



## **COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF AIR INDIA LIMITED FOR THE YEAR ENDED 31 MARCH 2021**

The preparation of financial statements of **AIR INDIA LIMITED** for the year ended 31 March 2021 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under section 139(5) of the Act are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 14 October 2021.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of **AIR INDIA LIMITED** for the year ended 31 March 2021 under section 143(6)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report.

### **A. Comments on Financial Position**

#### **1 Non-Current Assets**

##### **(i) Property, Plant and Equipment (Note No. 1) - Rs. 216914.6 million**

The above does not include an amount of Rs. 14 million (Gross Block) towards final bill of works related to Modular Furniture and chair (amounting to Rs. 6.34 million) and Electrical, Voice, Data Networking, CCTV, and other related work (amounting to Rs. 7.66 million) at CRA Building, Safdarjung Airport, New Delhi. The same has been charged as Revenue expenditure instead of capitalizing it to Property, Plant and Equipment (PPE). Thus, this has resulted in overstatement of Repair and Maintenance expenses by Rs. 14 million and understatement of PPE by Rs. 14 million (Gross Block) and consequently loss is overstated to that extent.

##### **(ii) Investment Property (Note No. 1) - Rs. 4373.7 million**

The company constructed 508 flats at Nerul for staff housing colony. Out of which, the management decided to sell 334 flats to the employees and organizations under the control of Ministry of Civil Aviation and allotment letter in respect of 334 flats were issued to them. The value of these flats were shown under the head of Assets Held for Sale and the value of 174 vacant flats were shown as Investment Property in financial statements. However, one flat, for which possession was handed over by Air India to its employee in November 2019 was not transferred to Asset held for sale from Investment Property. This has resulted in understatement of Asset held for sale and over statement of investment property by Rs. 10.1 million. Accordingly, Note 30 (ii) to Notes to Account is also deficient to that extent.

#### **2 Current Assets**

##### **(i) Inventories (Note No. 8) - Rs. 6626.6 million**

The above includes Rs. 75.03 million towards shortage / consumption of inventory which was not accounted for in the books of accounts. This has resulted in overstatement of Inventory and understatement of



Other expenses by Rs. 75.03 million and consequently, loss is understated to that extent.

**(ii) Cash and Cash Equivalents (Note No. 9) - Rs. 5294.1 million**

The above includes an amount Rs. 0.1 million as imprest cash floats as on 31 March 2021. This amount of imprest cash floats was lying in the books of accounts since 2012, however, no adjustment was made in the books of accounts and no relevant records made available to Audit.

Thus, in the absence of any record related to the imprest cash floats of amount Rs. 0.1 million, the same could not be vouched safe by Audit.

**B Comments on Disclosure**

- (i) 12 flats having book value of Rs. 164.69 million in Kolkata included in Assets held for sale was illegally encroached and matter is sub-judice in the court of Chief Judicial Magistrate, Alipore. Since the matter is sub-judice, the sale of above property could not be made. Hence, the facts of the encroachment/litigation should have been disclosed in Notes to Accounts. Thus, the above Note is deficient to the extent.

The above issue was also commented upon during the year 2019-20, however, no correction has been made in the Financial Statements of the company for the year 2020-21.

**C. Comments on Auditor's Report:**

**Para VII (b) of Annexure 'A'**

Out of disputed Sales Tax amounting to Rs. 40.5 million pending at Delhi High Court, an amount of Rs. 36.9 million has been deposited under protest by the company. Statutory Auditor disclosed only the balance amount of Rs. 3.6 million at S. No. 18 of Para VII(b) of Annexure 'A' of Audit Report. However, non-disclosure of facts relating to amount deposited under protest is non-compliance of Clause 43(g) of Guidance Note on the Companies (Auditor's Report) Order (CARO), 2016.

**For and on behalf of the  
Comptroller and Auditor General of India**

**Sd/-  
(Rina Akoijam)  
Director General of Audit (Infrastructure)  
New Delhi**

Place: New Delhi  
Dated: 17 December 2021



**MANAGEMENT REPLIES TO THE COMMENTS OF THE COMPTROLLER AND  
AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(B) OF THE COMPANIES  
ACT, 2013 ON THE STANDALONE FINANCIAL STATEMENTS OF**

**Air India Limited for the year ended 31<sup>st</sup> March 2021**

	<b>Government Audit Query</b>	<b>Management Reply</b>
<b>A</b>	<b>Comments on Financial Position</b>	
<b>1</b>	<b>Non-Current Assets</b>	
<b>(i)</b>	<p><b>Property, Plant and Equipment (Note No. 1) - Rs. 216914.6 million</b></p> <p>The above does not include an amount of Rs. 14 million (Gross Block) towards final bill of works related to Modular Furniture and chair (amounting to Rs. 6.34 million) and Electrical, Voice, Data Networking, CCTV, and other related work (amounting to Rs. 7.66 million) at CRA Building, Safdarjung Airport, New Delhi. The same has been charged as Revenue expenditure instead of capitalizing it to Property, Plant and Equipment (PPE). Thus, this has resulted in overstatement of Repair and Maintenance expenses by Rs.14 million and understatement of PPE by Rs. 14 million (Gross Block) and consequently loss is overstated to that extent.</p>	<p>The entire work of shifting the IOCC/CMS/IFD units from T-3 to Safdarjung Airport was done during the year to bring out logistical and operational advantage to the Company which also led to substantial savings in rentals paid.</p> <p>The entire expenditure on this project, incurred for renovation of the existing structure vide the subject bill/invoice was booked under "Repairs &amp; Maintenance of Buildings". Since, the major portion of the items, in the subject invoices were small items the same have been booked under normal repair and renovation expenses. However, it may be stated, that the high value items procured for the new IOCC like Computers, Video Wall and other high value IT Equipment etc have been duly capitalized.</p> <p>It may also be added that while redesigning the floor/seating patterns all the items such as workstations, cabins, etc are treated as temporary structures and are not capitalized.</p>
<b>(ii)</b>	<p><b>Investment Property (Note No. 1) - Rs. 4373.7 million</b></p> <p>The company constructed 508 flats at Nerul for staff housing colony. Out of which, the management decided to sell 334 flats to the employees and organizations under the control of Ministry of Civil Aviation and allotment letter in respect of 334 flats were issued to them. The value of these flats were shown under the head of Assets Held for Sale and the value of 174 vacant flats were shown as Investment Property in financial statements. However, one flat, for which possession was handed over by Air India to its employee in November 2019 was not transferred to Asset held</p>	<p>The necessary accounting effect relating to the subject flat has been given in FY 2021-22 and accordingly the Advance of Rs 6.14 million lying under 'Advances' has been transferred to AHFS. Further, the book value of the said flat of Rs 10.1 million is being retired from Investment Property and loss of Rs 5.25 million has been booked in FY 2021-22.</p>



