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

**No. F.DE.15( 517 )/PSB/2022/** 3013-3017 **Dated:** 17/05/22

## ORDER

WHEREAS, **St. Margaret Sr. Sec. School (School ID-1413219), D-Block, Prashant Vihar, Rohini, Delhi - 110085** (hereinafter referred to as "**the School**"), run by the St. Margaret Education Society (hereinafter referred to as "**Society**"), is a private unaided School recognized by the Directorate of Education, Govt. of NCT of Delhi (hereinafter referred to as **"DoE"**), under the provisions of Delhi School Education Act & Rules, 1973 (hereinafter referred to as **"DSEAR, 1973")**. The School is statutorily bound to comply with the provisions of the DSEAR, 1973 and RTE Act, 2009, as well as the directions/guidelines issued by the DoE from time to time.

AND WHEREAS, every School is required to file a full statement of fees every year before the ensuing academic session under section 17(3) of the DSEA, 1973 to the DoE. Such full statement of fee is required to indicate estimated income of the School to be derived from the fees and estimated operational expenses to be incurred during the ensuing year towards salaries and allowances payable to employees etc in terms of Rule 177(1) of the DSER, 1973.

AND WHEREAS, as per Section 18(5) read with Sections 17(3), 24 (1) and Rule 180 (3) of the above DSEAR, 1973, responsibility has been conferred upon to the DoE to examine the audited financial statements, books of accounts and other records maintained by the School at least once in each financial year. Sections 18(5) and 24(1) and Rule 180 (3) of DSEAR, 1973 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 above, the Hon'ble Supreme Court in the judgment dated 27.04.2004 held in Civil Appeal No. 2699 of 2001 titled Modern School Vs. Union of India and others has conclusively decided that under Sections 17(3), 18(4) read along with Rules 172, 173, 175 and 177, the DoE has the authority to regulate the fee and other charges, with the objectives of preventing profiteering and commercialization of education.

AND WHEREAS, it was also directed by the Hon'ble Supreme Court, that the DoE in the aforesaid matter titled Modern School Vs. Union of India and Others in paras 27 and 28 in case of private unaided recognized 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 19.01.2016 in the Writ Petition No. 4109/2013 in the matter of Justice for All vs. Govt. of NCT of Delhi and Others, has reiterated the aforesaid directions of the Hon'ble Supreme Court and has directed the DoE to ensure compliance of terms, if any, in the letter of allotment regarding the increase of the fee by private unaided recognized Schools to whom land has been allotted by the DDA/ land owning agencies.

AND WHEREAS, accordingly, the DoE vide order No. F.DE.15 (40)/PSB/2019/2698-2707 dated 27.03.2019, directed to all the private unaided recognized Schools, running on the land allotted by the DDA/other land owning agencies on concessional rates or otherwise, with the condition to seek prior approval of DoE for increase in fee, to submit their proposals, if any, for prior sanction, for increase in fee for the session 2018-19 and 2019-20.

AND WHEREAS, in pursuance to order dated 27.03.2019 of the DoE, the School submitted its proposal for enhancement of fee for the academic session 2018-19. Accordingly, this Order dispenses the proposal for enhancement of fee submitted by the School for the academic session **2018-19**.

AND WHEREAS, in order to examine the proposals submitted by the Schools for fee increase for justifiability or not, the DoE has deployed teams of Chartered Accountants at HQ level who has evaluated the fee increase proposals of the School carefully in accordance with the provisions of the DSEAR, 1973, and other Orders/ Circulars issued from time to time by the DoE for fee regulation.

AND WHEREAS, in the process of examination of fee hike proposal filed by the aforesaid School for the academic session 2018-19, necessary records and explanations were also called from the School through email. Further, the School was also provided an opportunity to be heard on 25.11.2019 to present its justifications/ clarifications on fee increase proposal including audited financial statements. Based on discussions, the School was further asked to submit necessary documents and clarification on various issues. During the aforesaid hearing, compliances against Order No. F.DE.15(120)/PSB/2019/1907-1911 dated 22 Feb 2019, issued for academic session 2017-18, was also discussed and submissions taken on record.

