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

No. F.DE.15(520)/PSB/2022/ 3028-3032 **Dated:** 17/05/22

ORDER

WHEREAS, **North-Ex Public School, Pocket-G/27, Sector-3, Rohini, Delhi-110085 School ID- 1413273** (hereinafter referred to as "**the School**"), run by the Shree Mahavir Jain Shiksha Trust (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 22.11.2019 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. No. F.DE.15(228)/PSB/2019/1210-1214 dated 29 Mar 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.

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

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

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

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

The financial statements for FY 2018-2019 submitted by the school along with Audit Report dated 30 Jul 2019 signed by the Chartered Accountant 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.

Further, on review of the final accounts for FY 2016-2017 to FY 2018-2019 submitted by the school, it was noted that though the Receipt and Payment Accounts were duly signed by the auditor with reference thereon to the audit report of even date, but in its audit report, the auditor only gave his opinion on the true and fair view on:

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

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.

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 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.

The school is also directed to ensure that the audit opinion is issued by the auditor on the complete set of financial statements i.e. Balance Sheet, Income & Expenditure Account and Receipt & Payment Account.

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

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

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

B. Financial Observations

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

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

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

   Directorate's Order no. F.DE.15(228)/PSB/2019/1210-1214 dated 29 Mar 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school had made the provision of gratuity in the financial statements on the basis of management estimates. The school was directed to determine and provide for statutory liability towards gratuity and leave encashment as per actuarial valuation report.

   The school submitted copy of actuarial valuation report of its liability towards gratuity for FY 2018-2019, it was noted that the school has obtained actuarial valuation of its liability towards gratuity of INR 14,48,218 and has recorded the same in the books of the account as on 31 Mar 2019.

However, the school has not determined its obligation towards staff leave encashment and had not recorded the provision for same in its books of account.

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

Also, it was noticed that number of staff mentioned in the actuarial valuation report were only 20, based on which the actuary determined the liability towards gratuity, whereas the school provided a detail of 37 staff in its staff statement. Thus, it indicates that the school underreported the number of staff to the actuary with a corresponding impact on the actuarial valuation derived by the actuary for gratuity. Thus, resulting in probable lower determination of liability towards gratuity by the actuary.

Though the school has not implemented recommendations of 7th CPC in full, only partial payment towards 7th CPC has been given by the school to staff during FY 2019-2020 (Apr to Aug 2019) and the school has not yet created investments equivalent to its liability towards staff retirement benefits in previous years, an amount of INR 3,62,055 (25% of INR 14,48,218 towards gratuity) equivalent to the 25% of gratuity liability determined by the actuary as on 31 Mar 2019 has been considered while deriving the fund position of the school (enclosed in the later part of this order) for FY 2018-2019 with a direction to the school to deposit this amount in investments such as group gratuity scheme and group leave encashment scheme of LIC/ other insurers within 30 days from the date of this order to protect statutory liabilities. Further, the school should keep on depositing amounts in group gratuity scheme and group leave encashment scheme of LIC/ other insurers in subsequent years to ensure that the value of the investments matches with the liability towards retirement benefits determined by the actuary.

Also, the school is directed to submit complete and accurate details of staff to the actuary for deriving actuarial liability towards gratuity and leave encashment. Further, the school is directed again to determine its obligation towards leave encashment and make appropriate provision in the books of accounts for leave encashment and make earmarked equivalent investments against provision for gratuity and leave encashment with LIC (or any other agency) so as to protect against its the statutory liabilities towards staff.

Accordingly, since 25% of the liability determined by actuary has been considered, the amount provided by the school towards gratuity during FY 2018-2019 has not been considered in the fund position of the school (enclosed in the later part of this order).

2. Based on the audited financial statements for FY 2015-2016 to FY 2018-2019 submitted by the school and taken on record, it was noted that the school had taken unsecured loan totalling to INR 31,08,695 (INR 2,07,723 in FY 2015-2016 plus INR 57,700 in FY 2016-2017 plus INR 23,69,653 in FY 2017-2018 plus INR 4,73,619 in FY 2018-2019) from M/s SKG Housing Private Limited during the FY 2015-2016 to FY 2018-2019. However, the school did not provide any detail regarding the purpose/utilization of the unsecured loan or any documentation regarding the same.

