GOVERNMENT OF NATIONAL CAPITAL TERRITORY OF DELHI
DIRECTORATE OF EDUCATION
(PRIVATE SCHOOL BRANCH)
OLD SECRETARIAT, DELHI-110054

No. F.DE.15(286)/PSB/2021/ 5543 - 5548 Dated: 24/12/21

ORDER

WHEREAS, every school is required to file a statement of fees every year before the ensuing academic session under section 17(3) of the Delhi School Education Act, 1973 (hereinafter read as ***'the Act'***) with the Director. Such statement will indicate estimated income of the school derived from fees, estimated current operational expenses towards salaries and allowances payable to employees in terms of Rule 177(1) of the Delhi School Education Rules, 1973 (hereinafter read as ***'the Rules'***). Such estimate will also provision for donation, gratuity, reserve fund and other items under rule 177(2) and savings thereafter, if any, in terms of the proviso to the rule 177(1).

AND WHEREAS, as per section 18(5) of the Act read with section 17(3), 24 (1) of the Act and Rule 180 (3) of the DSEA & R, 1973 responsibility has been conferred upon to the Director (Education) to examine the audited financial, account and other records maintained by the school at least once in each financial year. The section 18(5) and Section 24(1) of the Act and Rule 180 (3) have been reproduced as under:

Section 18(5) : *'the managing committee of every recognised private school shall file every year with the Director such duly audited financial and other returns as may be prescribed, and every such return shall be audited by such authority as may be prescribed'*

Section 24(1) : *'every recognised school shall be inspected at least once in each financial year in such manner as may be prescribed'*

Rule 180 (3) : *'the account and other records maintained by an unaided private school shall be subject to examination by the auditors and inspecting officers authorised by the Director in this behalf and also by officers authorised by the Comptroller and Auditor-General of India.'*

AND WHEREAS, besides, the Hon'ble Supreme Court in the judgment dated 27 Apr 2004 passed in Civil Appeal No. 2699 of 2001 titled Modern School Vs. Union of India and others has conclusively decided that under section 17(3), 18(4) read along with rule 172, 173, 175 and 177 of the Rules, Director of Education has the authority to regulate the fee and other charges to prevent the profiteering and commercialization of education.

AND WHEREAS, it was also directed by the Hon'ble Supreme Court to the Director of Education in the aforesaid matter titled Modern School Vs. Union of India and others in Para 27 and 28 in case of Private unaided Schools situated on the land allotted by DDA at concessional rates that:

"27....

(c) It shall be the duty of the Director of Education to ascertain whether terms of allotment of land by the Government to the schools have been complied with...

28. We are directing the Director of Education to look into the letters of allotment issued by the Government and ascertain whether they (terms and conditions of land allotment) have been complied with by the schools.......

.....If in a given case, Director finds non-compliance of above terms, the Director shall take appropriate steps in this regard."

AND WHEREAS, the Hon'ble High Court of Delhi vide its judgement dated 19 Jan 2016 in writ petition No. 4109/2013 in the matter of Justice for All versus Govt. of NCT of Delhi and others has reiterated the aforesaid directions of the Hon'ble Supreme Court and has directed the Director of Education to ensure the compliance of term, if any, in the letter of allotment regarding the increase of the fee by all the recognized unaided schools which are allotted land by DDA.

AND WHEREAS, accordingly, this Directorate vide order No. F.DE.15 (40)/PSB/2019/2698-2707 dated 27 Mar 2019, directed that all the Private Unaided Recognized Schools running on the land allotted by DDA/other Govt. agencies on concessional rates or otherwise, with the condition to seek prior approval of Director of Education for increase in fee, are directed to submit the their proposals, if any, for prior sanction of DoE for increase in fee for the session 2018-2019.

AND WHEREAS in response to this directorate's circular dated 27 Mar 2019 referred to above, **National Victor Public School (School ID-1002270), I.P. Extension, Delhi-110092** submitted its proposal for enhancement of fee for the academic session 2018-2019 in the prescribed format.

AND WHEREAS, in order to ensure that the proposals submitted by the schools for fee increase are justified or not, this Directorate has deployed teams of Chartered Accountants at HQ level who has evaluated the fee increase proposals of the school very carefully in accordance with the provisions of the DSEA, 1973, the DSER, 1973 and other orders/ circulars issued from time to time by this Directorate for fee regulation.

AND WHEREAS, in the process of examination of fee hike proposal filed by **National Victor Public School (School ID-1002270), I.P. Extension, Delhi-110092** for the academic session 2018-2019, necessary records and explanations were called from the school through email. Further, school was also provided an opportunity of being heard on 24 Oct 2019 at 3:30 PM to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted.

