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

No. F.DE.15(204)/PSB/2021/ 3471-75 Dated: 10/09/21

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 accounts and other records maintained by the school at least once in each financial year. Section 18(5) and 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, **The Srijan School (School ID-1309171), 4B, North Model Town, Delhi - 110009** 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 **The Srijan School (School ID-1309171), 4B, North Model Town, Delhi - 110009** 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 29 Nov 2019 at 02:30 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 school filed a writ petition (W.P.(C) 6020/2019) in the Hon'ble High Court of Delhi against Directorate's order No. F.DE.15 (634)/PSB/2018/30512-30516 dated 14 Dec 2018 issued by the Directorate of Education to the school post evaluation of the fee increase proposal for FY 2017-2018. The Hon'ble High Court in the said WPC instructed the Directorate not to take any coercive action against the petitioner. Thus, no such action has been initiated by the Directorate

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 by the team of Chartered Accountants and after evaluation of fee proposal of the school 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. receipt 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 Council of the Institute of Chartered Accountants of India, in terms of the decision taken at the 296th meeting held in June 2010 decided to extend the requirement to mention the firm registration number to all reports issued pursuant to any attestation engagement, including certificates, issued by the members as proprietor of/ partner in the said firm on or after 1 Oct 2010.

Para 1 of Standard on Auditing (SA) 700 (Revised) on 'Forming an Opinion and Reporting on Financial Statements' issued 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."*

The financial statements for FY 2018-2019 submitted by the school along with Audit Report dated 23 Oct 2019 signed by the Chartered Accountant did not cite UDIN, as mandated by ICAI. Also, it was noticed that the auditor certified the Balance Sheet, Income and Expenditure Account and Receipt and Payment Account without mentioning the firm registration number. Therefore, authenticity of the audit and that of the financial statements for FY 2018-2019 submitted by the school could not be verified.

Also, the school submitted audit report of the Society along with its financial statements, which was issued by the Auditor in the format (Form 10B) prescribed by the Income Tax Act, 1961 and not as per the format prescribed under SA 700. The audit report on the financial statements of the school prepared under Generally Accepted Accounting Principles (GAAP) must be in the format prescribed under SA 700, as these financial statements are submitted to the Directorate not to the Income Tax Department.

Further, on review of the audited final accounts for FY 2018-2019 submitted by the school, it was noted that though the receipt and payment account was duly signed by the auditor, no reference thereon was drawn to the audit report of the auditor. Also, 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 Profit and Loss account of the profit or loss for the accounting year ending.

Thus, the auditor did not give his opinion on the receipt and payment accounts. The school did not provide reasonable justification for auditor's non-inclusion of receipt and payment account in his audit opinion. Further, the school did not submit Notes to Accounts along with its financial statements.

While the school has not complied with the statutory requirement of submission of the 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.

Also, the school is directed to ensure the financial statements as per the requirements of Rule 180(1) 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 Balance Sheet, Income & Expenditure Account and Receipt & Payment Account .The school is further directed to ensure that the audit opinions issued on its future final accounts by practicing Chartered Accountant must comply with the requirements enunciated by their regulatory body i.e. The Institute of Chartered Accountants of India including mention of UDIN and FRN.

B. 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.

   The financial statements of the school for FY 2017-2018 revealed that the school has incurred capital expenditure on school infrastructure development such as development of road of INR 67,510, construction of Auditorium of INR 99,28,190 and LIFT of INR 63,15,163, which is not in accordance with the aforementioned provisions. The school appropriated the cost of above-mentioned capital expenditures from development fund, which could be utilized only towards purchase of furniture, fixture and equipment. Further, this capital expenditure was incurred by the school without complying the requirements prescribed in Rule 177 of DSER, 1973. These amounts spent on the infrastructural development work totaling to INR 1,63,10,863 are 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 was directed by the directorate through its Order no. F.DE.15 (634)/PSB/2018/30512-30516 dated 14 Dec 2018 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 to recover the cost incurred by the school on construction of building and installation of LIFT during FY 2014-2015 to FY 2016-2017.

