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 2019

The preparation of financial statements of **AIR INDIA LIMITED** for the year ended 31 March 2019 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 the 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 22 October 2019.

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 2019 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 Profitability

Statement of Profit and Loss

A.1. Expenses
Finance Cost (Note no. 23) Rs. 47113 Million

The above includes and amount of Rs. 1269.6 million towards interest on delayed payment payable to DIAL[1] on estimation basis for the period April 2014 to March 2019. However, the actual expenses on the non-aeronautical revenue (which includes interest income) will be trued-up by AERA at the time of Tariff determination in the third control period.
[1]**indicates Delhi International Airport Limited.**

B.1. Comments on Disclosure

Assets held for sale (Note no. 32)

The above note is deficient as no proper disclosure is given regarding three properties which were identified to be returned back to the allotting authority against the refund of the amount deposited and as such are not available for sale

C.1. General

Training cost from the Pilots including Cadet Pilots who had joined on or after April 2008 has not been shown as recoverable in the accounts. As per the practice, the Company incurs expenditure amounting to Rs 2.5 million on the training of a Pilot, which is to be recovered in 84 monthly instalments from date of induction as First Officer. In Northern Region, the Company has started the recovery on this account from 16 Pilots in the year 2019-20. However, this need to be reviewed for the Company as a whole and accordingly accounted for.

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

Sd/-
(Prachi Pandey)
Principal Director of Commercial Audit
& Ex-officio Member, Audit Board-1,
New Delhi

Place: New Delhi
Dated: 23 December 2019

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 31st March 2019

	Government Audit Query	Management Reply
A	**COMMENTS ON PROFITABILITY**	
A.1.	**Expenses** **Finance Cost (Note No 23) Rs 47113 million** The above includes an amount of Rs 1269.6 million towards interest on delayed payment payable to DIAL on estimation basis for the period April 2014 to March 2019. However, the actual expenses on the non-aeronautical revenue (which includes interest income) will be trued up by AERA at the time of tariff determination in the third control period.	In this regard the following is stated: In the Operations Management and Development Agreement (OMDA), the Implementation Overseeing Committee (OIOC) Meeting held on 03.04.2013, a decision was taken that Air India should pay interest to DIAL to off-set cost of loans borrowed by it to meet its working capital requirements due to non-payment by AIL. Subsequently, MoCA has conveyed in various meetings that the interest on the total outstanding amount would be paid by AI to DIAL, as per the actual interest rate at which DIAL has borrowed from banks on year to year basis. Accordingly, the interest claims submitted by DIAL has been duly verified by the independent Chartered Accountants firm, based on their verification interest has been booked in the books of accounts. Further, reference is also invited to Para No. 17.121 of AERA Order No 40/2015-16, vide which AERA has mentioned that it has decided to consider the interest on the working capital loan as an operating expense, it has also been stated that based on the documentary evidences submitted by DIAL on account of these categories, the Authority will provide a true up at the time of tariff determination for the third control period. In Para No. 19.36, AERA has also stated that "as the Authority has pointed out the realized no-aeronautical revenue in the past few years does not exhibit a clear trend, a true-up will be provided for the non-

		aeronautical revenues based on the actual realized non-aeronautical revenues, at the time of tariff determination in the third control period. Due disclosure on this issue in respect of Contingent Asset has been disclosed in the Notes to Accounts.
B.1	**Comments on Disclosure** **Assets held for Sale (Note No 32)** The above note is deficient as no proper disclosure is given regarding three properties which were indentified to be returned back to the allotting authority against the refund of the amount deposited as such are not available for sale.	All assets whether monetized or to be returned back to the allotting authority are removed from the FAR & parked in “Assets held for Sale”. This is only an adjustment account & credit to the account will be given at the time of monetization or returning back of the property.
C.1.	**General** Training Cost from the Pilots including Cadet Pilots who had joined on or after April 2008 has not been shown as recoverable in the accounts. As per practice, the Company incurs expenditure amounting to Rs 2.5 million on the training of a Pilot, which is to be recovered in 84 monthly instalments from date of induction as First Officer. In Northern Region, the Company has started the recovery on this account from 16 Pilots in the year 2019-20. However, this need to be reviewed for the Company as a whole and accordingly, accounted for.	Prior to merger, both the erstwhile airlines had different policies of recovery of training costs. Whereas erstwhile Air India there was no system of recovery of training costs, erstwhile Indian Airlines had the policy of recovery of training costs from pilots. Consequent upon the merger, in order to have a uniform policy in this regard, Air India decided to implement the policy in 2011 for the recovery of training costs from pilots. Accordingly, the recovery process was initiated. However, in respect of the cases pointed out in the audit observation, the action in respect of all these cases shall be taken in FY 2019-20. In this regard it is submitted that with the initiation of SAP Accounting, the process of recovery of training fees from pilots has improved a lot, but an overall review will be undertaken to further strengthen the internal control on the procedure being followed in this regard.