AND WHEREAS, the reply of the school, documents uploaded on the web portal for fee increase and all subsequent documents submitted by the school were thoroughly evaluated and key findings noted are as under:

A. Authenticity of Audited Financial Statements

1. As per Appendix II to Rule 180(1) of DSER, 1973, the school is required to submit final accounts i.e. receipts and payment account, income and expenditure account and balance sheet of the preceding year duly audited by a Chartered Accountant by 31st July.

   On account of number of complaints received by the Institute of Chartered Accountants of India (ICAI) regarding signatures of Chartered Accountants (CAs) are being forged by non-CAs and corresponding findings by ICAI that financial documents/certificates attested by third person misrepresenting themselves as Chartered Accountants (CA) are misleading the Authorities and Stakeholders, ICAI, at its 379th Council Meeting, made generation of Unique Document Identification Number (UDIN) mandatory for every signature of Full time Practising Chartered Accountants in phased manner for the following services:

   - All Certificates with effect from 1 Feb 2019
   - GST and Income Tax Audit with effect from 1 Apr 2019
   - All Audit and Assurance Functions with effect from 1 Jul 2019

   Therefore, generation of UDIN has been made mandatory for all audit and assurance functions like documents and reports certified/ issued by practising Chartered Accountants from 1 Jul 2019. The UDIN System has been developed by ICAI to facilitate its members for verification and certification of the documents and for securing documents and authenticity thereof by Regulators.

   Further, ICAI issued an announcement on 4 June 2019 for the attention of its Members with the requirement of mentioning UDIN while signing the Audit Reports effective from 1 Jul 2019, which stated "*With a view to bring uniformity in the manner of signing audit reports by the members of ICAI, it has been decided to require the members of ICAI to also mention the UDIN immediately after the ICAI's membership number while signing audit reports. This requirement will be in addition to other requirements relating to the auditor's signature prescribed in the relevant law or regulation and the Standards on Auditing.*"

   The financial statements for FY 2018-2019 submitted by the school along with Audit Report dated 31 Jul 2019 signed by the Chartered Accountants did not cite UDIN, as mandated by ICAI. Therefore, authenticity of the audit and that of the financial statements for FY 2018-2019 submitted by the school could not be verified.

While the school has not complied with the statutory requirement of submission of audited final accounts and has submitted unauthentic final accounts, these financial statements for FY 2018-2019 have been taken on record by the Directorate and the same have been considered for evaluation of the fee increase proposal of the school for the academic session 2018-2019 assuming the same as unaudited/provisional financial statements.

The school is directed to confirm from the auditor whether UDIN was generated in respect of the audit opinion issued by the auditor on the financial statements of the school for FY 2018-2019. If the same was generated, the same should be mentioned by the school in its compliance report. In case, UDIN was not generated by the auditor, the school is directed to seek explanation from the auditor for not complying with the requirements notified by ICAI and get the said audit report and financial statements verified from the Institute of Chartered Accountants of India for its authenticity and validity.

The school is further directed to ensure that the audit opinions issued on its future final accounts by practicing Chartered Accountant comply with the requirements enunciated by their regulatory body i.e. The Institute of Chartered Accountants of India.

2. On examination of the financial statements for FY 2016-2017 to FY 2018-2019, it was noted the financial statements were not appropriately authenticated by the representatives of the school, since only the Manager signed the Balance Sheet, Income and Expenditure Account (only second page), and Receipt and Payment Account (only second page). Also, the schedules including Notes to Account annexed to the financial statements were not signed or initialled by any of the officials of the school. Thus, the authenticity of the financial statements and financial information included therein cannot be confirmed.

The school is directed to ensure that the entire set of financial statements (all pages, schedules including Notes to Account) must be appropriately signed or initialled (as appropriate) by two representatives of the school authorised in this regard as per Bye laws or other governing documents.

B. Financial Discrepancies

1. Rule 177 of DSER, 1973 *states "(1) Income derived by an unaided recognised school by way of fees shall be utilised in the first instance, for meeting the pay, allowances, and other benefits admissible to the employees of the school. Provided that savings, if any from the fees collected by such school may be utilised by its managing committee for meeting for meeting the capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely:*

   - *award of the scholarships to students,*
   - *establishment of any other recognised school, or*
   - *assisting any other school or educational institution, not being a college, under the management of the same society or trust by which the first mentioned school is run.*

(2) The savings referred to in sub-rule (1) shall be arrived at after providing for the following, namely:-

(a) pension, gratuity and other specified retirement and other benefits admissible to the employees of the school,

(b) the needed expansion of the school or any expenditure of a development nature,

(c) the expansion of the school building or for the expansion or construction of any building or establishment of hostel or expansion or construction of any building or establishment of hostel or expansion of hostel accommodation,

(d) co-curricular activities of the students,

(e) reasonable reserve fund, not being less than ten percent, of such savings."