The school represented that the expenditure on building was incurred due to heavy seepage from various locations in the building and the roof of the prevalent auditorium was also sinking. A state of art bigger auditorium was created to facilitate holding of in-house functions/inter and intra school competitions. Extension of office area due to increase in number of students and staff, music and dance rooms for junior and senior school students were also required. The amount stated in balance sheets are inclusive of repair, maintenance and architect fee. Repair & maintenance and renovation of existing infrastructure is the liability of the school. The society in itself has no source of income therefore school has availed of a term loan from a schedule bank.

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 20 Jan 2019 i.e. the first time actuarial valuation for gratuity and leave encashment obtained by the school. Further, the school did not made any investment in 'plan-assets' such as group leave encashment scheme of LIC/ other insurers till date to secure the statutory liability towards staff retirement benefits, 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*".

The details of additions to building from the school funds (net of bank term loan) by the school towards construction of school building are as follows:

Particulars	Amount (INR)
Addition in school building during FY 2014-2015 to FY 2017-2018 (A)	9,06,32,502
Closing Balance of Term Loan as on 31 Mar 2019 (B)	3,90,49,062
Net school funds utilized by the school towards construction of school building (A-B)	5,15,83,440

Since the school has not recovered any amount from the society till date. Thus, the school funds utilized by the school on construction of building net of closing balance of term loan of INR 5,15,83,440 along with the interest paid on term loan totalling to INR 1,85,76,041 (INR 76,67,094 pertaining to FY 2014-2015 to FY 2016-2017 and INR 1,09,08,947 pertaining to FY 2017-2018 to FY 2018-2019) and installation of LIFT of INR 25,54,778 are 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 on building from school funds 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.*"

The Hon'ble Supreme Court 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.*"

The school was directed by the directorate through its Order no. F.DE.15 (634)/PSB/2018/30512-30516 dated 14 Dec 2018 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 to recover the cost of three luxury cars purchased by the school during FY 2014-2015.

The school represented that these cars are used by the school teachers and students as they were required to visit other schools and venues for participation in competitions, seminars, workshop etc. The car was also used by the school in emergency situations especially medical in nature. Further, school also mentioned that the cost of sending the bus or hiring private cabs for competitions, seminars, workshop was more than maintaining the cars.

The explanation and representation of the school is not tenable based on the fact that the school had utilized fees on purchased of three luxury cars which are not directly related for educational purposes and benefit of the students. Further, as per Section 18(4) of DSEA, 1973, income derived by Unaided Recognised School by way of fees should be utilized only for educational purposes as prescribed under Rules 176 and 177 of the DSER, 1973.

Since the school has not recovered any amount from the society till date, the amount spent by the school on purchase of luxury cars of INR 46,82,419 to be recovered from society 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 without ensuring savings are derived in accordance with Rule 177.

3. Directorate's order no. F.DE.15(634)/PSB/2018/30512-30516 dated 14 Dec 2018 regarding fee increase proposals for FY 2017-2018 states "*Not to increase any fee in pursuance to the proposal submitted by school on any account including implementation of 7th CPC for the academic session 2017-2018 and if the fee is already increased and charged for the academic session 2017-2018, the same shall be refunded to the parents or adjusted in the fee of subsequent months*".

As per the land allotment letter issued by the Delhi Development Authority to the Society in respect of the land allotted for the school states "*The school shall not increase the rates of tuition fee without the prior sanction of the Directorate of Education Delhi Admin. and shall follow the provisions of Delhi School Education Act/Rules, 1973 and the instructions issued from time to time*".

Directorate's order no. F.DE.15 (40)/PSB/2019/2698-2707 dated 27 Mar 2019 regarding fee increase proposals for FY 2018-2019 and FY 2019-2020 states "*In case, the schools have already charged any increased fee prior to issue of this order, the same shall be liable to be adjusted by the schools in terms of the sanction of the Director of Education on the proposal.*"

On review of fee structure submitted by the school for the FY 2015-2016 to FY 2019-2020, the school had collected increased fee from students of class KG, II & III in FY 2016-2017, class KG to IV in FY 2017-2018, class KG to V in FY 2018-2019 and class KG to VI in FY 2019-2020 without prior approval of the Directorate. It was noted that the school had spent school funds on purchase of luxury vehicles and other capital items, construction and development of building and has been increasing fee from students, which clearly indicates profiteering and commercialization of education.

