

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

No. F.DE.15(271)/PSB/2021/ 4834-39

Dated: 25/11/21

ORDER

WHEREAS, every school is required to file a statement of fees every year before the ensuing academic session under section 17(3) of the Delhi School Education Act, 1973 (hereinafter read as '**the Act**') with the Director. Such statement will indicate estimated income of the school derived from fees, estimated current operational expenses towards salaries and allowances payable to employees in terms of Rule 177(1) of the Delhi School Education Rules, 1973 (hereinafter read as '**the Rules**'). Such estimate will also provision for donation, gratuity, reserve fund and other items under rule 177(2) and savings thereafter, if any, in terms of the proviso to the rule 177(1).

AND WHEREAS, as per section 18(5) of the Act read with section 17(3), 24 (1) of the Act and Rule 180 (3) of the DSEA & R, 1973 responsibility has been conferred upon to the Director (Education) to examine the audited financial, account and other records maintained by the school at least once in each financial year. The section 18(5) and Section 24(1) of the Act and Rule 180 (3) have been reproduced as under:

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

Section 24(1) : '*every recognised school shall be inspected at least once in each financial year in such manner as may be prescribed*'

Rule 180 (3) : '*the account and other records maintained by an unaided private school shall be subject to examination by the auditors and inspecting officers authorised by the Director in this behalf and also by officers authorised by the Comptroller and Auditor-General of India.*'

AND WHEREAS, besides, the Hon'ble Supreme Court in the judgment dated 27 Apr 2004 passed in Civil Appeal No. 2699 of 2001 titled Modern School Vs. Union of India and others has conclusively decided that under section 17(3), 18(4) read along with rule 172, 173, 175 and 177 of the Rules, Director of Education has the authority to regulate the fee and other charges to prevent the profiteering and commercialization of education.

AND WHEREAS, it was also directed by the Hon'ble Supreme Court to the Director of Education in the aforesaid matter titled Modern School Vs. Union of India and others in Para 27 and 28 in case of Private unaided Schools situated on the land allotted by DDA at concessional rates that:





"27....

*(c) It shall be the duty of the Director of Education to ascertain whether terms of allotment of land by the Government to the schools have been complied with...*

*28. We are directing the Director of Education to look into the letters of allotment issued by the Government and ascertain whether they (terms and conditions of land allotment) have been complied with by the schools.....*

*.....If in a given case, Director finds non-compliance of above terms, the Director shall take appropriate steps in this regard."*

AND WHEREAS, the Hon'ble High Court of Delhi vide its judgement dated 19 Jan 2016 in writ petition No. 4109/2013 in the matter of Justice for All versus Govt. of NCT of Delhi and others has reiterated the aforesaid directions of the Hon'ble Supreme Court and has directed the Director of Education to ensure the compliance of term, if any, in the letter of allotment regarding the increase of the fee by all the recognized unaided schools which are allotted land by DDA.

AND WHEREAS, accordingly, this Directorate vide order No. F.DE.15 (40)/PSB/2019/2698-2707 dated 27 Mar 2019, directed that all the Private Unaided Recognized Schools running on the land allotted by DDA/other Govt. agencies on concessional rates or otherwise, with the condition to seek prior approval of Director of Education for increase in fee, are directed to submit their proposals, if any, for prior sanction of DoE for increase in fee for the session 2018-2019 and 2019-2020.

AND WHEREAS in response to this directorate's circular dated 27 Mar 2019 referred to above, **Preet Public Sec. School (School ID-1002280), B-Block, Preet Vihar, Delhi - 110092** submitted its proposal for enhancement of fee for the academic session 2019-2020 in the prescribed format.

AND WHEREAS, in order to ensure that the proposals submitted by the schools for fee increase are justified or not, this Directorate has deployed teams of Chartered Accountants at HQ level who have evaluated the fee increase proposals of the school very carefully in accordance with the provisions of the DSEA, 1973, the DSER, 1973 and other orders/ circulars issued from time to time by this Directorate for fee regulation.