From the financial statements for FY 2017-2018 and FY 2018-2019 provided by the school, it was noted that the school had reported excessive expenditure on repair and maintenance of building amounting to INR 1,33,66,192 during FY 2017-2018 and INR 1,33,02,687 during FY 2018-2019. Further, from the ledger account of Building Repair and Maintenance and supporting invoices provided by the school, it was noted that the school had incurred expenditure on purchase of bulk quantities of cement bags, tiles, marbles, etc., which are not in the nature of repairs, rather indicate towards expenditure of developmental nature on building. However, this expenditure on development of building was incurred by the school without ensuring compliance of Rule 177.

Based on the fact that the school did not implement the recommendations of 7th CPC, did not even get its complete liability towards retirement benefits (gratuity and leave encashment) of staff valued from an actuary in accordance with the requirements of Accounting Standard 15 until 02 Sep 2019 i.e. the first time actuarial valuation for gratuity obtained by the school (actuarial valuation not obtained towards leave encashment till date) and did not secure the funds against staff gratuity and leave encashment in plan assets (such as group gratuity scheme and group leave encashment scheme of LIC of other insurer), the school did not comply with the requirements of Rule 177 (1) i.e. *"Income derived by an unaided utilized school by way of fees shall be utilized in the first instance, for meeting the pay, allowances, and other benefits admissible to the employees of the school".*

Therefore, the amount spent on development of building, which was reported by the school as building repair and maintenance amounting to INR 2,66,68,879 (INR 1,33,66,192 in FY 2017-2018 and INR 1,33,02,687 in FY 2018-2019) is hereby added in the fund position (enclosed later in the order) with the direction to the school to recover the same from the Society within 30 days from the date of this order. Also, the school is directed not to incur developmental expense on building without ensuring compliance of Rule 177.

2. Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/883-1982 dated 10 Feb 2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure….. capital expenditure/investments have to come from savings.*"

Rule 177 of DSER, 1973 *states "(1) Income derived by an unaided recognised school by way of fees shall be utilised in the first instance, for meeting the pay, allowances, and other benefits admissible to the employees of the school. Provided that savings, if any from the fees collected by such school may be utilised by its managing committee for meeting for meeting the capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely:*

- *award of the scholarships to students,*
- *establishment of any other recognised school, or*
- *assisting any other school or educational institution, not being a college, under the management of the same society or trust by which the first mentioned school is run.*

(2) The savings referred to in sub-rule (1) shall be arrived at after providing for the following, namely:-

(a) pension, gratuity and other specified retirement and other benefits admissible to the employees of the school,
(b) the needed expansion of the school or any expenditure of a development nature,
(c) the expansion of the school building or for the expansion or construction of any building or establishment of hostel or expansion or construction of any building or establishment of hostel or expansion of hostel accommodation,
(d) co-curricular activities of the students,
(e) reasonable reserve fund, not being less than ten percent, of such savings."

The Hon'ble Supreme Court of India in the matter of Modern School Vs Union of India and Others mentioned "*Rule 177(1) shows that salaries, allowances and benefits to the employees shall constitute deduction from the income in the first instance. That after such deduction, surplus if any, shall be appropriated towards, pension, gratuity, reserves and other items of appropriations enumerated in rule 177(2) and after such appropriation the balance (savings) shall be utilized to meet capital expenditure of the same school or to set up another school under the same management. Therefore, rule 177 deals with application of income and not with accrual of income. Therefore, rule 177 shows that salaries and allowances shall come out from the fees whereas capital expenditure will be a charge on the savings. Therefore, capital expenditure cannot constitute a component of the financial fees structure as is submitted on behalf of the schools. It also shows that salaries and allowances are revenue expenses incurred during the current year and, therefore, they have to come out of the fees for the current year whereas capital expenditure/capital investments have to come from the savings, if any, calculated in the manner indicated above.*"

Based on the documents submitted by the school and taken on record, it was noted that the school is not charging development fee from students. Further, on review of the financial statements for FY 2017-2018 and FY 2018-2019, it was noticed that the school had utilized school funds for procurement of various capital items such as computer & software, furniture & fixtures, electrical equipment's, musical instruments, etc. amounting to INR 1,18,28,780

(INR 54,12,207 during FY 2017-2018 and INR 64,16,573 during FY 2018-2019) without complying the requirements prescribed in Rule 177 of DSER, 1973 i.e. without deriving savings.