The school explained that there is no increase in the fee paid by these students (of class KG in FY 2016-2017 promoted to class 1 in FY 2017-2018 promoted to class 2 in FY 2018-2019 and then promoted to class 3 in FY 2019-2020) as compared with the fee paid by them in previous classes. The school further explained that it did not decrease the fee collected from students in previous year after they were promoted to next class and has submitted the proposals for fee increase to DOE accordingly.

The contention of the school is incorrect, as it has revised its fee structure for particular classes without prior approval of the Directorate. The school did not provide the exact amount of increased fees collected from students during FY 2016-2017 to FY 2019-2020. Therefore, exact amount of excess fee collected by school could not be derived on account of non-submission of requisite information by the school. Thus, no adjustment is reflected in the fund position of the school enclosed in the later part of this order).

Accordingly, the school is hereby directed to calculate the excess fee collected from students from FY 2016-2017 to FY 2018-2019 and immediately refund/adjust the excess fee collected and submit the evidence of refund/adjustment to the Directorate within 30 days from the date of this order. Further, the school is directed not to increase any fee/charge of any class without approval from the Directorate.

4. 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.*"

Directorate's Order no. F.DE.15(634)/PSB/2018/ 30512-30516 dated 14 Dec 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school has not obtained actuarial valuation in respect to its liability towards leave encashment.

The school submitted copy of actuarial valuation report of its liability towards gratuity (FY 2017-2018) and leave encashment (FY 2018-2019), it was noted that school has obtained actuarial valuation of its liability towards gratuity amounted to INR 2,76,83,452 and leave encashment amounted to INR 1,83,44,939 and has recorded its liability in the books of the account as on 31 Mar 2019 accordingly.

During the personnel hearing, the school mentioned that it has deposited INR 1,53,25,512 (Policy no 331653 – INR 1,01,57,590 and Policy No 103005367 – INR 51,67,922) with LIC during FY 2017-2018 and FY 2018-2019 against gratuity liability and submitted the evidence of payment. It was noted that the amount deposited by the School in LIC for gratuity liability was not disclosed as investment in the financial statements for the FY 2017-2018 and FY 2018-2019. It was also noted that the school has disclosed its gratuity liability in the financial statements after netting-off the amount invested in LIC, which is not accordance with Generally Accepted Accounting Principles (GAAP).

Further, it was noted that the school has not made any investment in group leave encashment scheme of LIC of other insurer till date to secure the statutory liability towards leave encashment. Accordingly, the amount of INR 1,83,44,939 equivalent to the amount of liability determined by the actuary as on 31 March 2019 towards leave encashment and INR 1,23,57,940 towards remaining balance of gratuity to be deposited with LIC have been considered while deriving the fund position of the school (enclosed in the later part of this order) with a direction to the school to deposit these amounts in investments that qualify as plan assets i.e. group gratuity scheme and group leave encashment scheme of LIC or other insurer within 30 days from the date of this order.

The school is also directed to disclose the gratuity liability in the financial statements as per the amount stated in the actuarial valuation report and corresponding investment in LIC should also be disclose separately in the financial statements.

5. 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."* However, on review of the financial statement for the FY 2017-2018 and FY 2018-2019 the following discrepancies have been noticed:

a) Basis the presentation made in the financial statements for FY 2017-2018 & FY 2018-2019 and details regarding utilisation of development fund submitted by the school, it was noted that the school has utilised development fund towards school infrastructure development, office equipment's, furniture & fixtures and library books etc. During personal hearing, the school mentioned that these expenses were directly adjusted from development fund. Further, the assets purchased from development fund were also not reported in the fixed assets schedule and were not included in the value of fixed assets reported on the face of the Balance Sheet. Thus, the school had incorrectly utilised development fund on expenditures other than purchase, upgradation and replacement of furniture, fixtures and equipment and did not report assets purchased from development fund in its financial statements, which was not in accordance with the direction included in above order and resulted in understatement of fixed assets in the financial statements of the school and to that extent the financial statements of the school are unreliable.

b) As per clause 14 of order no. F.DE. /15(56)/Act/2009/778 dated 11.02.2009, the school shall collect the Development Fee only if the school is maintaining Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts. However, it was noted that the school was not charging depreciation on the assets purchased out of development fund to the income and expenditure account. In addition, the school is not crediting amount equivalent to depreciation on assets purchased out of development fund as income as required by the guidance note citied above. Further, during FY 2017-2018 school has merged the Development Fund & Depreciation Reserve Fund into one ledger "Development & Depreciation Reserve Fund". Thus, the school has not done proper accounting of development fund and assets purchased from development fund and has not followed the presentation requirements in accordance with the Guidance Note cited above.