AND WHEREAS, in the process of examination of fee hike proposal filed **Preet Public School Sec. (School ID-1002280), B-Block, Preet Vihar, Delhi - 110092** for the academic session 2019-2020, necessary records and explanations were called from the school through email. Further, school was also provided an opportunity of being heard on 12 Dec 2019 at 9:30 AM to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted.

AND WHEREAS, the reply of the school, documents uploaded on the web portal for fee increase and all subsequent documents submitted by the school were thoroughly evaluated by





the team of Chartered Accountants and after evaluation of fee proposal of the school and key findings noted are as under:

#### A. Authenticity of Audited Financial Statements

1. As per Appendix II to Rule 180(1) of DSER, 1973, the school is required to submit final accounts i.e. receipts and payment account, income and expenditure account and balance sheet of the preceding year duly audited by a Chartered Accountant by 31<sup>st</sup> 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 379<sup>th</sup> 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 23 Jul 2019 signed by Chartered Accountants 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, the school failed to attach Notes to Account along with its financial statements.

While the school has not complied with the statutory requirement of submission of audited final accounts and has submitted unauthentic final accounts, these financial statements for FY 2018-2019 have been taken on record by the Directorate and the same have been considered for evaluation of the fee increase proposal of the school for the academic session 2019-2020 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 directed to prepare and submit complete set of financial statements (including Notes to Account) to the Directorate. The school is further directed to ensure that the audit opinions 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 2018-2019, it was noted the financial statements were not appropriately authenticated by the representatives of the school, since only one representative of the school signed the Balance Sheet, Income and Expenditure Account and Receipt and Payment Account (only last pages) and did not sign the Schedules attached to the financial statements. 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) must be signed or initialled (as appropriate) by two representatives of the school authorised in this regard as per Bye laws or other governing documents.

## **B. Financial Discrepancies**

1. As per direction no. 2 included in the Public Notice dated 4 May 1997, *"it is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school becomes the sole property of the society"*. Additionally, Hon'ble High Court of Delhi in its judgement dated 30 Oct 1998 in the case of Delhi Abibhavak Mahasangh concluded that *"The tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society."* Also, Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/ 883-1982 dated 10 Feb 2005 issued by this Directorate states *"Capital expenditure cannot constitute a component of the financial fee structure."*

Accordingly, based on the aforementioned public notice and High Court judgement, the cost relating to land and construction of the school building has to be met by the society, being the property of the society and school funds i.e. fee collected from students is not to be utilised for the same except in compliance with Rule 177 of DSER, 1973. Based on the fact that the school did not implement the recommendations of 7<sup>th</sup> CPC and did not even determined its liability towards retirement benefits (gratuity and leave encashment) of staff (the school submitted actuarial valuation report dated 20 Jul 2019 in support of calculation of liability towards gratuity and leave encashment), 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".

Directorate's order No. F.DE.15(140)/PSB/2019/1924-1928 dated 22 Feb 2019 issued to the school post evaluation of fee hike proposal for FY 2017-2018 noted that the audited financial statements of the school for the FY 2014-2015, FY 2015-2016 and FY 2016-2017 revealed that the school has incurred expenditure on construction of school building totalling to INR 4,75,07,063 towards which society has taken part-loan from HDFC amounting to INR 2,15,00,000. The amount spent by the school on construction of school building during FY 2014-2015, FY 2015-2016 and FY 2016-2017 is INR 4,75,07,063 together with interest on loan and processing charges paid till FY 2016-2017 were INR 28,72,856, which were spent from the school funds without complying with the requirements of Rule 177 and thus were liable to be recovered from the Society.

Further, from the audited financial statements for FY 2017-2018, it was noted that the school had incurred additional INR 1,47,62,519 on construction of building and incurred interest on bank loan of INR 18,47,197, which are not in accordance with the aforementioned provision of Rule 177.