Based on the fact that the school did not implement the recommendations of 7th CPC, did not even get its complete liability towards retirement benefits (gratuity and leave encashment) of staff valued from an actuary in accordance with the requirements of Accounting Standard 15 until 2 Sep 2019 i.e. the first time actuarial valuation for gratuity obtained by the school (actuarial valuation not obtained towards leave encashment till date) and did not secure the funds against staff gratuity and leave encashment in plan assets (such as group gratuity scheme and group leave encashment scheme of LIC of other insurer), the school did not comply with the requirements of Rule 177 (1) i.e. "*Income derived by an unaided utilized school by way of fees shall be utilized in the first instance, for meeting the pay, allowances, and other benefits admissible to the employees of the school*".

Accordingly, the above mentioned capital expenditure totalling to INR 1,18,28,780 pertaining to FY 2017-2018 and FY 2018-2019 is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the society within 30 days from the date of this order. The school is further directed not to incur capital expenditure from school funds unless savings are derived after ensuring compliance of Rule 177.

3. Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/883-1982 dated 10 Feb 2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure….. capital expenditure/investments have to come from savings.*"

The school was directed by the directorate through its order no F.DE.15(233)/PSB/2019/ 1285-1289 dated 29 Mar 2019 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 to recover the cost of luxury car purchased by the school during FY 2014-2015.

The school represented that there is no restriction on purchase of car, particularly for principal or general day to day use. It is just a facility arranged for principal to assist her in discharging their duties. Car was not for exclusive use of principal but is also being used to manage emergencies such as rushing for medical facility for student, etc.

The explanation and representation of the school is not tenable based on the fact that the school did not even get its complete liability towards retirement benefits (gratuity and leave encashment) of staff valued from an actuary in accordance with the requirements of Accounting Standard 15 until 2 Sep 2019 i.e. the first time actuarial valuation for gratuity obtained by the school (actuarial valuation not obtained towards leave encashment till date) and did not secure the funds against staff gratuity and leave encashment in plan assets (such as group gratuity scheme and group leave encashment scheme of LIC of other insurer). Thus, the school did not comply with the requirements of Rule 177 (1) i.e. "*Income derived by an* *unaided utilized school by way of fees shall be utilized in the first instance, for meeting the pay, allowances, and other benefits admissible to the employees of the school".*

Since the school has not recovered this amount from the Society till date, the cost of luxury car amounting to INR 16,16,975 is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the society within 30 days from the date of this order. The school is further directed not to incur capital expenditure from school funds unless savings are derived after ensuring compliance of Rule 177.

4. From the financial statements of the school for FY 2017-2018 and FY 2018-2019, it was noted that the school had spent amount of INR 29,01,505 (INR 16,28,205 in FY 2017-2018 and INR 12,73,300 in FY 2018-2019) on legal & professional charges during FY 2017-2018 and FY 2018-2019. The school was asked to submit the supporting documents in relation to the aforementioned expenses, which were submitted by the school and were taken on record. On examination of the supporting documents submitted by the school, it was noted that the school had incurred certain expenditures in the nature of consultancy service (Educational Consultant) that was procured from two vendors – Krishna Vati and B. Ramana Rao. Following were noted after examination of the supporting documents for legal & professional expenses:

    a. On examination of the invoices of Krishna Vati, it was noted that the vendor issued 23 invoices to the school with invoice serial numbers ranging between 13 to 57. Thus, out of the 45 invoices issued by the vendor during FY 2017-2018 and FY 2018-2019, more than 50% of the invoices were issued in the name of the School, which appears quite unusual. Thus, the genuineness of the invoices of Krishna Vati is questionable.

    b. On examination of the invoices of B. Ramana Rao, it was noted that the vendor issued 6 invoices to the school with invoice serial numbers ranging between 1 to 6. Thus, out of the 6 invoices issued by the vendor during FY 2017-2018, all the invoices were issued in the name of the School, which appears quite unusual. Thus, the genuineness of the invoices of B. Ramana Rao is questionable

    c. Additionally, it was noted that both the vendors had used same invoice format and similar handwriting was also noted on invoices of both the vendors.

    d. The school did not provide documentation for any procurement process followed for selection of the aforementioned vendors including documents such as request for quotations/proposals, quotations, comparative statements, approval of procurement committee, etc.; only invoices were provided by the school. During personal hearing, the school mentioned that it has been engaging with these vendors since a long time, however, no procurement process was done previously by the school for selection of these vendors.

Thus, based on the facts and grounds above, genuineness of the invoices of the vendors are questionable and there is a possible diversion of funds. From the examination of ledger accounts for legal & professional expense, it was derived that expenses totalling to INR 16,52,500 were recorded by the school based on the invoices of Krishna Vati and B. Ramana Rao during FY 2017-2018 and FY 2018-2019. Thus, the amount of INR 16,52,500 diverted by the school in the aforementioned years is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the Society within 30 days from the date of this order.