AND WHEREAS, the response of the School along with documents uploaded on the web portal for fee increase, and subsequent documents submitted by the School, were evaluated by the team of Chartered Accountants; the key observations noted are as under:

## A. Authenticity of Audited Financial Statements

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

   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."*

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

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

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

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

The financial statements submitted by the school did not include separate Audit Reports, rather the auditor certified the Balance Sheet and Income and Expenditure Account citing that it exhibits a true and fair view of school affairs accordingly to the best of information and explanation given to them. Thus, the auditor did not issue proper audit opinion as per the requirements of SA 700.

Further, the Receipt and Payment Account was not enclosed as part of the financial statements for FY 2018-2019. Also, the Balance Sheet and Income and Expenditure Account for FY 2018-2019, which were certified by the Chartered Accountant on 18 Sep 2019, did not cite UDIN, as mandated by ICAI. Therefore, authenticity of the audit and that of the financial statements for FY 2018-2019 submitted by the school could not be verified.

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

The school is directed to confirm from the auditor whether UDIN was generated in respect of the audit opinion issued by the auditor on the financial statements of the school for FY 2018-2019. If it 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 prepare completed set of financial statements (including Receipt and Payment Account) and the same should be audited in entirety by the Auditor by giving opinion as per the format prescribed in SA 700. The school is further directed to ensure that the audit opinions are issued on its future final accounts by practicing Chartered Accountant, which must comply with the requirements enunciated by their regulatory body i.e. The Institute of Chartered Accountants of India.

2. On examination of the financial statements for FY 2016-2017 to FY 2018-2019, it was noted that financial statements were not properly authenticated since the schedules and Notes to Account annexed to the financial statements were not signed or initialled by any of the representatives of the school and by the auditor. Thus, the authenticity of the financial statements and financial information included therein cannot be confirmed.

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

**B. Financial Observations**

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 Hon'ble 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.

   Directorate Order No. F.DE.15(120)/PSB/2019/1907-1911 dated 22 Feb 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that as per audited financial statements for FY 2016-2017, the school had incurred expenditure of INR 13,90,116 towards granite, stone, tiles affixed on floor out of development fund and capitalised the same in the books of accounts. The school was instructed in the said order to recover the amount of INR 13,90,116 from the society.

   Further, the financial statements of the school for FY 2017-2018 and FY 2018-2019 revealed that the school has incurred expenditure of developmental nature on building such as construction of corridor & class rooms, construction of storage space for sports equipment, construction of lawn tennis and construction of toilets totalling to INR 42,80,474 in the aforesaid financial years, which was capitalised by the school as 'furniture and fixture' in its financial statements. Also, the financial statements for FY 2017-2018 and FY 2018-2019 indicated that the school had appropriated development fund to meet this cost towards expenditure of developmental nature cited above.

While as per clause 14 of Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 and 2004 judgement of Hon'ble Supreme Court in the matter of Modern School Vs Union of India and Others, development fund could only be utilized towards purchase, up-gradation and replacement of furniture, fixture and equipment, utilisation of development fund for construction/ development of building is a non-compliance by the school. Further, this capital expenditure was incurred by the school without complying the requirements prescribed in Rule 177 of DSER, 1973.

Based on the fact that the school did not implement the recommendations of 7th CPC till date, did not 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 31 Mar 2018 i.e. the first year end for which actuarial valuation obtained by the school and did not secure the funds against staff gratuity and leave encashment in plan assets actuarial until FY 2019-2020, the school did not comply with the requirements of Rule 177 (1) i.e. "*Income derived by an unaided utilized school by way of fees shall be utilized in the first instance, for meeting the pay, allowances, and other benefits admissible to the employees of the school*".

Since the school has not recovered any amount from the Society till date, the above mentioned expenditure towards developmental nature on building totalling to INR 56,70,590 (INR 13,90,116 plus INR 42,80,474) pertaining to FY 2016-2017 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. The school is further directed not to incur capital expenditure/ expenditure of developmental nature on building from school funds without ensuring compliance of Rule 177.