   Accordingly, interest cost on unsecured loan during FY 2017-2018 and FY 2018-2019 amounting to INR 3,81,414 (INR 1,32,948 in FY 2017-2018 and INR 2,48,466 in FY 2018-2019) paid by the school out of school funds is hereby added to the fund position of the school (enclosed in the later part of this order) with direction to the school to recover the amount of interest paid to M/s SKG Housing Private Limited (as purpose of taking unsecured loan by the school from a housing company could not be ascertained) during FY 2017-2018 and FY 2018-2019 from the Society within 30 days from the date of this order and not to make any payment of principal and interest from the school funds.

Therefore, in the absence of purpose/utilization of the unsecured loan, the outstanding balance of unsecured loan as on 31 Mar 2018 amounting to INR 26,35,076 has not been adjusted from available funds of the school while deriving the fund position of the school (enclosed in the later part of this order) to arrive at net available funds with the school for incurring expenses of FY 2018-2019.

3. Incomes (fee collected from students) reported in the Income and Expenditure Account/ Receipt and Payment Account for FY 2017-2018 were recomputed to evaluate the accuracy of incomes reported based on the approved fee structure of the school and details of number of students enrolled (non-EWS) and number of fee paying students mentioned by the school in the "Proposal for Enhancement of Fee for the Academic Session 2018-2019 submitted by the school. Basis the computation prepared, differences were noted in the fee collection reported by the school during FY 2017-2018 in its Income & Expenditure Account/ Receipt and Payment and amount of fee arrived/computed as per details provided by the school.

Following differences were derived based on the computation of FY 2017-2018:

Particulars	**Income reported in Income & Expenditure Account (A)**	**Fee computed based on details no. of students provided by the school (B)**	**Derived Difference (C)= (B-A)**	**Derived % Difference (D)=(C/B* 100)**
Development Fees	9,83,081	11,75,040	1,91,959	16.34%

The school should 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.

Since the school has to prepare and submit the reconciliation, no adjustment has been made in the fund position of the school (enclosed is the later part of the order).

C. 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).

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

The school was directed by directorate's through order no F.DE.15(228)/PSB/2019/1210-1214 dated 29 Mar 2019 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 to stop the collection of Activity charges, Computer Lab charges and E-learning charges. However, the school has continued to collect such levies from students during FY 2017-2018 and FY 2018-2019.

The school represented that the deficit in the tuition fee to meet the establishment expenses necessitated the utilization of earmarked levy surplus. In such scenario, following fund based accounting is practically and reasonably not feasible. Moreover, the facilities for which activity fee is charged is in the form of infrastructure that is used by all the students and not just the students who pay the fees for these facilities. Even the EWS category students are availed/enjoying the facility. Hence, this yearly activity fund collection is earmarked in respect to the expenses incurred and not in respect of the fee paying.

From the information provided by the school and taken on record for FY 2017-2018 and FY 2018-2019, it was noted that the school charges earmarked levies in the form of Transport charges, Activity charges, E-learning charges and Computer lab charges. The school has started maintenance of separate Income & Expenditure account for transport charges from FY 2018-2019 onwards.

It was further noted that the school failed to disclose transport charges in the income and expenditure account rather it was presented directly in designated Income & Expenditure account maintained by the school for Transport charges. While these are revenue receipts collected by school, the school did not route the incomes and expenses in relation to these charges heads through income and expenditure account. Also, the school did not include transport charges in it's proposal for fee increase for FY 2018-2019 submitted to the Directorate. Based on financial statements for FY 2017-2018, the following were the incomes and expenses against earmarked levies:

Earmarked Fee	Income (INR)	Expenses (INR)	Surplus/(Deficit) (INR)
	A	B	C=A-B
Transport Charges^	11,79,150	17,87,310	(6,08,160)
Activity Charges	3,33,117	1,49,800	1,83,317
Computer Lab Charges	8,01,298	-*	8,01,298
E- Learning Charges	12,06,417	-*	12,06,417

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

* The school failed to provide the details of expenses against computer lab charges and e-learning charges.