5. Para 57 of Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "*An enterprise should determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.*" Further, according to para 7.14 of the Accounting Standard 15, "*Plan assets comprise:*
   a) *assets held by a long-term employee benefit fund; and*
   b) *qualifying insurance policies.*"

   From the submissions made by the school, it was noted that the school got its liability towards staff retirement benefits (gratuity and leave encashment) for FY 2018-2019 valued from an actuary in accordance with the requirements of Accounting Standard 15 on 2 Sep 2019 i.e. the first time actuarial valuation was obtained by the school. On review of actuarial valuation report for FY 2018-2019 submitted by the school, it was noted that the school has obtained actuarial valuation of its liability towards gratuity of INR 1,60,92,523 and leave encashment of INR 76,73,194. However, the school has not recorded the provisions towards gratuity and leave encashment in the books of the account as on 31 Mar 2019 in accordance with the actuarial valuation report and following differences were noted:

Particulars	Gratuity (INR)	Leave Encashment (INR)
Liability as on 31 Mar 2019 determined by the Actuary (A)	1,60,92,524	76,73,194
Provision recorded in the financial statements for FY 2018-2019 (B)	17,63,420^	
Difference (Under-reporting of staff retirement benefits in the financial statements by the school) (C) = (A-B)	**2,20,02,298**	

^ The school did not provide breakup of gratuity and leave encashment in the financial statements, instead it reported a consolidated figure towards both gratuity and leave encashment. In absence of breakup, consolidated difference has been reflected.

Further, the school in its financial statements of the school for FY 2018-2019 reported the following significant Accounting Policies:

"(a) Basis of preparation of financial statement

The financial statement of the school have been prepared under the historical cost convention, on accrual basis of accounting, in accordance with Generally Accepted Accounting Principles (GAAP) in India and mandatory accounting standards issued by the Institute of Chartered Accountants of India (ICAI), to the extent applicable.

(b) Use of estimates

The preparation of financial statement in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities on the date of financial statement and the reported amount of revenues and expenses during the reporting period. Examples of such estimates include future obligations under employee retirement benefit plans and estimated useful life to fixed assets. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods."

While in the accounting policy relating to basis for preparation of financial statements, the school mentioned that the financial statements are prepared in accordance with mandatory Accounting Standard issued by ICAI, it contradicted the requirement of Accounting Standard 15 by mentioning that future obligations under employee retirement benefit plans are based on management estimates. The Accounting Standard 15 mandates obtaining actuarial valuation once every three year. However, the school had never obtained actuarial valuation in respect of gratuity and leave encashment till the time of signing of the financial statements for FY 2018-2019 (i.e. 31 Jul 2019). Also, the Auditor did not highlight non-compliance with the Accounting Standard, nor did he qualify his audit opinion.

Also, it was noticed that number of staff mentioned in the actuarial valuation report were 84, based on which the actuary determined the liability towards gratuity and leave encashment. While the school provided a detail of 99 staff in its computation towards staff salary as per 7th CPC. Thus, it indicates that the school underreported the number of staff to the actuary with a corresponding impact on the actuarial valuation derived by the actuary for gratuity and leave encashment. Thus, resulting in probable lower determination of liability towards gratuity and leave encashment by the actuary.

Further, it was noted that the school has not made any investment in 'plan-assets' such as group gratuity scheme and group leave encashment scheme of LIC/ other insurers till date to secure the statutory liability towards staff retirement benefits.

Though the school has not implemented the recommendations of 7th CPC till date and has not created any investments in plan-assets equivalent to its liability towards staff retirement benefits, the amount of provision recorded by the school as on 31 Mar 2019 towards gratuity and leave encashment of INR 17,63,420 has been considered while deriving the fund position of the school (enclosed in the later part of this order) for FY 2018-2019 with the direction to the school to deposit this amount in investments that qualify as plan assets (such as group gratuity scheme and group leave encashment scheme of LIC/ other insurers) within 30 days from the date of this order to protect statutory liabilities towards staff. Further, the school should keep on depositing amounts in plan-assets in subsequent years to ensure that the value of the investments matches with the liability towards retirement benefits determined by the actuary.

Further, the school is directed to ensure compliance with Accounting Standard 15 in terms of obtaining actuarial valuation towards gratuity and leave encashment. Also, the school is directed to submit complete and accurate details of staff to the actuary for deriving actuarial liability towards gratuity and leave encashment. Further, the school must record the amount determined by actuary towards gratuity and leave encashment in its books of account and present the same as provision for gratuity and provision for leave encashment separately in its financial statements.