	for sale from Investment Property. This has resulted in understatement of Asset held for sale and over statement of investment property by Rs. 10.1 million. Accordingly, Note 30 (ii) to Notes to Account is also deficient to that extent.	
<b>2</b>	<b>Current Assets</b>	
<b>(i)</b>	<b>Inventories (Note No. 8) - Rs. 6626.6 million</b>  The above includes Rs. 75.03 million towards shortage / consumption of inventory which was not accounted for in the books of accounts. This has resulted in overstatement of Inventory and understatement of Other expenses by Rs. 75.03 million and consequently, loss is understated to that extent.	<p>The subject audit observation is regarding two items Rs 65.0 million relating to Uniform Stores and Rs 10.03 million relating to Catering Store Items. The replies regarding the same are as under:</p> <p>a) Uniform Stores shortage of Rs 65.0 million: The subject difference is due to the fact that certain consumption of Uniform Stores was updated in MMD records but erroneously not posted in SAP. However, the actual physical uniform inventory is in line with the stock sheet being maintained by MMD and there is no actual shortage. The requisite consumption entries in SAP will be posted in FY 2021-22 to correct this anomaly.</p> <p>b) Catering Stores shortage of Rs 10.03 million, This entry relates to the Opening Balance of SAP Migration items which were received at Hyderabad and consumed. However, as confirmed by MMD there is no actual shortage of inventory as the Log Books and bins show the details of actual consumption. Accordingly, since there was no actual shortage, and the difference was only due to consumption not booked in SAP, an entry has been passed in FY 2021-22 to rectify this anomaly.</p>
<b>(ii)</b>	<b>Cash and Cash Equivalents (Note No. 9) - Rs. 5294.1 million</b>  The above includes an amount Rs. 0.1 million as imprest cash floats as on 31 March 2021. This amount of imprest cash floats was lying in the books of accounts since 2012, however, no adjustment was made in the books of accounts and no relevant records made available to Audit.	<p>The subject case pertains to the period prior to migration to SAP in 2013. This amount may have been directly charged off to expenditure without routing it through "Imprest Cash Float" at the time of migration.</p>



	Thus, in the absence of any record related to the imprest cash floats of amount Rs. 0.1 million, the same could not be vouched safe by Audit.	However, necessary corrective action would be taken in FY 2021-22.
<b>B</b>	<b>Comments on Disclosure</b>	
(i)	<p>12 flats having book value of Rs. 164.69 million in Kolkata included in Assets held for sale was illegally encroached and matter is sub-judice in the court of Chief Judicial Magistrate, Alipore. Since the matter is sub-judice, the sale of above property could not be made. Hence, the facts of the encroachment/litigation should have been disclosed in Notes to Accounts. Thus, the above Note is deficient to the extent.</p> <p>The above issue was also commented upon during the year 2019-20, however, no correction has been made in the Financial Statements of the company for the year 2020-21.</p>	<p>There is no change in the status of this property in FY 2020-21 and as observed by Audit the same is sub-judice.</p> <p>In view of the above, no specific disclosure was made.</p>
<b>C.</b>	<b>Comments on Auditor's Report: Para VII (b) of Annexure 'A'</b>	
	<p>Out of disputed Sales Tax amounting to Rs. 40.5 million pending at Delhi High Court, an amount of Rs. 36.9 million has been deposited under protest by the company. Statutory Auditor disclosed only the balance amount of Rs. 3.6 million at S. No. 18 of Para VII(b) of Annexure 'A' of Audit Report. However, non-disclosure of facts relating to amount deposited under protest is non-compliance of Clause 43(g) of Guidance Note on the Companies (Auditor's Report) Order (CARO), 2016.</p>	<p>Clause 3(vii)(b) of the Companies (Auditor's Report) Order, 2016 requires reporting in respect of "Where dues of income Tax or sales Tax or service Tax or duty of customs or duty of excise or value added tax have not been deposited on account of any dispute, then the amounts involved and the forum where dispute is pending shall be mentioned."</p> <p>Since Rs. 36.84 million has already been deposited under protest, the same is not contemplated to be reported under aforesaid clause and hence has not been reported separately. Accordingly, the net amount of Rs. 3.64 million (Rs. 40.48 million less Rs. 36.84 million) which has not been deposited is reported under Para VII (b) of Annexure 'A' to Independent Auditor's Report.</p>