The surplus in computer lab charges and e-learning charges are reflected since the school did not provide details of expenses incurred by the school against such earmarked levies. Thus, actual surplus or deficit against such earmarked levies could not be determined.

Also. the school has been operating its transport facility at huge deficit as expenses incurred by the school are 52% more than the fee collected from students. 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 directly 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.

Also, based on aforementioned, earmarked levies are to be collected only from the user students availing the service/facility. In other words, if any service/facility has been extended to all the students of the school, a separate charge should not be levied for the service/facility as the same would get covered either under tuition fee (expenses on curricular activities) or annual charges (expenses other than those covered under tuition fee). The school is charging Activity charges, Computer Lab charges and E-learning charges from the students of all classes. Thus, the fee charged from all students loses its character of earmarked levy, being a non-user-based fees. Based on the nature of the Activity charges, Computer Lab charges and E-learning charges and details provided by the school in relation to expenses incurred against the same, the school should not charge Activity charges, Computer Lab charges and E-learning charges as earmarked fee with immediate effect and should incur the expenses relating to these from tuition fee or annual charges, as applicable collected from the students.

The school is hereby directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount separately for each earmarked levy collected from students. Unintentional surplus/deficit, if any, generated from earmarked levies must be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies during subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on no-profit no-loss basis. Also, the school must not make any transfer to or from general fund in earmarked funds, as deficit/ surplus must be adjusted from the earmarked levy collected from students and not any other fee/savings. Also, the school is directed to disclose all incomes and expenses in its financial statements and submit details of all earmarked levies collected from students in the proposal/fee structure submitted to the Directorate. Accordingly, the school is again directed to stop collecting Activity charges, Computer Lab charges and E-learning charges from the students 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.

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

Para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states "*Where the fund is meant for meeting capital expenditure, upon 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.*"

The school represented that the tuition fee collected is not sufficient to meet the salary expenses of the school. In absence of sufficient tuition fee, the salary expenses were being met from the computer lab charges, E-learning charges, aid from society, interest free and unsecured loans. During FY 2016-2017, after exploring all available resources the deficit of tuition fee for payment of salary had to be met partially from the development fee. This was done out of the compulsion of the situation and not of the school's own free will.

Directorate's order no F.DE.15 (228)/PSB/2019/1210-1214 dated 29 Mar 2019 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 noted that the school had utilised development fees for payment of establishment expenditure during FY 2016-2017.

Therefore, the school was directed to ensure that development fund is utilised only towards purchase, upgradation and replacement of furniture, fixture and equipment.

Based on the presentation made in the financial statements of the school for FY 2017-2018 and FY 2018-2019, it was noted that the school has continued to utilize development fund for payment of establishment expenditure and transfer to Income and Expenditure Account as revenue receipt. The details of development fee collected and utilized from FY 2014-2015 to FY 2018-2019 are as follows:

Particulars	**FY 2014-2015**	**FY 2015-2016**	**FY 2016-2017**	**FY 2017-2018**	**FY 2018-2019**
Development Fund - Opening Balance	1,863	1,433	2,175	-	-
Add: Development fees received during the year	5,84,850	8,02,140	8,69,025	9,83,081	10,74,580
Less: Development funds utilised for purchase fixed assets (FFE)	5,85,280	8,01,398	-	-	-
Less: Development funds utilised for payment of salary	-	-	8,71,200	9,83,081	7,96,396
Development Fund - Closing balance	**1,433**	**2,175**	-	-	**2,78,184**

Further, based on the presentation made in the financial statements of the school for 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 against Fixed Assets" account. However, the school did not transfer an amount equivalent to the depreciation on assets from the "Development Fund Utilised against Fixed Assets" to the Income and Expenditure Account as income, which is required as per the accounting treatment indicated in the guidance note cited above. Thus, the school has not done the accounting and reporting of development fund in accordance with the requirements of Para 99 of Guidance Note 21.

