passengers, flights and Cargo etc.
(h) Auditor will verify the bank statements of Escrow Accounts to confirm that all proceeds from any source flow into the Escrow Receivable Accounts as per Escrow Agreement executed between JVC, AAI and Escrow Banker.
(i) In addition to Escrow bank accounts, any other bank account of JVC for which JVC is earning interest on deposits or any other revenue.
(j) Any other relevant document / record of JVC.

II. Submission of Report

(i) The Auditor has to submit duly signed quarterly audit report in triplicate to Executive Director- JVC, Airports Authority of India, 1st Floor, C Block, Rajiv Gandhi Bhavan, Safdarjung Airports, New Delhi.

(ii) The report should clearly mention the following:

   (a) The data has been collected / verified to the extent of 100% for preparing of Audit Report.
   (b) The list of documents verified during audit period.
   (c) Executive Summary of the audit along with audit observation, MIAL comments on audit observation and impact of the same in INR.

(iii) To avoid delay in submission of the quarterly report, the JVC shall reply to the comments of the Independent Auditor within 10 days of receipt of the draft report from Independent Auditor.

III. Professional Fee

(i) Professional Fee of **Rs.21,00,000/- (Rupees Twenty One Lakh Only)** inclusive of all applicable taxes & duties except GST as applicable for a period of 24 months i.e. 1st April 2023 to 31st March 2025.
(ii) Payment of Professional Fee to be equally borne by AAI and JVC (MIAL) shall be made every quarter for the proportionate amount of Annual Professional Fee on submission

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(ii) Payment of Professional Fee to be equally borne by AAI and JVC (MIAL) shall be made every quarter for the proportionate amount of Annual Professional Fee on submission of the certified audit report, i.e. the firm shall raise separate bills on quarterly basis to AAI and the JVC (MIAL) @ 50% of the proportionate fee amount plus Goods and Service Tax thereon.

(iii) Payment will be made on quarterly basis subject to recoveries towards statutory deductions.

(iv) The payment will be made by electronic transfer only.

IV. Security Deposit

The earnest money amount of **Rs. 1,07,620/-** (Rupees One Lakh Seven Thousand Six Hundred Twenty Only) received along with your tender will be treated and converted as part of Security Deposit as per Clause No. 5 on page no. 25 of tender document. Please deposit **Rs.1,02,380/-** (Rupees One Lakh Two Thousand Three Hundred Eighty Only) towards Security Deposit, failing which, the same will be deducted from running bill as per terms & conditions of contract document.

V. Penalty

Delay in submission of report by the auditor would attract penalty of 1% of the contract amount of that quarter, as per terms & conditions of NIT.

VI. Others

(i) The records required for the verification of MIAL's revenue shall be intimated to JVC (MIAL) in advance so that the same are made available.

(ii) MIAL will provide various accounts statements and other data including copy of agreements with concessionaire/lessees, to Independent Auditor at the end of each month, so the auditor may reconcile the data in SAP with their source of generation on monthly basis. MIAL will also provide access of SAP accounting system and other systems being used for accounting purpose, to Independent Auditor for verifications of revenue items.

(iii) JVC(MIAL) will provide all relevant data and Quarterly signed Financials to Independent Auditor within 10 days from the date of approval of their Board so that auditor will able to submit their draft audit report to MIAL within next 10 days.

(iv) To avoid delay in submission of the quarterly report, the JVC (MIAL) shall reply to the comments of the Independent Auditor within 10 days of receipt of the draft report from Independent Auditor.

(v) After incorporating comments of MIAL, Independent Auditor along with draft audit report, shall give a presentation to AAI in the o/o ED-JVC within one month from the date of handing over of records after the approval of Quarterly Financials in the Board of Director's meeting of MIAL.

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(vi) After presentation, auditor will prepare final quarterly audit report by incorporating comments of MIAL on draft report as well as inputs given by AAI. Duly digitally signed audit report will be submitted by Independent Auditor within 07(seven) working days of date of presentation made to AAI.

(vii) The report should include area of concern with reference to revenue audit.

(viii) Auditor has to provide any other information pertaining to audit as requested by AAI from time to time without charging any additional Professional Fee.

Other terms & conditions shall be prevailed in-line with conditions prescribed in NIT published through e-tender. Please acknowledge acceptance of this letter within 02 working days as a token of acceptance.

Thanking you,

09/08/2023

(KAMAL DEEP SEHGAL)
General Manager (Fin.)-JVC

Copy to:

CEO, Mumbai International Airport Ltd. (MIAL), Chhatrapati Shivaji International Airport, 1st Floor, Terminal-1, Santacruz (East), Mumbai- 400 099- For information please.