



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 2020

The preparation of financial statements of **AIR INDIA LIMITED** for the year ended 31 March 2020 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 27 January 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 2020 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:

Balance Sheet:

Assets:

(i) Current Assets:

Trade Receivables (Note 3) - Rs. 13,756.1 million

Above includes an amount of Rs. 15 Million on account of collection charges towards Airport Security Fee (ASF) from National Aviation Security Fee Trust (NASFT) on provisional basis during 2019-20. As per SOP of NASFT the company is authorised for collection charges on ASF, if the payment of ASF has been made within the due dates. However, Rs 783.8 million is outstanding against the invoices raised by NASF on the Company as on 31st March, 2020. Thus the company is not entitled for collection charges. Hence, this has resulted in overstatement of Trade Receivables and understatement of Loss by Rs. 15 Million.

(ii) Assets Held for Sale (Note No.10.1)

Others – Rs. 35,864.7 million

The above includes an amount of Rs 39.01 million towards Book value of the Booking Office, at Rajkot as on 31st March 2020. The classification of the above property as 'Asset held for Sale' was against the provisions of para 7 of Ind AS-105 as the allotment of property at Rajkot was cancelled by Collector Office Rajkot. This property had already been allotted to Head of District Education and Training Organisation, Rajkot in July, 2018. Thus, this has resulted in overstatement of Asset held for sale and understatement of loss by Rs 39.01 million.

**B Comments on Cash Flow Statement****Cash Flow from Investing Activities Rs. (14,573.5) million****Acquisition of Property, Plant & Equipment: - Rs. (17,711.6) million**

The above includes a reversal entry for provision for capital advances of Rs 7.55 million which is a non-cash transaction and the same should also not have been taken in the cash flow statement and the same is non-compliance of para 43 of Ind-AS 7.

C Comments on Disclosure**Note no. 28 (iii) of Notes forming part of the accounts:****Transaction with AIAHL relating to Disinvestment of Air India Limited**

12 flats having book value of Rs.164.69 million at City Garage, Mullen Street, Kolkata included in Asset held for sale was illegally encroached and matter is sub-judice in the Court of Chief Judicial Magistrate, in last Alipore. Since the matter is sub-judice, the sale of above property could not be made. Hence the facts of encroachment/litigation should have been disclosed in notes to accounts. Thus, notes to account is deficient to that extent.

D. Comments on Auditor's Report:**Annexure A of Statutory Auditor's Report:**

Inventory of phased out fleet B737-200 amounting to Rs 691.49 million has not been physically verified during the biennial period 2018-20. However, in para (ii) of the Annexure, Independent Auditor's Report have not mentioned this fact in their Independent Auditor's Report rendering the report deficient to that extent. This is also not in compliance with Para No 37 of ICAI Guidance notes on the Companies (Auditor's Report) Order, 2016.

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

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

Place : New Delhi
Dated : 17 March 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 31st March 2020

	Government Audit Query	Management Reply
A	Comments on Financial Position	
(i)	<p>Balance Sheet: Assets: Current Assets: Trade Receivables (Note 3) - Rs. 13,756.1 million</p> <p>Above includes an amount of Rs. 15.00 Million on account of collection charges towards Airport Security Fee (ASF) from National Aviation Security Fee Trust (NASFT) on provisional basis during 2019-20. As per SOP of NASFT the company is authorised for collection charges on ASF, if the payment of ASF has been made within the due dates. However, Rs 783.8 million is outstanding against the invoices raised by NASF on the Company as on 31st March, 2020. Thus the company is not not entitled for collection charges. Hence, this has resulted in Overstatement of Trade Receivables and understatement of Loss by Rs. 15.00 Million.</p>	<p>Efforts are being made to obtain the confirmation from NASFT. Air India has also written to NASFT but no response has been received from their end despite repeated follows up. However, necessary action either by raising of Invoice or reversal of provision shall be ensured in FY 2020-21.</p>
(ii)	<p>Assets Held for Sale (Note No.10.1) Others – Rs. 35,864.7 million</p> <p>The above includes an amount of Rs 39.01 million towards Book value of the Booking Office, at Rajkot as on 31st March 2020. The classification of the above property as ‘Asset held for Sale’ was against the provisions of para 7 of Ind AS-105 as the allotment of property at Rajkot was cancelled by Collector Office Rajkot. This property had already been allotted to Head of District Education and Training Organisation, Rajkot in July, 2018. Thus, this has resulted in overstatement of Asset held for sale and understatement of loss by Rs 39.01 million.</p>	<p>The vacant land at Rajkot was allotted to Air India and since the land was vacant for long time, the authorities wanted Air India to surrender the land.</p> <p>Air India had agreed to surrender this land with equivalent compensation.</p> <p>As per the information available vide letter dated 11th November, 2020, Air India has now been informed that allocation of the above land stands cancelled and representation of Air India for any compensation is not being considered.</p> <p>Air India is planning to take up the matter again with appropriate authorities and based on final outcome, necessary entries for providing loss of Rs. 39.01 million on sale of asset will be accounted in the current financial year 2020-21.</p>



B	Comments on Cash Flow Statement	
	<p>Cash Flow from Investing Activities Rs. (14,573.5) Million</p> <p>Acquisition of Property, Plant & Equipment: - Rs. (17,711.6) million</p> <p>The above includes a reversal entry for Provision of Capital Advances of Rs 7.55 million which is a non-cash transaction and the same should also not have been taken in the Cash Flow Statement and the same is non-compliance of para 43 of Ind-AS 7.</p>	<p>In case of non-adjustment of Rs.7.55 million provision, we agree with Audit point that it should have been adjusted as non-cash item. Adjustments of such nature shall be taken care of in FY 2020-21.</p>
C	Comments on Disclosure	
	<p>Note no. 28 (iii) of Notes forming part of the accounts:</p> <p>Transaction with AIAHL relating to Disinvestment of Air India Limited</p> <p>12 flats having book value of Rs. 164.69 Million at City Garage, Mullen Street, Kolkata included in Asset 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 encroachment/litigation should have been disclosed in notes to accounts. Thus, notes to account is deficient to that extent.</p>	<p>In view of the ongoing process of disinvestment, efforts have been made for early completion of the entire monetization process. Therefore, the same has been shown under Assets held for Sale. However, disclosure requirement in this regard shall be reviewed in the next financial year.</p>
D.	Comments on Auditor’s Report:	
	Annexure A of Statutory Auditor’s Report:	
	<p>Inventory of phased out fleet B737-200 amounting to Rs 691.49 million has not been physically verified during the biennial period 2018-19. However, in para 2 of the Annexure, Independent Auditor’s Report have not mentioned this fact in their Independent Auditor’s Report rendering the report deficient to that extent. This is also not in compliance with Para No 37 of ICAI Guidance Notes on the Companies (Auditor’s Report) Order, 2016.</p>	<p>As a matter of fact that inventory related to phased out fleet B737-200 amounting to Rs. 691.49 million could not be verified physically, thereby rendering further impetus to recognize the same for “Provision for Obsolescence-Stores and Spares”. We would like to bring to your notice that obsolescence provision against such phased out inventory exists in the books of accounts as on 31/03/2020. As the entire value of such obsolete stock has been provided the same have not been considered for physical verification.</p> <p>However, it has been proposed to cover such inventory in the ensuing biennial period i.e. 2020-22 for physical verification.</p>