Further, from the financial statements submitted by the school, it was noted that the school was not crediting interest earned on the development fund bank account and fixed deposit to development fund, instead the school treated interest income as revenue receipt. Thus, the school did not comply with the condition cited above.

The school is directed to transfer an amount equivalent to the amount of depreciation from "Development Fund Utilised against Fixed Assets" account to Income and Expenditure Account as income to comply with the accounting and disclosure requirements of the guidance note. The school is also directed to ensure compliance with Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 by transferring income earned on investments to development fund account. Further, the school is also directed to follow DOE instruction regarding development fund and ensure that development fund is utilised only towards purchase of furniture, fixture and equipment.

3. Direction no. 3 of the public notice dated 4 May 1997 published in the Times of India states "*No security/ deposit/ caution money be taken from the students at the time of admission and if at all it is considered necessary, it should be taken once and at the nominal rate of INR 500 per student in any case, and it should be returned to the students at the time of leaving the school along with the interest at the bank rate.*"

   Further, Clause 18 of Order no F.DE/15(56)/Act/2009/778 dated 11 Feb 2009 states "*No caution money/security deposit of more than five hundred rupees per student shall be charged. The caution money, thus collected shall be kept deposited in a scheduled bank in the name of the concerned school and shall be returned to the student at the time of his/her leaving the school along with the bank interest thereon irrespective of whether or not he/she requests for refund.*"

   Further, Clause 3 and Clause 4 Order no .DE/15(150)/Act/2010/4854-69 dated 9 Sep 2010 states "*In case of those ex-students who have not been refunded the Caution Money/Security Deposit, the schools shall inform them (students) at their last shown address in writing to collect the said amount within thirty days. After the expiry of thirty days, the un-refunded caution money belonging to the ex-students shall be reflected as income for the next financial year & it shall not be shown as liability. Further the income shall also be taken into account while projecting fee structure for ensuing academic year*".

   The following were noted under Directorate's order No.F.DE.15/(228)/PSB/2019/1210-1214 dated 29 Mar 2019:

   - School had not provided the details of number of students left during FY 2014-2015 to FY 2016-2017. Accordingly, the school had not treated un-refunded caution money as income in the next financial year after expiry of 30 days
   - School had not refunded interest on caution money along with refund of caution money

   The school represented that they will comply with the afore mentioned clause.

   From the information provided by the school, it was noted that the school was not refunding interest along with caution money to students. Further, while discussing with the school during personal hearing, it was mentioned by the school that no communication has been sent to ex-students for collection of their caution money and thus, the school has not made any adjustment towards unclaimed caution money.

   Therefore, the school is directed to send communications to ex-students to collect their caution money together with interest thereon and any unclaimed amount after 30 days of such communication should be treated as income by the school in its books of account.

   Accordingly, based on the explanation of the school, the closing balance of caution money as on 31 Mar 2018 of INR 6,55,020 has been considered while deriving the fund position of the school (enclosed in the later part of this order).

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

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

Further, para 58(i) of the Guidance Note states "*A school should charge depreciation according to the written down value method at rates recommended in Appendix I to the Guidance Note.*"

Directorate Order No.F.DE.15(228)/PSB/2019/1210-1214 dated 29 Mar 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 directed the school to follow the Guidance Note-21 "Accounting by School" issued by ICAI in respect of preparation and presentation of financial statements.

Basis the presentation made in the financial statements for FY 2018-2019 submitted by the school, it was noted that on the face of the Balance Sheet, the school reported Fixed Assets (other than assets purchased from development fund) at written down value, which is not in accordance with the disclosure requirements included in the guidance note citied above.

From the financial statements of the school, it was also noted that the school did not charge depreciation at the rates specified in Appendix I to the Guidance Note, which was a contravention of the directions issued by this Directorate. The Significant Accounting Policies and Notes to Accounts attached with the financial statements for FY 2018-2019 mentions that, depreciation on all fixed assets have been provided at the rates prescribed in the rules.

