

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

No. F.DE.15(302)/PSB/2021/ 5531- 5536

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:

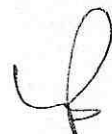
Section 18(5) : '*the managing committee of every recognised private school shall file every year with the Director such duly audited financial and other returns as may be prescribed, and every such return shall be audited by such authority as may be prescribed*'

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 2019-2020.

AND WHEREAS in response to this directorate's circular dated 27 Mar 2019 referred to above, Plato Public School (School ID-1002274), I.P. Extension (Near Meena Apartments), Patparganj, 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 Plato Public School (School ID-1002274), I.P. Extension (Near Meena Apartments), Patparganj, 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 20 Nov 2018 at 11:30 AM 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 school did not submit its compliance report towards order No. F.DE.15(592)/PSB/2018/30054-59 dated 30 Nov 2018 issued by the Directorate of Education to the school post evaluation of the fee increase proposal for FY 2017-2018. During the personal hearing, the school informed that it did not prepare any compliance report for submission to the Directorate on account of which no written representation has been received by Directorate towards status of compliances by the school.

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:

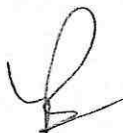
A. Financial Discrepancies

1. As per direction no. 2 included in the Public Notice dated 4 May 1997, *"it is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school becomes the sole property of the society"*. Additionally, Hon'ble High Court of Delhi in its judgement dated 30 Oct 1998 in the case of Delhi Abibhavak Mahasangh concluded that *"The tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society."* Also, 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."*

Accordingly, based on the aforementioned public notice and High Court judgement, the cost relating to land and construction of the school building has to be met by the society, being the property of the society and school funds i.e. fee collected from students is not to be utilised for the same except in compliance with Rule 177 of DSER, 1973.

As per Clause 14 of this Directorate's Order No. F.DE./15 (56) /Act /2009 / 778 dated 11 Feb 2009 states *"Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up gradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and the collection under this head along with income generated from the investment made out of this fund, will be kept in a separately maintained development fund account."*

Directorate's order no F.DE.15(592)/PSB/2018/30054-59 dated 30 Nov 2018 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 noted that the school had utilised development fees for making addition to the building and transfer to general fund and depreciation reserve during FY 2014-2015 to FY 2016-2017. Therefore, the school was directed to ensure that development fund is utilised only towards purchase,



upgradation and replacement of furniture, fixture and equipment. The school was directed to recover the cost of INR 77,88,118 (INR 40,18,265 in FY 2015-2016 and INR 37,69,853 in FY 2016-2017) incurred on addition to the building from the Society.

The school submitted the bank statement of "Axis Bank" in respect of recovery of funds from society. On review of school's bank statement, it was noted that the school has recovered the funds of INR 20,00,000 from the society in Mar 2019

Based on the aforementioned order, development fund can be utilised only towards purchase, upgradation and replacement of furniture, fixture and equipment, which was also upheld by the Hon'ble Supreme Court in its 2004 judgement in the case of Modern School Vs Union of India and Others. Based on the presentation made in the financial statements of the school for FY 2017-2018 and FY 2018-2019, it was noted that the school has continued to utilize development fund for addition to the school building, purchased of library books and transferred to depreciation reserve fund. The details of development fee collected and utilized from FY 2014-2015 to FY 2018-2019 are as follows:

Particulars	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018	FY 2018-2019
Development Fund - Opening Balance	32,990	17,855	18,576	19,960	13,28,292
Add: Receipts during the year	42,48,062	46,43,856	45,07,515	45,42,359	46,12,781
Add: Interest received from bank	7,353	721	756	125	36,453
Add: Amount transferred from general fund	1,00,000	2,06,979	-	-	-
Total Development fund Available (A)	43,88,405	48,69,411	45,26,847	45,62,444	59,77,526
Less: Utilization of development funds					
- Utilized for eligible capital expenditure during the year (FFE)	26,33,382	8,19,681	7,07,334	27,76,961	35,75,208
- Utilized for capital expenditure during the year	-	-	-	-	4,01,320
- Addition to the school building		40,18,265	37,69,853	3,89,819	8,17,897
- Library Books		12,889	-	67,372	-
- Bank Charges	112	-	-	-	-
- Amount transferred to General Fund	17,37,056	-	-	-	-
- Amount transferred to Depreciation Reserve Fund	-	-	29,700	-	276,748
Total Utilization of development funds (B)	43,70,550	48,50,835	45,06,887	32,34,152	50,71,173

Particulars	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018	FY 2018-2019
Development Fund - Closing balance (A-B)	17,855	18,576	19,960	1,328,292	906,353

Based on the above table, it was noted that the school has utilized development funds for finishing & furnishing, upgradation of computer lab, upgradation of science lab and water tank (grouped under building) totalling to INR 12,07,716 during FY 2017-2018 and FY 2018-2019.