C. Other Discrepancies

1. As per Order No. F.DE-15/ACT-I/WPC-4109/PART/13/7905-7913 dated 16 April 2016, *"The Director hereby specify that the format of the return and documents to be submitted by schools under rule 180 read with Appendix –II of Delhi School Education Rules, 1973 shall be as per format specified by the Institute of Chartered Accountants of India, established under Chartered Accountants Act, 1949 (38 of 1949) in Guidance Note on Accounting by Schools (2005) or as amended from time to time by this Institute."*

   Para 67 of the Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India states *"The financial statements should disclose, inter alia, the historical cost of fixed assets."*

   Basis the presentation made in the financial statements submitted by the school, it was noted that the fixed assets schedules relating to assets purchased from general fund did not include details of historic cost and accumulated depreciation rather only opening written down value, depreciation during the year and closing written down value of assets. Also, on the face of the Balance Sheet, the school reported the fixed assets at written down value, which is not in accordance with the disclosure requirements included in the guidance note citied above.

   Accordingly, the school is directed to disclose all fixed assets at gross (historic) value on the face of Balance Sheet on the assets side and accumulated depreciation as depreciation reserve on the liability side of the Balance Sheet. Further, the fixed assets schedule should include complete details regarding opening block of assets, additions, deletions, closing block of fixed assets, opening depreciation reserve, depreciation during the year, adjustment (if any), closing balance of depreciation reserve and net (WDV) opening and closing block of fixed assets.

Compliance of the same shall be validated during evaluation of subsequent fee increase proposal as may be submitted by the school. The above being a presentation/ disclosure finding, no financial impact is warranted for deriving the fund position of the school.

2. Clause 19 of Order No. F.DE./15(56)/Act/2009/778 dated 11 Feb 2009 states "*The tuition fee shall be so determined as to cover the standard cost of establishment including provisions for DA, bonus, etc., and all terminal, benefits as also the expenditure of revenue nature concerning the curricular activities.*"

   Further, clause 21 of the aforesaid order states "*No annual charges shall be levied unless they are determined by the Managing Committee to cover all revenue expenditure, not included in the tuition fee and 'overheads' and expenses on play-grounds, sports equipment, cultural and other co-curricular activities as distinct from the curricular activities of the school.*"

   Rule 176 - 'Collections for specific purposes to be spent for that purpose' of the DSER, 1973 states "*Income derived from collections for specific purposes shall be spent only for such purpose.*"

   Para no. 22 of Order No. F.DE./15(56)/ Act/2009/778 dated 11 Feb 2009 states "*Earmarked levies will be calculated and collected on 'no-profit no loss' basis and spent only for the purpose for which they are being charged.*"

   Sub-rule 3 of Rule 177 of DSER, 1973 states "*Funds collected for specific purposes, like sports, co-curricular activities, subscriptions for excursions or subscriptions for magazines, and annual charges, by whatever name called, shall be spent solely for the exclusive benefit of the students of the concerned school and shall not be included in the savings referred to in sub-rule (2).*" Further, Sub-rule 4 of the said rule states "*The collections referred to in sub-rule (3) shall be administered in the same manner as the monies standing to the credit of the Pupils Fund as administered.*"

   Also, the Hon'ble Supreme Court through its 2004 judgement in the case of Modern School Vs Union of India and Others directed all recognised unaided schools of Delhi to maintain the accounts on the principles of accounting applicable to non-business organizations/not-for-profit organizations. Earmarked levies collected from students are a form of restricted funds, since these can be utilised only for the purposes for which these have been collected, and according to Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India, the financial statements should reflect income, expenses, assets and liabilities in respect of such funds separately.

   Further, the aforementioned Guidance Note lays down the concept of fund based accounting for restricted funds, whereby upon incurrence of expenditure, the same is charged to the Income and Expenditure Account ('Restricted Funds' column) and a corresponding amount is transferred from the concerned restricted fund account to the credit of the Income and Expenditure Account ('Restricted Funds' column).

From the information provided by the school and taken on record, it was noted that the school charges earmarked levies in the form of transport fees and smart class fee from students. However, the school does not maintain separate fund accounts for these earmarked levies and the school has incurred losses (deficit), which has been met from other fees/income. The same was also highlighted in the Directorate's Order No. F.DE.15(233)/PSB/2019/1285-1289 dated 29 Mar 2019 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018. Details of calculation of deficit, based on breakup of expenditure provided by the school for FY 2017-2018 is given below:

Earmarked Levy	Income (INR)	Expenses (INR)	Surplus/(Deficit) (INR)
	A	B	C=A-B
Transport Fees^	1,61,67,777	1,64,22,970	(2,55,193)
Smart Class Fees	64,20,651	80,25,783	(16,05,132)

^ The school has not apportioned depreciation on vehicles used for transportation of students in the expenses stated in table above for creating fund for replacement of vehicles, which should have been done to ensure that the cost of vehicles is apportioned to the students using the transport facility during the life of the vehicles.