Therefore, on account of above, the school is instructed to stop the collection of development fund with immediate effect. Further, the school is directed to ensure compliance with the accounting and disclosure requirements of Guidance Note and with Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009. Also, the school is instructed to reinstate the fixed assets for the previous years and reflect in its financial statements.

Accordingly, no adjustment has been towards balance of development fund in the fund position of the school (enclosed in the later part of the order).

C. Other Discrepancies

1. 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	2264	2135	2140
No. of EWS students	305	395	423
% of EWS students to total students	13.47%	18.50%	19.77%

   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.

2. 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."*

   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."*

   Basis the presentation made in the financial statements for FY 2017-2018 & FY 2018-2019 submitted by the school, it was noted that the school is reporting Fixed Assets at written down value, which is not in accordance with the disclosure requirements of the guidance note citied above.

   Accordingly, the school is directed to disclose all fixed asset at gross value on the face of balance sheet on the assets side and the accumulated depreciation on liability side of the Balance Sheet. The above being a presentation/ disclosure finding, no financial impact is warranted for deriving the fund position of the school.

3. 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, earmarked levies collected from students are a form of restricted funds, which, according to Guidance Note on 'Accounting by Schools' (GN 21) issued by the Institute of Chartered Accountants of India, are required to be credited to a separate fund account when the amount is received and reflected separately in the Balance Sheet.

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 has been noted that the school charges earmarked levies in the form of transport fees from students. However, the school has not maintained separate fund account for earmarked levies separately and the school has been incurring losses (deficit) that has been met from other fees/income, which was also mentioned in Directorate Order No. F.DE.15 (634)/PSB/2018/30512-30516 dated 14 Dec 2018 issued to the school post evaluation of the fee increase proposal 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 Fee	Income (INR)	Expenses (INR)	Surplus/(Deficit) (INR)
	A	B	C=A-B
Transport Fees^	1,44,85,845	2,03,88,228	(59,02,383)

^ The school has not apportioned the depreciation on vehicles used for transportation of students in the expenses stated in table above for creating fund for replacement of vehicles over the life of the vehicles.

The school represented that the school transportation was running in loss due to frequent and steep hike in fuel and maintenance cost, installation of CCTVs, GPS and provision of compulsory female attendants, etc.

As indicated from the table above, the school has been operating transport facility at huge deficit. The school must re-evaluate transport expenses incurred by it and optimise the same for matching it with income generated from transport facility. The school is strictly directed not to transfer the financial impact (i.e. deficit from transport facility) from the inefficient operation of transport facility to students not availing transport facility i.e. it must not adjust the deficit from school funds. The school is instructed to operate transport facility on strict no-profit no-loss basis.

Further, on review of financial statements for the FY 2017-2018 & FY 2018-2019, it was noted that the school was collecting Friday fund from the students to inculcate the habit of donation among the students. The school was directed by the directorate through its Order no. F.DE.15 (634)/PSB/2018/30512-30516 dated 14 Dec 2018 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 to stop the collection of Friday fund. However, it was noted that school has not followed the direction contained in the above-mentioned order and has stopped collecting this fund.

On review of proposal for enhancement of fee for the academic session 2018-2019 submitted by school, it was noted that school is collecting earmarked levies in the form of Transport Fees from students, but the same was not disclosed in the proposal for enhancement of fee.The school is hereby 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 has to 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. The school is directed again not to collect Friday fund from students.

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 and ensure that such omissions are not repeated.