The expenditure on addition to the school building, being an expense of developmental nature is covered under Rule 177 of DSER, 1973. However, the school incurred the same without ensuring compliance with the requirements of Rule 177. Based on the fact that the school did not implement the recommendations of 7th CPC till date, did not even get its liability towards retirement benefits (leave encashment) of staff valued from an actuary in accordance with the requirements of Accounting Standard 15 till date and did not make any investment in plan-assets for securing staff gratuity and leave encashment till date, 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"*.

Further, the financial statements of the school for FY 2018-2019 includes a consolidated fixed assets schedule for assets purchased out of development fund and school funds. On review of development fund schedule annexed with the audited financial statements of FY 2018-2019, it was noted that the school had utilized the development funds for capital expenditure amounting to INR 4,01,320 and the same was neither routed through the Income and Expenditure Account nor capitalised as fixed asset in the fixed assets schedule during the FY 2018-2019 indicating that the school diverted these funds.

Further, any capital expenditure incurred must be capitalised in accordance with para 7 of Accounting Standard 10 (Revised 2016) titled 'Property, Plant and Equipment' issued by the Institute of Chartered Accountants of India (applicable from FY 2017-2018 onwards), which states *"The cost of an item of property, plant and equipment should be recognised as an asset if, and only if:*

- it is probable that future economic benefits associated with the item will flow to the enterprise; and*
- the cost of the item can be measured reliably."*

Accordingly, an amount of INR 20,00,000 already received from the society during FY 2018-2019 and remaining balance of INR 69,95,834 (INR 89,95,834 minus INR 20,00,000) incurred on the school building during the FY 2015-2016 to 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. Further, the school is directed to follow DOE

instruction regarding development fund and ensure that development fund is utilised only towards purchase of furniture, fixture and equipment.

2. Para 7.14 of Accounting Standard 15 – 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "*Plan assets comprise:*

- (a) *assets held by a long-term employee benefit fund; and*
- (b) *qualifying insurance policies."*

Section 10(1) of Delhi School Education Act, 1973 on 'Salaries of employees' states "*The scales of pay and allowances, medical facilities, pension, gratuity, provident fund and other prescribed benefits of the employees of a recognised private school shall not be less than those of the employees of the corresponding status in school run by the appropriate authority.*"

Directorate's Order no. F.DE.15(592)/PSB/2018/30054-59 dated 30 Nov 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school has not made any provision in respect of its leave encashment liability in its financial accounts.

The school submitted copy of actuarial valuation report of its liability towards gratuity for FY 2018-2019, it was noted that the school has obtained actuarial valuation of its liability towards gratuity of INR 1,80,41,992 and has recorded the same in the books of the account as on 31 Mar 2019. However, the school has not determined its obligation towards staff leave encashment and has not recorded the provision for same in its books of account. Further, it was noted that the school has not made any investment 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.

It was further noted that, during the FY 2017-2018 the school had paid gratuity and leave encashment of INR 19,00,676 to the retired principal. However, as per the calculation sheet submitted by the school, the total no. of completed years of services was 18 years (date of joining was 1 Apr 1998 and date of leaving is 30 Jun 2016), but the school had calculated and paid the gratuity and leave encashment amount by taking 33 years of completed services. The school did not provide any justification/explanation for such difference.

Though the school has not implemented recommendations of 7th CPC till date and the school has yet not created investments equivalent to its liability towards staff retirement benefits in previous years, an amount of INR 18,04,199 (10% of INR 1,80,41,992 towards gratuity) equivalent to the 10% of gratuity liability determined by the actuary as on 31 Mar 2019 has been considered while deriving the fund position of the school (enclosed in the later part of this order) for FY 2018-2019 with a direction to the school to deposit this amount in earmarked investments 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. Further, the school should keep on depositing amounts in group gratuity scheme and group leave encashment scheme of LIC/ other insurers in subsequent years to ensure that the value of



the investments matches with the liability towards retirement benefits determined by the actuary.

The school is directed again to determine its obligation towards leave encashment and make appropriate provision in the books of accounts for leave encashment and make earmarked equivalent investments against provision for gratuity and leave encashment with LIC (or any other agency) so as to protect against its the statutory liabilities towards staff. Also, the school is directed to submit a copy of service book of retired principal to the Directorate along with details of calculation of gratuity paid within 30 days from the date of this order.

Since the school is yet to create earmarked investments towards gratuity and an amount equivalent to 10% of the gratuity liability has already been considered, the amount provided by the school towards gratuity during FY 2018-2019 has not been considered in the fund position of the school (enclosed in the later part of this order).

3. Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states *"Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund, will be kept in a separately maintained Development Fund Account."*

Para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states *"Where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year."* Further, Para 102 of the aforementioned Guidance Note states *"In respect of funds, schools should disclose the following in the schedules/notes to accounts:"*

- (a) *In respect of each major fund, opening balance, additions during the period, deductions/utilisation during the period and balance at the end;*
- (b) *Assets, such as investments, and liabilities belonging to each fund separately;*
- (c) *Restrictions, if any, on the utilisation of each fund balance;*
- (d) *Restrictions, if any, on the utilisation of specific assets."*

Para 50 of Accounting Standard (AS) 10 "Property, Plant and Equipment" issued by the Institute of Chartered Accountants of India states *"The depreciation charge for each period should be recognised in the statement of profit and loss unless it is included in the carrying amount of another asset."*



Further para 52 of AS 10 states "The depreciable amount of an asset should be allocated on a systematic basis over its useful life."

The financial statements of the school for FY 2017-2018 and FY 2018-2019 includes a consolidated fixed assets schedule for assets purchased out of development fund and school funds. Fixed assets schedule annexed to the financial statements included break up of opening gross block of fixed assets, additions, sale/written off, closing gross block of fixed assets, opening depreciation reserve, depreciation during the year, closing balance of depreciation reserve and net (WDV) opening and closing block of fixed assets

Further, on review of the audited financial statements of the school for FY 2017-2018 and FY 2018-2019, it was noted that the school did not charge depreciation on fixed assets in its Income and Expenditure Account. However, the school did not provide the Significant Accounting Policies with the audited financial statements for FY 2018-2019 submitted. Rather, the school in its Significant Accounting Policies annexed to the audited financial statements for FY 2016-2017 mentioned:

"i. Basis of preparation of financial statements – The condensed financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis following going concern concept, except otherwise stated elsewhere. GAAP comprises accounting standards notified by the Central Government of India, and other pronouncements."

"v. Depreciation – Depreciation is a notional figure as per schedule of Fixed Assets and has not been claimed as expense in Income & Expenditure Account."

While the school mentioned that the financial statements are prepared in accordance with generally accepted accounting principles of India, against depreciation, it also mentioned in its accounting policy that depreciation has not been claimed as expense in Income & Expenditure Account, which is not in accordance with the requirements of Accounting Standard 10 that makes it mandatory for entity to recognize depreciation in the statement of profit and loss.

Thus, the financial statements of the school were not prepared in accordance with the requirements of Accounting Standard 10. However, the auditor did not qualify its opinion issued on the financial statements to highlight the deviation from the requirements of a mandatory accounting standard prescribed by the Institute of Chartered Accountants of India.

In view of the above, the financial statements and audit opinion thereon are erroneous and are not reliable.

Further, since the school did not charge depreciation in revenue account and did not create depreciation reserve equivalent to depreciation charged on fixed assets, it did not comply with the Directorate's order dated 11 Feb 2009 and directions of Hon'ble Supreme Court in the



matter of Modern School vs Union of India and Other. It was further noted that the school has started creation of depreciation reserve from FY 2018-2019 by way of appropriation from development fund account and general reserve.

Also, since the school did not charge depreciation in Income and Expenditure Account, it did not transfer an amount equal to depreciation on fixed assets purchased from development fund as income to the Income and Expenditure Account from Development Fund Utilised Account, which was again a non-compliance of the requirement of para 99 of Guidance Note referred above.

Therefore, since the school has not recognised depreciation on fixed assets purchased from development fund as an expense in its Income and Expenditure Account, it has not complied with the statutory condition required for collecting development fee. Accordingly, based on the above non-compliance, the school is directed to immediately stop collecting development fee from students.

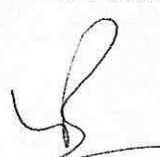
Thus, the accounting treatment and presentation of the development fund and depreciation reserve in the financial statements of the school were not in accordance with the accounting treatment and disclosure requirement cited above. Therefore, incorrect balance of development fund presented by the school in its audited financial statements for FY 2018-2019 has not been considered while deriving the fund position of the school (enclosed in the later part of this order) being school not eligible to collect development fee from students.

Further, the school is directed to follow DOE instruction regarding development fund and depreciation reserve and ensure that development fund is maintained in a separate bank account, utilised only towards purchase of furniture, fixture and equipment and depreciation reserve is maintained equivalent to the amount of depreciation charged in the revenue accounts. Also, the school is directed to adhere to accounting and disclosure requirements of Accounting Standards, Guidance Note 21 and ensure compliance with Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009.

B. Other Discrepancies

1. 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).

Rule 175 of DSER, 1973 clearly states that *"The accounts with regard to the recognised school shall be so maintained as to exhibit, clearly the income accruing to the school by way of fees, fines, income accruing to the school by way of fees, fine, income from building rent, interest, development fees, collection for specific purpose, endowments, gifts, donations, contributions to pupil fund and other miscellaneous receipts, and also, in the case of aided schools, the aid received from the administrator."*

The school was directed by directorate's through order no F.DE.15(592)/PSB/2018/30054-59 dated 30 Nov 2018 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 to stop the collection of Multi-media Fees and Activity Fees. However, the school has continued to collect such levies from students.

From the information provided by the school and taken on record for FY 2017-2018 and FY 2018-2019, it was noted that the school charges earmarked levies in the form of Transport Fees, Multi-media Fees, Activity Fees, Assessment Fees and Science & CPP Fees.

The school maintained a separate fund for transport fee, but it made certain adjustments by way of transfer to/from general fund to the transport fund, the reason for which seemed to be deficit/surplus in fund account. It was further noted that the school failed to disclose transport fees in the income and expenditure account rather it was presented directly in designated funds maintained by the school as Transport Fund. While these are revenue receipts collected by school, the school did not route the incomes and expenses in relation to these fee heads through income and expenditure account. Also, the school did not include transport fee in its the proposal for fee increase for FY 2018-2019 submitted to the Directorate. Based on financial statements for FY 2017-2018, the following were the incomes and expenses against earmarked levies:

Earmarked Fee	Income (INR)	Expenses (INR)	Surplus (INR)
	A	B	C=A-B
Transport Fees [^]	12,09,550	11,06,751	1,02,799
Multimedia Fees	8,67,110	3,52,374	5,14,736
Activity Fees	3,96,800	-*	3,96,800
Assessment Fees	9,20,400	-*	9,20,400
Science & CPP Fees	10,31,847	-*	10,31,847

[^] The school did not apportion 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.

* The school failed to provide the details of expenses against activity fees, assessment fees and science & CPP fees.

The surplus in activity fees, assessment fees and science & CPP fees are reflected since the school did not provide details of expenses incurred by the school against such earmarked levies. Thus, actual surplus or deficit against such earmarked levies could not be determined. Also, the school has been generating surplus from operation of transport service and multimedia service, which has been utilised for meeting other expenses of the school, which is not in accordance with provisions of DSEA&R, 1973. Therefore, the school is instructed to collect earmarked levies strictly on no-profit no-loss basis.

Further, the school was asked to confirm whether the school had collected Activity Fees, Assessment Fees and Science Fees & CPP from the students during FY 2016-2017 since no incomes were disclosed under these heads in the audited financial statements for FY 2016-2017. Also, the school was asked to submit the supporting documents in respect of above mentioned levies for FY 2017-2018 and FY 2018-2019. However, the school neither gave its confirmation whether these are old earmarked levies or whether it started collecting these from FY 2017-2018 and onwards, nor did it submit the requested supporting documents.

The above, even in absence of requisite information, it appears that the school started collecting new earmarked levies in the name of Activity Fees, Assessment Fees and Science Fees & CPP from FY 2017-2018 and onwards. Further, the school did not provide details of expenses incurred against these earmarked levies indicating that the school started collecting these earmarked levies without any defined purpose for the purpose of profiteering and commercialization of education.

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. The school is charging assessment fees and multimedia fees from the students of all classes. Thus, 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 assessment fees and multimedia fees, the school should not charge such fee as earmarked fee with immediate effect and should incur the expenses relating to these from tuition fee and/or annual charges, as applicable collected from the students. The school explained that annual fee collected from students is not sufficient to meet the revenue expenses of the school.

The school is hereby directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount separately 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. Also, the school must not make any transfer to or from general fund in earmarked funds, as deficit/surplus must be adjusted from the earmarked levy collected from students and not any other fee/savings. Also, the school is directed to disclose all incomes and expenses in its financial statements and submit details of all earmarked levies collected from students in the proposal/fee structure submitted to the Directorate. Accordingly, the school is again directed to stop collecting Activity fees, Multimedia fees and Assessment fees from the students with immediate effect.

The school is further directed to submit the requisite details and clarifications regarding charging of Activity Fees, Assessment Fees and Science Fees & CPP during FY 2016-2017 along with the supporting documents for the same for FY 2017-2018 and FY 2018-2019 to the Directorate within 30 days from the date of this order.

2. Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states "Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund, will be kept in a separately maintained Development Fund Account."

Para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states "Where the fund is meant for meeting capital expenditure, upon incurrance of the expenditure, the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year."

Based on the presentation made in the financial statements of the school for FY 2018-2019 submitted by the school, it was noted that the school has followed the direction contained in the directorate's order no F.DE. 15(592)/PSB/2018/30054-59 dated 30 Nov 2018 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 in respect of creation of "Development Utilisation Fund" account. The school has started creation of "Development Utilisation Fund" account from FY 2018-2019 and transferred an amount equivalent to the purchase cost of the fixed assets purchased from development fund to "Development Utilisation Fund" account. However, the school did not transfer an amount equivalent to the depreciation on assets from the "Development Utilisation Fund" to the Income and Expenditure Account as income, as depreciation has not been claimed as expense in Income & Expenditure Account (Refer Financial Discrepancy No.3), however the school has created depreciation reserve fund out of development fund and general fund and closing balance of depreciation reserve fund was not equivalent to the closing balance of depreciation reserve mentioned in the fixed assets schedule annexed to the financial statements for FY 2018-2019

Therefore, the accounting treatment done by the school is not in accordance with the accounting treatment indicated in the guidance note cited above. Thus, the school has not done the accounting and reporting of development fund in accordance with the requirements of Para 99 of Guidance Note 21.

The school is directed to transfer an amount equivalent to the depreciation from "Development Utilisation Fund" account to Income and Expenditure Account as income to comply with the accounting and disclosure requirements of the guidance note.



3. On review of Accounting Policies and Notes to Accounts attached with the audited financial statements for FY 2016-2017, inconsistency was noticed between the accounting policy related to fixed assets and reporting in the Balance Sheet.

The Accounting Policies and Notes to Accounts mentions that, fixed assets are carried at written down value (historical cost minus accumulated depreciation), whereas on the face of Balance Sheet, fixed assets were reported at cost i.e. gross value. Therefore, there is inconsistency in the financial statements of the school.

Accordingly, the school is directed to ensure consistency between the accounting policy related to fixed assets and reporting done in the Balance Sheet.

4. 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.

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."

On review of the audited final accounts for FY 2017-2018 and FY 2018-2019, it was noted that the Receipt and Payment Accounts were duly signed by the auditor with reference thereon to the audit report of even date. However, in its audit report, the auditor only gave his opinion on the true and fair view on:

- In the case of balance sheet of the state of affairs as at 31 Mar and
- In the case of Income and Expenditure account of the surplus or Deficit for the year ended on that date.

Thus, the auditor did not give his opinion on the receipt and payment account. The school did not provide reasonable justification for auditor's non-inclusion of receipt and payment account in his audit opinion. Thus, the school did not comply with the requirement of submission of audited final accounts in accordance with the Rule 180(1).

Also, on review of the audited financial statements for FY 2017-2018 and FY 2018-2019 submitted by the school, it was noticed that the school did not submit the Notes to Accounts, which comprise part of the financial statements.

Further, para 1 of Standard on Auditing (SA) 700 (Revised) – 'Forming an Opinion and Reporting on Financial Statements' notified by the Institute of Chartered Accountants of India states "This Standard on Auditing (SA) deals with the auditor's responsibility to form an opinion



on the financial statements. It also deals with the form and content of the auditor's report issued as a result of an audit of financial statements."

It was noted that the auditor gave reference to tax audit report u/s 10(23C). Since the submission of the financial statements were made to the Directorate and not Income Tax Department, use of Form 10BB (prescribed under the Income Tax Act) is inappropriate since the school is expected to prepare financial statements under the Generally Accepted Accounting Principles (GAAP). Thus, the auditor should have used the format of audit report as prescribed under SA 700.