Based on aforementioned, earmarked levies are to be collected only from the user students availing the service/facility. In other words, if any service/facility has been extended to all the students of the school, a separate charge should not be levied for the service/facility as the same would get covered either under tuition fee (expenses on curricular activities) or annual charges (expenses other than those covered under tuition fee). The charging of unwarranted fee or charging of any other amount/fee under different heads other than prescribed and accumulation of surplus fund thereof prima-facie is considered as collection of capitation fee in other manner and form. Directorate's Order No. F.DE.15(233)/PSB/2019/1285-1289 dated 29 Mar 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school is collecting smart class fee from all its students and directed the school to stop the collection of smart class fee. However, the school is continuing to charge smart class fees from the students of all classes.

The fee charged from all students loses its character of earmarked levy, being a non-user-based fees. Thus, based on the nature of the smart class fees and details provided by the school in relation to expenses incurred against the same, the school should not charge Smart Class fee as earmarked fee and should incur the expenses relating to these from tuition fee or annual charges, as applicable.

The school is again directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from students. Unintentional surplus/deficit, if any, generated from earmarked levies must be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies during subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on no-profit no-loss basis and not to include fee collected from all students as earmarked levies.

3. As per the land allotment letter issued by the Delhi Development Authority to the Society in respect of the land allotted for the school, it shall ensure that percentage of freeship from the tuition fees, as laid down under rules by the Delhi Admn. from time to time, is strictly complied. The school shall ensure admission to the students belonging to weaker sections to the extent of 25% and grant freeship to them.

   From the breakup of students provided by the school, it had admitted students under Economically Weaker Section (EWS) Category as under:

Particulars	FY 2016-2017	FY 2017-2018	FY 2018-2019
Total No. of Students	3,559	-*	3,629
No. of EWS Students	409		489
% of EWS students to total students	11.49%		13.47%

   * The school did not provide the details of total number of students and EWS students on roll during academic session 2017-2018.

   While the school in its response mentioned that it takes admission under EWS category on the basis of list of admissions provided by the Directorate, it has not complied with the requirements of land allotment and should thus take comprehensive measures (including enhancement of EWS seats) to abide by the conditions of the land allotment letter issued by the Delhi Development Authority.

After detailed examination of all the material on record and considering the clarification submitted by the school, it was finally evaluated/ concluded that:

i. The total funds available for the FY 2018-2019 amounting to INR 24,18,29,432 out of which cash outflow in the year 2018-2019 is estimated to be INR 21,90,50,984. This results in net surplus of INR 2,27,78,448. The details are as follows:

Particulars	Amount (INR)
Cash and Bank Balance as on 31 Mar 2018 (as per audited financial statements of FY 2017-2018)	49,72,089
Investments (Fixed Deposits) as on 31 Mar 2018 (as per audited financial statements of FY 2017-2018)	2,11,40,318
Total Liquid Funds Available with the School as on 31 Mar 2018	**2,61,12,407**
Add: Fees/Incomes for FY 2018-2019 (as per financial statements of FY 2018-2019) [Refer Note 1]	20,06,14,155
Add: Amount recoverable from society for school funds utilized for expenditure of development nature during the FY 2017-2018 to FY 2018-2019 [Refer Financial Discrepancy No. 1]	2,66,68,879

Particulars	Amount (INR)
Add: Amount recoverable from Society on account of capital expenditure incurred during FY 2017-2018 and 2018-2019 without compliance of Rule 177 [Refer Financial Discrepancy No. 2]	1,18,28,780
Add: Amount recoverable from the society for purchase of luxury Car-Toyota [Refer Financial Discrepancy No. 3]	16,16,975
Add: Amount recoverable from Society towards legal and professional expense during FY 2017-2018 and FY 2018-2019, genuineness of which is doubtful [Refer Financial Discrepancy No.4]	16,52,500
Gross Estimated Available Funds for FY 2018-2019	**26,84,93,696**
Less: FDR held jointly with DOE (as per financial statements of FY 2018-2019)	13,50,844
Less: Staff retirement benefits [Refer Financial Discrepancy No. 5]	17,63,420
Less: Outstanding balance of interest free loan as on 31 Mar 2018 (as per audited financial statements for FY 2017-2018) [Refer Note 2]	2,35,50,000
Net Estimated Available Funds for FY 2018-2019	**24,18,29,432**
Less: Expenses for FY 2018-2019 (as per financial statements for FY 2018-2019) [Refer Note 1]	20,40,91,796
Less: Arrears of salary as per 7th CPC for the period Apr 2018 to Mar 2019 (as per the computation of 7th CPC submitted by the school)	1,49,59,188
Estimated Surplus as on 31 Mar 2019	**2,27,78,448**