2. 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 Hon'ble 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 the Directorate's Order No. DE 15/Act/Duggal.com/203/ 99/23033/23980 dated 15 Dec 1999, the management is restrained from transferring any amount from the recognized unaided school fund to society or trust or any other institution. The Hon'ble Supreme Court also through its judgement on a review petition in 2009 restricted transfer of funds to the society

Directorate Order No. F.DE.15(120)/PSB/2019/1907-1911 dated 22 Feb 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school had a recoverable balance of INR 1,15,04,028 from society as on 31 Mar 2017 after adjustment of INR 4,99,001 towards value of land and INR 21,04,894 towards value of building, which was transferred by the Society to the School and adjusted from the recoverable balance of the Society. Accordingly, the school was directed to recover the amount of INR 1,41,07,923 (INR 1,15,04,028 plus INR 4,99,001 plus INR 21,04,894) from the society. On further analysis of the financial statements submitted by the school, it was noted that the balance with Society and other schools/institutions under the management of the same society were not appropriately reported, as indicated in the table below. Also, the school did not submit ledger accounts of the Society and other schools/institutions under the management of the same society to evaluate transactions with such entities.

| **Particulars [As reported in its financial statements by the School]** | **FY 2015-2016** | **FY 2016-2017** | **FY 2017-2018** | **FY 2018-2019** |
|---|---|---|---|---|
| St. Margaret Education Society | 4,72,14,877 | - | - | 26,40,933 |
| St. Margaret* | - | - | 6,951,230 | - |
| St. Margaret (Neemrana) | 1,12,86,429 | 1,15,04,028 | - | 93,281 |
| St. Margaret School (Derawal Nagar) | (17,418) | - | - | - |
| **Total** | **5,84,83,888** | **1,15,04,028** | **69,51,230** | **27,34,214** |

* It appears that the school missed to mention complete name of the entity.

Out of outstanding recoverable balance from Society/ St. Margaret (Neemrana) of INR 1,15,04,028 as on 31 Mar 2017, the school received an amount of INR 45,52,799 in FY 2017-2018 as indicated from the Receipt and Payment Account for FY 2017-2018. However, the school did not submit Receipt and Payment Account for FY 2018-2019, nor did it submit the ledger account of the Society and other schools/institutions under the management of the same society to examine the transactions (including receipt of any funds from the Society). It was further noted that the school made adjustment during FY 2018-2019 towards land and building in its fixed asset schedule, which was recorded by it in FY 2016-2017 by crediting Society's ledger. Based on the disclosure in the financial statements for FY 2018-2019, the school reversed land, building and depreciation thereon. However, in absence of Receipt and Payment Account and ledger account of Society, complete adjustment entry could not be ascertained.

The school submitted evidence for receipt of the remaining balance of INR 27,34,214 (reported by the school in its financial statements for FY 2018-2019 as receivable from the society) from the Society during FY 2019-2020.

Accordingly, the amount of INR 27,34,214 received from society during FY 2019-2020 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 during FY 2019-2020 and with the direction to the school to submit ledger account of the Society and other schools/institutions under the management of the same society for the aforementioned financial years together with the evidence of fund receipts from the Society during FY 2018-2019 and complete adjustment entry recorded by the school in respect of land and building during FY 2018-2019 with its subsequent fee increase proposal.

Further, the school is directed to ensure compliance with directions of Hon'ble Supreme Court of not making any fund transfers to the Society.

3. The Directorate of Education, in its Order No. DE.15/Act/Duggal.Com/ 203/99/23033-23980 dated 15 Dec 1999, indicated the heads of fee/ fund that recognised private unaided school can collect from the students/ parents, which include:

   - Registration Fee
   - Admission Fee
   - Caution Money
   - Tuition Fee
   - Annual Charges
   - Earmarked Levies
   - Development Fee

   Further, clause no. 9 of the aforementioned order states "*No fee, fund or any other charge by whatever name called, shall be levied or realised unless it is determined by the Managing Committee in accordance with the directions contained in this order ……*"

   The aforementioned order was also upheld by the Hon'ble Supreme Court in the case of Modern School vs Union of India & Others.

   Clause 17 of Order No. F.DE/15(56)/Act/2009/778 dated 11 Feb 2009 issued by this Directorate states *"No admission Fee of more than two hundred rupees per student, at the time of admission shall be charged. Admission Fee shall not be charged again from any student who is once given admission as long as he remains on the rolls of the school."*

   The school was directed by the Directorate through its Order no. F.DE.15(120)/PSB/2019/ 1907-19011 dated 22 Feb 2019 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 to stop collecting activity fee from students at the time of admission.

   On review of audited financial statements for FY 2017-2018 to FY 2018-2019 and sample of fee receipts submitted by the school, it was observed that the school is continuing to collect one-time "Activity fee" of INR 965 from students at the time of admission. No private recognised school can collect fee other than those prescribed in aforementioned order dated 15 Dec 1999. Further, collecting one-time charge from students at the time of admission of students takes the form of admission fee, which can be collected only upto an amount of INR 200. Thus, collection of one-time fee from students at the time of admission indicates that the school is engaging in profiteering and commercialisation of education in contravention of the aforementioned clause.