Further, the audit report in form 10BB submitted by the school was in the name of the society. However, the amount of income mentioned in form 10BB was equal to the amount of income indicated in the Income and Expenditure Account indicating that the society has not segregated its affairs with that of the school.

During personal hearing, the school mentioned that the society does not have any other school and thus, single set of final accounts are prepared.

The explanation given by the school is not appropriate as the affairs including income and expenses of the society must be kept segregated from that of the school even in case the society does not have any other school under its management.

Accordingly, the school is directed to ensure the financial statements, separately for the school, as per the requirements of Rule 180(1), GAAP and Guidance Note are appropriately prepared and submitted to the Directorate. The school is also directed to ensure that the audit opinion is issued by the auditor on the complete set of financial statements i.e. Balance Sheet, Income & Expenditure Account and Receipt & Payment Account as per the format prescribed under SA 700.

5. During review of the proposal for fee increase proposal submitted by the school, the school was asked to submit certain documents, however, the school did not submit the requisite information such as copies of ledger accounts and supporting documents for expenses incurred during FY 2016-17 to FY 2018-19 in respect of:

- Printing & Stationery
- Examination Expenses
- Activity Expenses
- Excursion Expenses
- Function Expenses
- Legal & Professional Expense
- Sanitary Expenses
- Other Repair & Maintenance - Office
- Repair & Maintenance
- Function Dresses on Rent



- Girls
- Housekeeping
- Refreshment Expenses
- Sports & Activity Expenses
- Students Welfare

In absence of the requisite documents, these aforementioned expenses could not be examined. Accordingly, the school is directed to ensure that the requisite documents are submitted by it at the time of evaluation of subsequent fee increase proposal, as may be submitted by the school. Thus, the compliance regarding the same will be checked at the time of evaluation of subsequent fee increase proposal.

6. 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	1073	1051	1053
No. of EWS Students	183	179	176
% of EWS students to total students	17.05%	17.03%	16.71%

While the school 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 5,77,63,848 out of which cash outflow in the year 2018-2019 is estimated to be INR 4,68,97,997. This results in net surplus of INR 1,08,65,851. 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)	37,56,927
Investments (Fixed Deposits) as on 31 Mar 2018 (as per audited financial statements of FY 2017-2018)	32,35,054
Total Liquid Funds Available with the School as on 31 Mar 2018	69,91,981

Particulars	Amount (INR)
Add: Fees/Incomes for FY 2018-2019 (as per audited financial statements of FY 2018-2019) [Refer Note 1]	4,42,44,681
Add: Amount recoverable from society on account of development funds utilized for addition to the school building during FY 2015-2016 to FY 2018-2019 [Refer Financial Discrepancy No. 1]	69,95,834
Add: Amount recovered from society on account of development funds utilized for addition to the school building during the FY 2018-2019 [Refer Financial Discrepancy No. 1]	20,00,000
Gross: Estimated Available Funds for FY 2018-2019	6,02,32,496
Less: FDR jointly with CBSE and DOE (as per audited financial statements of FY 2018-2019)	4,41,361
Less: Staff retirement benefits [Refer Financial Discrepancy No. 2]	18,04,199
Less: Development Fund balance as on 31 Mar 2019 [Refer Financial Discrepancy No. 3]	-
Less: Transport Fund balance as on 31 Mar 2019 (as per audited financial statements of FY 2018-2019)	2,23,088
Net Estimated Available Funds for FY 2018-2019	5,77,63,848
Less: Expenses for FY 2018-2019 (as per audited financial statements of FY 2018-2019) [Refer Note 1]	4,68,97,997
Estimated Surplus as on 31 Mar 2019	1,08,65,851

Notes:

1. The school submitted its audited financial statements for FY 2018-2019. Based on the audited financial statements for FY 2018-2019 submitted by the school, all fees and incomes (except donation received from Society, being recovery made from Society towards building and already considered separately in table above) and all expenses other than provision for gratuity (Refer Financial Discrepancy No. 2) have been considered.

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

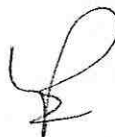
financial irregularities were identified (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings were also noted (appropriate instructions against which have been given in this order), the funds available with the school to carry out its 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 Plato Public School (School ID-1002274), I.P. Extension (Near Meena Apartments) Patparganj, 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
Plato Public School (School ID-1002274)
I.P. Extension
Patparganj, Delhi-110092

No. F.DE.15(302)/PSB/2021/ 5531 - 5536

Copy to:

Dated: 24/12/21

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. ODE (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