Notes:

1. The school submitted its financial statements for FY 2018-2019. Based on the financial statements for FY 2018-2019 submitted by the school, all fees and incomes and expenses (other than depreciation, being a non-cash expense) have been considered.
2. The financial statements of the school reflected that the school received INR 2,35,50,000 from Society and its members during FY 2017-2018, which had been reflected by the school as Interest free loan from Society and its members. Thus, the same has been adjusted in table above being refundable to the Society.

In view of the above examination, it is evident that the school has adequate funds for meeting all the expenses for the financial year 2018-2019.

ii. The directions issued by the Directorate of Education vide circular no. 1978 dated 16 Apr 2010 states "*All schools must, first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the* *reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase.*" The school has sufficient funds to carry on the operation of the school for the academic session 2018-2019 on the basis of existing fees structure and after considering existing funds/reserves.

Whereas, in the light of above evaluation, which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, certain financial irregularities were identified (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings were also noted (appropriate instructions against which have been given in this order), the funds available with the school to carry out its operations for the academic session 2018-2019 and payment of salaries as per the recommendations of 7th CPC are sufficient. Accordingly, the fee increase proposal of the school may be rejected.

And whereas, the act of the school of charging unwarranted fee or any other amount/fee under head other than the prescribed head of fee and accumulation of surplus fund thereof tantamount to profiteering and commercialization of education as well as charging of capitation fee in other form.

And whereas, the relevant materials were put before Director of Education for consideration and who after considering all material on record has found that the school has sufficient funds for payment of salaries as per the recommendations of 7th CPC and meeting the expenses for the financial year 2018-2019. Since the school has accumulated surplus funds, increasing fee from students would result in profiteering and commercialisation of education. Therefore, Director (Education) rejects the proposal submitted by the school for enhancement of fee for the academic session 2018-2019.

Accordingly, it is hereby conveyed that the proposal for enhancement of fee for session 2018-2019 of **National Victor Public School (School ID-1002270), I.P. Extension, Delhi-110092** has been rejected by the Director of Education. Further, the management of said school is hereby directed under section 24(3) of DSEA, 1973 to comply with the following directions:

1. Not to increase any fee/charges during FY 2018-2019. In case, the school has already charged increased fee during FY 2018-2019, the school should make necessary adjustments from future fee/refund the amount of excess fee collected, if any, as per the convenience of the parents.

2. To communicate with the parents through its website, notice board and circular about rejection of fee increase proposal of the school by the Directorate of Education.

3. To ensure that salaries and benefits are paid to the staff in accordance with section 10(1) of DSEA, 1973 and Directorate's order dated 25 Aug 2017.

4. To ensure that the salaries and allowances shall come out from the fees whereas capital expenditure will be a charge on the savings in accordance with the principles laid down by Hon'ble Supreme Court of India in its Judgment of Modern School vs Union of India and Others. Therefore, school must not include capital expenditure as a component of fee structure (to be submitted by the school under section 17(3) of DSEA, 1973).

5. To utilise the fee collected from students in accordance with the provisions of Rule 177 of the DSER, 1973 and orders and directions issued by this Directorate from time to time.

6. To remove all the financial and other irregularities/violations as listed above and submit the compliance report within 30 days from the date of this order to the D.D.E (PSB).

7. The Compliance Report detailing rectification of the above listed deficiencies/ violations must also be attached with the proposal for enhancement of fee of subsequent academic session, as may be submitted by the school. Compliance of all the directions mentioned above will be examined before evaluation of proposal for enhancement of fee for subsequent academic session

Non-compliance of this order or any direction herein shall be viewed seriously and will be dealt with in accordance with the provisions of section 24(4) of Delhi School Education Act, 1973 and Delhi School Education Rules, 1973.

This order is issued with the prior approval of the Competent Authority.

(Yogesh Pal Singh)
Deputy Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi

To:
The Manager/ HoS
National Victor Public School
School ID-1002270
I.P. Extension,
Delhi-110092

No. F.DE.15(286)/PSB/2021/ 5543-5548 Dated: 24/12/21

Copy to:

1. P.S. to Principal Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. DDE (East) ensure the compliance of the above order by the school management.
4. In-charge (I.T Cell) with the request to upload on the website of this Directorate.
5. Guard file.

(Yogesh Pal Singh)
Deputy Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi