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

No. F.DE.15(784)/PSB/2022/ 4944-4948 **Dated: 23/06/22**

ORDER

WHEREAS, **Vidya Jain Public School, Sector-6, Rohini, Delhi, School ID-1413224** (hereinafter referred to as "School"), run by the Vardhaman Mahavira Education Society (hereinafter referred to as the "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 DSEAR, 1973 with the Directorate. Such statement is required to indicate estimated income of the School to be derived from fees, estimated current operational expenses towards salaries and allowances payable to employees etc. in terms of rule 177(1) of the DSEAR, 1973.

AND WHEREAS, as per section 18(5) of the DSEAR, 1973 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 objective 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 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 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 DoE to ensure compliance of terms, if any, in the letter of allotment regarding the increase of the fee by recognized unaided Schools to whom land has been allotted by DDA/ land owning agencies.

AND WHEREAS, accordingly, the DoE vide order No. F.DE.15 (40)/PSB/2019/2698-2707 dated 27.03.2019, directing all the private unaided recognized Schools, running on the land allotted by 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 very 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 of being heard on 21.11.2019 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/(277)/PSB/2019/1480-1484 dated 04.04.2019, 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 findings noted are as under:

A. 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.*"

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

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

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

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

Directorate Order No. F.DE.15(277)/PSB/2019/1480-1484 dated 04 Apr 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted based on the audited financial statements of the school for the FY 2014-2015 to FY 2016-2017 that the school had made capital expenditure on building amounting to INR 54,59,532 (INR 7,00,878 in FY 2016-2017 towards capital expenditure on building and INR 47,58,654 during FY 2014-2015 to 2016-2017 towards repayment of principal & interest thereon towards loan taken for capital expenditure). Thus, the school was instructed in the said order to recover this amount of INR 54,59,532 from the society. It was further noted from the audited financial statements of the school for FY 2017-2018 that the school incurred expenditure during for FY 2017-2018 on additions to building totalling to INR 7,59,441. However, the same was incurred on the building without complying with the requirements prescribed in Rule 177 of DSER, 1973. It is further noted that the school has taken overdraft facility from Nainital Bank on which school had paid interest of INR 27,38,729 (INR 9,69,133 during FY 2016-2017 INR 9,39,378 during FY 2017-2018 and INR 8,30,209 during FY 2018-2019) during FY 2016-2017 to FY 2018-2019. Since the school had incurred capital expenditure on building without ensuring sufficient funds for operations of the school, the school had to obtain additional funds by taking overdraft facility from bank for running school operations. Thus, this was an additional cost, which emanated from the expenditure incurred by the school on building and thus is recoverable from the Society.

The school in its compliance report submitted that DOE has illegally disallowed amount spent by the school on its own development, expansion and for creation of additional space in its existing building as the same was done out of past savings. Further the school also mentioned that capital expenditure on its own development, expansion and construction of building etc. is very well permissible under Rule 177 as also under various judgements of the Hon'ble Supreme Court.

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

Therefore, the amount spent by the school towards capital expenditure on building, which was reported by the school as spent out of development fund in non-compliance of clause 14 of Order No. F.DE./15(56)/Act/2009/778 dated 11 Feb 2009 and without meeting the requirements of Rule 177 together with interest on overdraft facility, totalling to INR 89,57,702 (INR 54,59,532 plus INR 7,59,441 plus INR 27,38,729) is hereby added in the fund position (enclosed in the later part of the order) with the direction to the school to recover the same from the Society within 30 days from the date of this order.

The school is further directed to not to incur developmental expense on building without ensuring compliance of Rule 177.

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

   Directorate Order No. F.DE.15(277)/PSB/2019/1480-1484 dated 04 Apr 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school utilised development fund for purchase of library books of INR 27,684 and the school transferred unutilised development fund of INR 37,30,678 to general fund for meeting shortfall of salaries.

   On review of financial statements for FY 2018-2019, it was further noted that the school purchased library books of INR 10,812 out of development fund and the school transferred unutilised development fund amounting INR 47,46,075 to general fund during FY 2018-2019, which is in contravention of above mentioned clause.

   On review of the fee hike proposal and fee structure of FY 2016-2017 to FY 2018-2019 submitted by the school, it was noted that the school is charging development fee in excess of 15% of the total annual tuition fee as per details below:

Classes	FY 2016-2017	FY 2017-2018	FY 2018-2019
Nursery	18.35%	15.12%	16.06%
KG	16.51%	15.12%	16.06%
1st to 5th	16.51%	16.51%	16.51%
6th to 8th	16.38%	16.38%	16.38%
9th & 10th	16.25%	16.25%	16.25%
11th & 12th (Sci.)	16.47%	16.47%	16.47%
11th & 12th (Com.)	16.50%	16.50%	16.50%

Collecting excessive development fee (more than 15% of annual tuition fee) indicates that the school is engaging in profiteering and commercialisation of education, since the same is against the above-mentioned clause and directions given by the Hon'ble Supreme Court in the matter of Modern School Vs Union of India and Others.