   The school is hereby directed not to collect one-time activity fee from students at the time of admission or otherwise with immediate effect.

   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.

**C. Other Observations**

1. Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 which 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 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.*"

Basis the presentation made in the financial statements for the FY 2017-2018 and FY 2018-2019 submitted by the school, it was noted that while the school transferred an amount equivalent to the purchase cost of the fixed assets purchased from development fund to "Development Fund Utilised" account, it did not transfer amount equivalent to the amount of depreciation from "Development Fund Utilised" account as income to the Income and Expenditure Account as indicated in the guidance note cited above.

Further, from the fixed assets schedule enclosed with the financial statements for FY 2018-2019, it was noted that the school had reported sale/disposal of certain assets purchased out of development fund of INR 18,750, which though were adjusted from the value of fixed assets were not deducted from the "Development Fund Utilised" account. Also, in the said fixed assets schedule, the school indicated the same amount as loss on sale of assets. However, the said loss was not reported in the Income and Expenditure Account. Further, details were not provided by the school regarding sale proceeds of such assets, which was also not added back to the "Development Fund" account. This has resulted in over statement of "Development Fund Utilised" account and under-statement of "Development Fund" account as on 31 Mar 2019.

Basis the presentation made in the financial statements for FY 2018-2019 submitted by the school, it was noted that the school has not reported depreciation reserve as on 31 Mar 2019 (of INR 1,35,86,993) equivalent to the amount of accumulated depreciation (of INR 1,35,29,738) reported in the fixed assets schedule annexed to the financial statements for FY 2018-2019. The difference of INR 57,255 relates to interest credited to depreciation reserve by the school during FY 2017-2018. The school has erred in adding interest earned on fixed deposits to depreciation reserve since the depreciation reserve represents accumulated depreciation on fixed assets and does not have any connection with interest earned on fixed deposits. Accordingly, the same require rectification.

Whereas, the direction for follow the accounting treatment as indicated in the guidance note cited above issued vide Order no. F.DE.-15(120)/PSB/2019/1907-1911 dated 22 Feb 2019 issued to the school post evaluation of proposal for enhancement of fee for FY 2017-2018. Thus, the school did not follow the accounting treatment as indicated in the guidance note cited above.

The school is directed to make necessary rectification entries relating to development fund, development fund utilised, depreciation reserve, etc. to comply with the accounting treatment indicated in the Guidance Note.

2. 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 was noted that the school charges earmarked levies in the form of Transport Fees from students. From the financial statements for FY 2018-2019, it was noted that the school created a separate fund for transport fee.

It was further noted that the school failed to disclose income and expenses in relation to transport 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, which is an incorrect accounting practice in view of the requirements included in Guidance Note cited above.

Also, the school did not include transport fee in its the proposal for fee increase for FY 2018-2019 and fee structure submitted to the Directorate.

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 (120)/PSB/2019/1907-1911 dated 22 Feb 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018. Details of calculation of deficit, based on breakup of income and expenditure provided by the school for FY 2017-2018 towards transport fee is given below:

| **Financial Year** | **Income (INR)** | **Expenses (INR)** | **Surplus/(Deficit) (INR)** |
|---|---|---|---|
| | **A** | **B** | **C=A-B** |
| 2017-2018 | 21,76,585 | 26,12,650 | (4,36,065) |
| 2018-2019 | 26,60,440 | 26,92,250 | (31,810) |

The school should evaluate costs incurred against the 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 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 and fee structure submitted to the Directorate.

3. The School was directed through the Directorate's order F.DE.-15(120)/PSB/2019/1907-1911 dated 22 Feb 2019 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 in respect of creation and submittion of fixed deposit in the joint names of Deputy Director of Education and the Manager of the School equivalent to the amount of 4 months salary reserve in accordance with the provisions of the Right to Education Act, 2009.

   The school had accounted for a provision of INR 1,70,37,477 for salary reserve equivalent to 4 months' salary as on 31 March 2019 in the books of accounts and invested INR 2,03,67,249 in the form of FDR against these provisions. However, this investment was not in the joint names of Deputy Director of Education and the Manager of the school. Therefore, these FDR's have been considered as free reserve and have not been adjusted while deriving the fund position of the school for FY 2018-2019 (enclosed in the later part of the order).