Accordingly, the school is directed to disclose all fixed assets at gross (historic) value on the face of Balance Sheet on the assets side and accumulated depreciation as depreciation reserve on the liability side of the Balance Sheet. The school is further directed to follow rates of depreciation specified in the Guidance Note and also ensure consistency between the accounting policy related to fixed assets.

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

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 Admin. 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	673	661	668
Total EWS students	131	151	159
% of EWS students to total students	19.46%	22.84%	23.80%

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 2,58,71,888 out of which cash outflow in the year 2018-2019 is estimated to be INR 2,33,48,546. This results in net surplus of INR 25,23,342. 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)	14,38,578
Investments (Fixed Deposits) as on 31 Mar 2018 (as per audited financial statements of FY 2017-2018)	13,96,890
Total Liquid Funds Available with the School as on 31 Mar 2018	**28,35,468**
Add: Fees/Incomes for FY 2018-2019 (as per financial statements of FY 2018-2019) [Refer Note 1]	2,39,50,264
Add: Amount recoverable from the society for school funds utilised for payment of interest on unsecured loan during the FY 2017-18 to 2018-19 [Refer Financial Observation No. 2]	3,81,414
Gross Estimated Available Funds for FY 2018-2019	**2,71,67,146**
Less: Development Fund as on 31 Mar 2019 (as per financial statements of FY 2018-2019)	2,78,184
Less: Caution Money balance as on 31 Mar 2018 (as per financial statements of FY 2017-2018)	6,55,020
Less: Staff retirement benefits – Gratuity [Refer Financial Observation No. 1]	3,62,055
Less: Depreciation Reserve [Refer Note 2]	-
Net Estimated Available Funds for FY 2018-2019	**2,58,71,888**
Less: Expenses for FY 2018-2019 (as per financial statements for FY 2018-2019) [Refer Note 1]	2,33,48,546
Estimated Surplus as on 31 Mar 2019	**25,23,342**

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 and all expenses after making the following adjustments have been considered:

Expenses Head	Actual - FY 2018-2019	Amount allowed	Amount Disallowed	Remarks
Depreciation	5,55,589	-	5,55,589	Depreciation, being a non-cash expense does not have any impact on the fund position of the school. Thus, the same has not been considered.
Provision for Gratuity	5,23,249	-	5,23,249	Refer Financial Discrepancy No. 1
Total	**10,78,838**	-	**10,78,838**	

2. On evaluation of depreciation reserve presented in the financial statements for FY 2018-2019 by the school, it was noted that the school had created depreciation reserve on fixed assets purchased from development funds. The school is charging development fund from students for purchase, up-gradation and replacement of furniture, fixture and equipment. While the development fund balance as per the financial statements has been considered for deriving the fund position of the school, depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue accounts as per clause 14 of Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009) is more of an accounting head for appropriate accounting 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 the view of the above evaluation, it is evident that the School has sufficient fund to carry out its operations at the existing fee structure. 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.*"

WHEREAS, in the light of above evaluation, which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, certain financial observations that 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 are sufficient. Accordingly, the fee increase proposal of the school may be rejected.

AND WHEREAS, it has been noted that the School has paid INR 3,81,414 towards payment of interest towards unsecured loan, 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 3,81,414 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, the 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 the school has sufficient funds for meeting its financial implication for the academic session 2018-19. Therefore, Director (Education) has rejected the proposal submitted by the school to increase the fee 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 report 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 **North-Ex Public School, Pocket-G/27, Sector-3, Rohini, Delhi-110085 (School ID: 1413273)** 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 2018-19. In case, the school has already charged increased fee during FY 2018-19, the school should make necessary adjustments from future fee/refund the amount of excess fee collected, if any, as per the convenience of the parents.
2. To 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
North-Ex Public School
School ID: 1413273
Pocket-G/27, Sector-3
Rohini, Delhi-110085

No. F.DE.15(520)/PSB/2022/ 3028-3032 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