The school did not provide the exact amount of excessive development fee collected by the school on account of which the amount to be adjusted/ refunded against excessive development fee could not be included in the fund position of the school (enclosed in the later part of this order).

Based on the information included in the audited financial statements, it was also noted that the school did not record interest on bank account and investments made from development fund to the development fund and recorded the interest earned as revenue receipt, which is not in accordance with the requirement of clause 14 cited above.

The school is directed to follow Directorate's instruction to utilise development fund only towards purchase, upgradation and replacement of furniture, fixtures and equipment and allocate interest earned on development fund bank account/investments to development fund account in accordance with clause 14 of Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009. Further, the school is directed not to collect development fee in excess of 15% of annual tuition fees. In case, the school has collected excessive development fee from students, the same should be adjusted from future fee/refunded to students immediately and submit evidence of such adjustment/refund to the Directorate within 30 days from the date of this order.

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."*

On review of the audited financial statements for FY 2016-2017 to FY 2018-2019 and based on the explanation provided by the school during personal hearing, it was observed that the school is collecting one-time Institutional charges of INR 14,800 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 fees 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 directed not to collect one-time institutional charge from students at the time of admission or otherwise with immediate effect.

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

   The school submitted copy of actuarial valuation report in respect of its liability towards gratuity for FY 2018-2019. However, the provision for gratuity recorded in the books of account of the school was not in accordance with the actuarial valuation report submitted by the school. Also, the school had not made provision for leave encashment and has not obtained actuarial valuation for its liability towards leave encashment. The school reflected short provision for gratuity in its financial statements as detailed in table below:

Particulars	Gratuity (In INR)
Liability as per actuarial valuation as on 31 Apr 2019 (A)	1,64,08,746
Provision as on 31 March 2019 (as per audited financial statements for FY 2018-2019) (B)	1,03,79,884
Under Provisioning of liability as on 31 March 2019 (A-B)	**60,28,862**
Fund Value of Investment in Plan Asset as on 31 Mar 2019	-

   Though the school has obtained actuarial valuation towards gratuity, it has not deposited any amount in investments that qualify as plan assets (i.e. group gratuity and leave encashment policies of LIC or other insurer) to earmark funds towards statutory liabilities of gratuity.

Since the school has taken the actuarial valuation for first time in Dec 2019 and is yet create any fund/investments, an amount of INR 16,40,875 (equivalent to 10% of the gratuity liability as per the actuarial report) has been considered towards gratuity while deriving the fund position of the school for FY 2018-2019 (enclosed in the later part of this order) with the direction to the school to deposit this amount in investments that qualify as 'plan-assets' (such as group gratuity and group leave encashment schemes of LIC or other insurer) in accordance with Accounting Standard 15 in order to start securing funds towards staff gratuity and deposit the remaining amount in the subsequent years so that the value of investments equals gratuity liability as per actuary. Further, the school is directed to obtain actuarial valuation for its liability towards leave encashment, record equivalent amount as provision for leave encashment and accurately record and disclose the provision of gratuity corresponding to the liability determined by the actuary along with the value of corresponding investments in plan-assets in its financial statements.

5. In order to evaluate the accuracy of incomes (fee collected from students) reported in the Income and Expenditure Account/ Receipt and Payment Account for FY 2017-2018, the school was asked to prepare a computation of income based on the approved fee structure of the school and details of number of students enrolled (non-EWS). However, the school failed to submit the required reconciliation of income reported in the Income and Expenditure Account/ Receipt and Payment Account.

   Further, on review of the proposal for enhancement of fee for FY 2018-2019 submitted by the school indicated that the school has filed incorrect details in respect of existing Tuition Fee collected by the school during FY 2017-2018 as per details below:

Class	Tuition Fee for FY 2017-2018 reported in proposal (INR) (A)	Tuition Fee as per fee structure for FY 2017-2018 submitted by the school (INR) (B)	Difference (A-B)
Nursery & KG	2,800	2,645	155

   The school did not submit fee receipts in order to confirm actual fee amount collected from students. Thus, it could not verified which is the correct figure.

   The school is directed to submit sample of fee receipts along with its subsequent fee increase proposal to examine the fee actually charged by the school from the students of class Nursery and KG. Further, the school must ensure that it discloses correct fee under all heads of income in its proposal for enhancement of fee. Also, the school should be cautious while submitting details to the Directorate and ensure that such errors are not repeated.

   The school is further directed perform a detailed reconciliation of the amount collected from students and income to be recognised based on the fee structure and number of students enrolled by the school and submit the same along with its compliance report, which will be examined at the time of evaluation of subsequent fee increase proposal.

B. Other Observations

1. Clause 19 of Order No. F.DE./15(56)/Act/2009/778 dated 11 Feb 2009 states "*The tuition fee shall be so determined as to cover the standard cost of establishment including provisions for DA, bonus,*

etc., and all terminal, benefits as also the expenditure of revenue nature concerning the curricular activities."

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

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

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

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

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

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

Directorate Order No. F.DE.15(277)/PSB/2019/1480-1484 dated 04 Apr 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 directed the school to follow fund based accounting in respect of earmarked levies and not to charge smart class fee and security/ERP/abacus fee as earmarked levy.

From the information provided by the school and taken on record, it was noted that the school charges earmarked levies in the form of smart class fees, security/ERP/abacus fee, recreational fee and transportation charges from students. However, the school is yet to maintain separate fund accounts for these earmarked levies and the school has generated surplus that has been used for meeting other expenses or has incurred losses (deficit), which has been met from other fees/income. 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
Smart Class Fee	31,15,040	14,14,172	17,00,868
Security/ERP/Abacus	25,88,000	29,000	25,59,000
Recreational Fee^	1,71,585	-	1,71,585
Transportation Charges	7,40,050	7,89,314	(49,264)

^ No details/breakup of expenses incurred against these earmarked levies was provided by the school.

Based on aforementioned, earmarked levies are to be collected only from the user students availing the service/facility. In other words, if any service/facility has been extended to all the students of the school, a separate charge should not be levied for the service/facility as the same would get covered either under tuition fee (expenses on curricular activities) or annual charges (expenses other than those covered under tuition fee). Directorate Order No. F.DE.15(277)/PSB/2019/1480-1484 dated 04 Apr 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school is collecting smart class fee and security/ERP/abacus fee from all its students and directed the school to stop the collection of smart class fee and security/ERP/abacus fee. However, the school is continuing to charge smart class fee and security/ERP/abacus fee from the students of all classes.

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

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

2. 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.*"

   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 return and documents to be submitted by schools under rule 180 read with Appendix-II of the Delhi School Education Rules, 1973 shall be as per format specified by the Institute of Chartered Accountants of India, established under Chartered*

Accountants Act, 1949 (38 of 1949) in Guidance Note on Accounting by Schools (2005) or as amended from time to time by this Institute."

Para 67 (ii) of the Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states "*The financial statements should disclose, inter alia, the historical cost of fixed assets.*"

Directorate Order No. F.DE.15(277)/PSB/2019/1480-1484 dated 04 Apr 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that fixed assets purchased out of general fund were shown at WDV and fixed purchased out of development fund were shown at gross value with the direction to the school to disclose FA as per Guidance Note 21. The school in its compliance report mentioned that the school started reflecting fixed assets at gross value as per GN 21. However, on review of the audited financial statements for FY 2018-2019, it was noted that the school has continued to report fixed assets purchased at written down value on the face of the Balance Sheet, which is not in accordance with the disclosure requirements included in the guidance note citied above.

On review of the audited financial statements for FY 2018-2019, it was further noted that the school has not followed the accounting treatment of recognition of income equivalent to the amount of depreciation charged from development fund utilised account as indicated in the guidance note cited above.

The school is directed to disclose all fixed assets at gross (historic) value on the face of Balance Sheet on the assets side and accumulated depreciation as depreciation reserve on the liability side of the Balance Sheet.

The school is also instructed to make necessary rectification entries relating to development fund utilised and to comply with the accounting treatment indicated in the Guidance Note.

3. 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) – 'Forming an Opinion and Reporting on Financial Statements' notified by the Institute of Chartered Accountants of India states "*This Standard on Auditing (SA) deals with the auditor's responsibility to form an opinion on the financial statements. It also deals with the form and content of the auditor's report issued as a result of an audit of financial statements.*"

   It was noticed that no audit report was issued by the CA on the financial statements of FY 2016-2017 to FY 2018-2019 of the school as per the requirements of SA 700 instead the CA certified the true and fair view at the end of the Balance Sheet and Income and Expenditure Account. Also, no reference was drawn to the audit report in the Balance Sheet or Income and Expenditure Account indicating that the CA did not issue a formal audit report on the financial statements.

   Further, Receipt and Payment Account was not enclosed along with the financial statements of FY 2018-2019 and Income and Expenditure account was not enclosed along with the financial statements of FY 2017-2018. Also, significant accounting policies and Notes to Accounts were not annexed with any of the financial statements submitted by the school.

Accordingly, the school is directed to seek explanation from its CA for non-adherence to the requirement of mandatory Standard on Auditing and for not submitting the audit report in the format prescribed by SA 700. The school is further directed to ensure that audit opinions are issued on its future final accounts by practicing Chartered Accountant in accordance with the requirements enunciated by their regulatory body i.e. The Institute of Chartered Accountants of India. The school is also directed to ensure that complete set of financial statements i.e. Balance Sheet, Income & Expenditure Account, Receipt and Payment Account and Notes to Account are prepared and submitted by the school to the Directorate.

4. As per the land allotment letter issued by the Delhi Development Authority to the Society in respect of the land allotted for the school, the society will have to reserve 20% of the permissible seats for poor meritorious students.

   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	1,217	1,120	1,239
No. of EWS Students	194	203	218
% of EWS Students to Total Students	16%	18%	18%

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

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

i. The total funds available for the year 2018-2019 amounting to INR 5,19,69,600 out of which cash outflow in the year 2018-2019 is estimated to be INR 7,01,39,079 . This results in net deficit of INR 1,81,69,478. 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)	9,33,830
Investments (Fixed Deposits) including accrued interest as on 31 Mar 2018 (as per audited financial statements of FY 2017-2018)	10,29,871
Bank overdraft balance as on 31 Mar 2018 (as per audited financial statements of FY 2017-2018)	(59,94,000)
Total Liquid Funds Available with the School as on 31 Mar 2018	**(40,30,299)**
<u>Add</u>: Fees and other income for FY 2018-2019 based on audited financial statements of FY 2018-2019 of the school [Refer Note 1]	4,97,12,943
<u>Add</u>: Amount recoverable from society on account of expenditure incurred on building during FY 2014-2015 to FY 2017-2018 without compliance of Rule 177 [Refer Financial Observation No. 1]	89,57,702
Gross Estimated Available Funds for FY 2018-2019	**5,46,40,346**

Particulars	Amount (INR)
Less: FDR held jointly with DDE (as per the audited financial statements of FY 2017-2018)	10,29,871
Less: Development Fund as on 31 Mar 2019 (as per audited financial statements of FY 2018-2019)	-
Less: Adjustment/Refund of excessive Development Fee collected from students during FY 2016-2017 to FY 2018-2019 [Refer Financial Observation No. 2]	-
Less: Retirement Benefits – Gratuity [Refer Financial Observation No. 4]	16,40,875
Net Estimated Available Funds for FY 2018-2019	**5,19,69,600**
Less: Expenses for FY 2018-2019 based on audited financial statements of FY 2018-2019 [Refer Note 1]	4,84,41,783
Less: Arrears of salary as per 7th CPC for the period FY 2018-2019 [Refer Note 2]	1,20,22,112
Less: Arrears of salary as per 7th CPC till March 2018 [Refer Note 3]	96,75,183
Estimated Deficit	**1,81,69,478**

Notes:

1. The school submitted its audited financial statements for FY 2018-2019. Based on the audited financial statements for FY 2018-2019, all fees and incomes were considered, while following adjustments were made to expenses before being considered in the table above:

Expense Heads	Actuals FY 2018-2019	Amount Allowed	Amount Disallowed	Remarks
Gratuity	17,60,681	-	17,60,681	This is only a provision made by the school. Amount to be invested to be made in plan-assets has been considered separately in the fund position above. Hence, the provision has not been considered to avoid duplicity. Refer Financial Observation 4.
Depreciation	17,31,050	-	17,31,050	This being a non-cash expense does not result in cash outflow. Hence, it has not been considered.
Total	**34,91,731**	**-**	**34,91,731**	

2. The school did not provide details for computation of salary as per 7th CPC for the FY 2018-2019. In absence of detailed computation, an amount equivalent to 30% of the actual salary paid by the school during FY 2018-2019 i.e. INR 1,20,22,112 has been considered as the impact of 7^{th} CPC for FY 2018-2019.

3. The school had proposed salary arrears of INR 1,49,94,114 in the budget for 2017-2018 which was 39% of the salary paid in FY 2016-2017, which was excessive. Therefore, in absence of detailed calculations, arrears of salary till March 2018 have been restricted to 25% of the actual salary paid by the school in FY 2016-2017, which comes to INR 96,75,183

and excess amount of INR 53,18,931 has not been considered in the evaluation of fee increase proposal.

ii. In view of the above examination, it is evident that the school does not has adequate funds for meeting all the operational expense 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.*"

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 89,57,702 towards construction of building, 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 89,57,702 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. Further, it has to be seen that after Covid, which has affected the society at large, financial sudden burden to some extent may be avoided. 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 07% 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 **Vidya Jain Public School (School ID-1413224), Sector-6, Rohini, Delhi** has been accepted by the Director of Education and the school is hereby allowed to increase fee by 07% 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
Vidya Jain Public School
School ID-1413224
Sector-6, Rohini,
Delhi-110085

No. F.DE.15(784)/PSB/2022/ 4944-4948

Dated: 23/06/22

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