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 2018-2019, it was noted that the receipt and payment account was not enclosed as part of the audited financial statements. Other than the Balance Sheet and Income and Expenditure Account for FY 2018-2019, the schedules and notes to accounts were not signed by school management and the auditors. Also, previous year's figures are not reported by the school in the schedules. Further, it was noted that the auditor had signed the Balance Sheet and Income and Expenditure Account for FY 2018-2019 on 18 Sep 2019. Thus, the school did not comply with the requirement of submission of audited final accounts in accordance with the timeline prescribed in Rule 180(1).

   Accordingly, the school is directed to ensure the complete financial statements (including Receipt and Payment Account) as per the requirements of Rule 180(1) are appropriately prepared, signed and submitted to the Directorate. The school is also directed to ensure that audit opinion is issued by the auditor on the entire set of financial statements (Balance Sheet, Income & Expenditure Account and Receipt & Payment Account). Further, the school is directed to report previous year's figures in its schedules to the financial statements for comparison purposes.

5. 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 | 1,823 | 1,848 | 1,875 |
| No. of EWS students | 330 | 355 | 382 |
| % of EWS students to total students | 18.10% | 19.21% | 20.37% |

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 year 2018-2019 amounting to INR 10,61,27,964 out of which cash outflow in the year 2018-2019 is estimated to be INR 10,99,26,348. This results in net deficit of INR 37,98,384. The details are as follows:

| Particulars | Amount (INR) |
|---|---|
| Cash and Bank Balance as on 31 March 2018 (as per audited financial statements of FY 2017-2018) | 71,41,091 |
| Investments (Fixed Deposits) as on 31 March 2018 (as per audited financial statements of FY 2017-2018) | 7,14,51,255 |
| **Total Liquid Funds Available with the School as on 31 Mar 2018** | **7,85,92,346** |
| Add: Fees/Incomes for FY 2018-2019 (as per financial statements of FY 2018-2019) [Refer Note 1] | 6,57,60,398 |
| Add: Amount recoverable from Society for expenditure of developmental nature incurred in building from development funds (FY 2016-2017 to 2018-2019) [Refer Financial Observation No. 1] | 56,70,590 |
| Add: Amount receivable from the society against outstanding balance as on 31 Mar 2019 [Refer Financial Observation No. 2] | 27,34,214 |
| **Gross Estimated Available Funds for FY 2018-2019** | **15,27,57,549** |
| Less: FDR submitted with DoE/CBSE (as per financial statements of FY 2018-2019) | 20,50,359 |
| Less: Development Fund as on 31 Mar 2019 (as per financial statements of FY 2018-2019) | 62,09,226 |
| Less: Staff retirement benefits [Refer Note 2] | 3,83,70,000 |
| Less: Depreciation Reserve [Refer Note 3] | - |
| Less: Salary Reserve [Refer Other Observation No. 3] | - |
| **Net Estimated Available Funds for FY 2018-2019** | **10,61,27,964** |
| Less: Expenses for FY 2018-2019 (As per financial statements for FY 2018-2019) [Refer Note 1] | 7,33,31,248 |

| Particulars | Amount (INR) |
|---|---|
| Less: Arrears of salary as per 7th CPC from Jan 2016 to Mar 2019 (as per separate computation submitted by the school) | 3,65,95,100 |
| **Estimated Deficit** | **37,98,384** |

**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 (except depreciation written back and unclaimed caution money, which are non-cash incomes) and all expenses after making the following adjustments have been considered.

| Expenses Head | Actual - FY 2018-2019 | Amount allowed | Amount Disallowed | Remarks |
|---|---|---|---|---|
| Depreciation on Vehicle | 44,247 | - | 44,247 | Depreciation, being a non-cash expense does not have any impact on the fund position of the school. |
| Depreciation | 49,22,172 | - | 49,22,172 | |
| Loss on sale of assets | 2,12,456 | - | 2,12,456 | Loss on sale of assets, being a non-cash expense does not have any impact on the fund position of the school. |
| Provision for Gratuity | 71,67,500 | - | 71,67,500 | The school did not deposit any amount in group gratuity or leave encashment policy of LIC or other insurer during FY 2018-2019. Total amount deposited by the school during FY 2019-2020, based on evidence submitted by the school has been considered separately in table above. Thus, additional provision has not been considered. |
| Provision for Leave Encashment | 6,17,182 | - | 6,17,182 | |
| **Total** | **1,29,63,557** | - | **1,29,63,557** | |