4. The school was asked to submit its procurement policy and documentation in relation to carrying out procurement processes by the school for selection and contracting with different agencies and parties. However, no documentation was provided by the school in relation to the same. Accordingly, it has been derived that the school does not have any procurement policy and that it has been awarding contracts on discretionary basis to particular contractors without inviting quotations/bids from other parties.

The school is directed to implement proper internal control system in relation to procurement of goods and services so as to ensure that contracts are awarded on arms' length and competitive prices only.

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 year 2018-2019 amounting to INR 29,50,60,512 out of which cash outflow in the year 2018-2019 is estimated to be INR 22,74,14,659. This results in net surplus of INR 6,76,45,853. 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)	29,63,403
Investments (Fixed Deposits) as on 31 Mar 2018 (as per audited financial statements of FY 2017-2018)	1,37,00,320
Total Liquid Funds Available with the School as on 31 Mar 2018	**1,66,63,723**
Add: Fees/Incomes for FY 2018-2019 (as per financial statements of FY 2018-2019) [Refer Note 1]	21,66,77,087
Add: Amount recoverable from Society on account of funds utilized for construction of building (From FY 2014-2015 to 2016-2017) [Refer Financial Discrepancy No. 1]	5,15,83,440
Add: Amount recoverable from society for WIP of LIFT (FY 2015-2016 & FY 2016-2017) [Refer Financial Discrepancy No. 1]	25,54,778
Add: Amount recoverable from Society on account of funds utilized for Interest paid on loan taken for construction of building (From FY 2014-2015 to 2018-2019) [Refer Financial Discrepancy No. 1]	1,85,76,041
Add: Amount recoverable from society for construction of Road, Auditorium and LIFT during the FY 2017-2018 [Refer Financial Discrepancy No. 1]	1,63,10,863
Add: Amount recoverable from Society for purchase of Luxury Cars during 2014-2015 [Refer Financial Discrepancy No. 2]	46,82,419
Gross Estimated Available Funds for FY 2018-2019	**32,70,48,351**
Less: FDR submitted to DoE (as per financial statements of FY 2018-2019)	6,18,708
Less: FDR submitted to CBSE (as per financial statements of FY 2018-2019)	3,07,752
Less: Refund/Adjustment of increased fees collected from students	Amount not

Particulars	Amount (INR)
during FY 2016-2017 to FY 2018-2019 [Refer Financial Discrepancy No. 3]	quantified
Less: Staff retirement benefits – Leave Encashment [Refer Financial Discrepancy No. 4]	1,83,44,939
Less: Staff retirement benefits – Gratuity [Refer Financial Discrepancy No. 4]	1,23,57,940
Less: Caution Money Fund balance (as per financial statements of FY 2017-2018)	3,58,500
Less: Development Fund bank balance [Refer Financial Discrepancy No. 5]	-
Net Estimated Available Funds for FY 2018-2019	**29,50,60,512**
Less: Actual expenses for FY 2018-2019 (As per financial statements of FY 2018-2019) [Refer Note 1]	21,33,45,873
Less: Arrears of salary as per 7th CPC for the period Jan 2016 to Oct 2016 (as per the computation of 7th CPC submitted by the school)	58,96,758
Less: Arrears of HRA & DA as per 7th CPC for the period Jul 2017 to Mar 2018 (as per the computation sheet submitted by the school)	81,72,028
Estimated Surplus as on 31 Mar 2019	**6,76,45,853**

Notes:

1. The school submitted its financial statements for FY 2018-2019. Based on the financial statements for FY 2018-2019, all fees and incomes have been considered, while expenses excluding depreciation and expenses written off being a non-cash expense, have been considered.

In view of the above examination, it is evident that the school has sufficient funds for meeting all the budgeted expenditures 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, it was recommended by the team of Chartered Accountants that along with 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 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 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 **The Srijan School, 4B, North Model Town, Delhi - 110009 (School ID-1309171)** 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. Since 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, as per the convenience of the parents.

2. To communicate 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 rectify the financial and other irregularities/violations as listed above and submit the compliance report within 30 days from the date of this order to 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
The Srijan School
School ID: 1309171
4B, North Model Town
Delhi – 110009

No. F.DE.15(204)/PSB/2021/ 3471-75 Dated: 10/09/21

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 concerned ensure the compliance of the above order by the school management.
4. Guard file.

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