2. Based on the evidence submitted by the school, the amount deposited by the school even after FY 2018-2019 in the group gratuity and group leave encashment policies of LIC of INR 3,21,00,000 and INR 62,70,000 respectively during FY 2019-2020 has been considered.
3. The school has charged depreciation on fixed assets and has transferred the depreciation charged on fixed assets purchased from development fund to depreciation reserve on liabilities side of the Balance Sheet of the school. While development fund as on 31 Mar 2019 as per the financial statements of the school has been adjusted for deriving the fund position of the school, depreciation reserve is more of an accounting head for appropriate treatment of depreciation in the books of account of the school in accordance with Guidance Note 21 issued by the Institute of Chartered Accountants of India. Thus, there is no financial impact of depreciation reserve on the fund position of the school. Accordingly, it is not considered in table above.

ii. In view of the above examination, it is evident that the school does not has adequate funds for meeting all the operational expenses for the financial year 2018-19. In this regard, 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 insufficient 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.

AND 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 along with certain financial and other observations that the sufficient funds are not available with the school to carry out its operations for the academic session 2018-19. Accordingly, the fee increase proposal of the school may be accepted.

AND WHEREAS, it has been noted that the School has paid INR 84,04,804 towards construction of building, recoverable from society, which is not in accordance with clause 2 of public notice dated 04.05.1997 and Rule 177 of DSER, 1973. Thus, the school is directed to recover INR 84,04,804 from the society. The receipt of the above amount along with the copy of the bank statement showing the receipt of above-mentioned amount should be submitted with DoE, in compliance of the same, within thirty days from the date of issuance of this order. Non-compliance of this shall be taken up as per DSEA&R, 1973.

AND WHEREAS, it is relevant to mention that Covid-19 pandemic had a widespread impact on the entire society as well as on general economy. Further, charging of any arrears on account of fee for several months from the parents is not advisable not only because of additional sudden burden fall upon the parents/students but also as per the past experience, the benefit of such collected arrears is not passed to the teachers and staff in most of the cases as was observed by the Justice Anil Dev Singh Committee (JADSC) during the implementation of the 6th CPC. Keeping this in view, and exercising the powers conferred under Rule 43 of DSER, 1973, the Director (Education) has accepted the proposal submitted by the school and allowed an increase in fee by 06% to be effective from 01 July 2022.

AND WHEREAS, recommendation of the team of Chartered Accountants along with relevant materials were put before the Director (Education) for consideration and who after considering all the material on the record, and after considering the provisions of section 17 (3), 18(5), 24(1) of the DSEA, 1973 read with Rules 172, 173, 175 and 177 of the DSER, 1973 has found that funds are not available with the school for meeting financial implication for the academic session 2018-19.

AND WHEREAS, the school is directed, henceforth to take necessary corrective steps on the financial and other observations noted during the above evaluation process and submit the compliance status within 30 days from the date of this order to the D.D.E (PSB).

Accordingly, it is hereby conveyed that the proposal for enhancement of fee for session 2018-2019 of **St. Margaret Sr. Sec. School (School ID-1413219), D-Block, Prashant Vihar, Rohini, Delhi - 110085** has been accepted by the Director (Education) and the school is hereby allowed to increase fee by 06% with effect from 01 July 2022.

Further, the management of said school is hereby directed under section 24(3) of DSEA, 1973 to comply with the following directions:

1. To increase the fee only by the prescribed percentage from the specified date.

2. To ensure payment of salary is made in accordance with the provision of Section 10(1) of the DSEA, 1973. Further, the scarcity of funds cannot be the reason for non-payment of salary and other benefits admissible to the teachers/ staffs in accordance with section 10 (1) of the DSEA, 1973. Therefore, the Society running the school must ensure payment to teachers/ staffs accordingly.

3. To utilize 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.

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**
**St. Margaret Sr. Sec. School**
**School ID-1413219**
**D-Block, Prashant Vihar, Rohini**
**Delhi - 110085**

No. F.DE.15(517 )/PSB/2022/ 3013-3017

Dated: 17/05/22

**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 (North West-B) to 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**