The school represented that where the school is paying rental for school building, the cost of rent not only includes recovery towards capital itself i.e. depreciation on building, but also the cost of capital involved in the building i.e. interest and the profit margins and the 18% GST on all the three components. The school signified that when the school is allowed to make expenditure on all the three nature of expenses in the form of rent, there should not be any objection on incurring expenditure of a capital nature instead of paying rental and save on the profit element and GST.

Additionally, the school denoted that the expenditure incurred by it does not relate to creation of any new school building or its extension to accommodate more students but to reinstate, upkeep and develop/modify the building to meet the requirements of students, their overall development (maintenance, redevelopment of existing facilities and needed expansion of the school building). The school further represented that although the expenditure incurred by it is in the nature of capital expenditure from an accounting perspective, it cannot be said to be the responsibility of the parent society.

The explanation and representation of the school is not tenable based on factual grounds that the school building is not taken on rent from a landlord rather the society has constructed the same for the purpose of imparting education on the land which was allotted to the school on nominal rates. Also, there is no facilitating provision in the DSEA&R, 1973 or any order or circular issued thereunder or the scheme of management and conditions of recognition of school regarding payment of rent to society. Accordingly, comparison by the school of rent and expenditure on building does not have any basis and the same is incorrect. Further, Rule 177 of DSER, 1973 clearly lays down the conditions (i.e. payment of salaries and benefits [including retirement benefits] admissible to staff as per applicable pay commission) after



compliance of which the school can incur expenditure on the needed expansion of the school or any expenditure of a development nature or expansion of the school building or for the expansion or construction of building. Accordingly, the burden of additions to building could not shifted on the students and has to be borne by the Society on account of non-compliance with provisions of DSEA&R, 1973.

Therefore, the amount of INR 5,07,74,647 (INR 4,75,07,063 plus INR 28,72,856 plus 1,47,62,519 plus INR 18,47,197 after adjustment of INR 1,62,14,988 [balance of outstanding building construction loan payable to HDFC Bank as on 31 March 2019]) is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the Society within 30 days from the date of this order.

Further, the school did not submit detailed breakup of the capital expenditure budgeted by it in its budget estimate for FY 2019-2020, thus, no adjustment in respect of construction of building, if any, budgeted by the school during FY 2019-2020 could be made from the budgeted expenses for FY 2019-2020. However, the school is directed not to charge any cost in relation to construction of building or towards payment of interest or principal on building loan utilising school funds.

2. 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 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."





From the financial statements for FY 2018-2019 provided by the school it was noted that the school had reported excessive expenditure on repair and maintenance of building amounting to INR 63,11,191. Further, from the ledger account of Building Repair and Maintenance and supporting invoices provided by the school, it was noted that during FY 2018-2019 the school had incurred expenditure on purchase of 1,750 bags of cement, 57,500 bricks, dismantling charges, professional charges for interior decorator, etc., which are not in the nature of repairs, rather indicate towards expenditure of developmental nature on building. However, this expenditure on development of building was incurred by the school without ensuring compliance of Rule 177, as the school is not paying salaries as per the recommendations of 7<sup>th</sup> Central Pay Commission and it has not secured funds towards retirement benefits of staff i.e. gratuity and leave encashment.

Further, the fixed assets schedule enclosed with the financial statements for FY 2018-2019 reflected that the school did not transfer 'building under construction' to the 'building' account. This indicates that the building was incomplete till 31 Mar 2019 and is still under-construction. Further, the school has not recorded any expenditure under 'building under construction' during the FY 2018-2019, instead it has recorded high amount of expense as Building Repair & Maintenance, which indicates that the expenditure incurred by the school on the building was of developmental nature or towards construction of the same.

Since the building construction was not complete and the same was not put-to-use, the school did not charge depreciation on the 'building under construction' during FY 2018-2019. However, the audited financial statements for FY 2015-2016, 2016-2017 and 2017-2018 indicate that the school charged depreciation on 'building under construction', which was incorrect and not in accordance with Accounting Standard 10 issued by the Institute of Chartered Accountants of India (ICAI). However, the school did not rectify its error and the amounts of depreciation charged on 'building under construction' during FY 2015-2016 to 2017-2018 were not reversed and were comprised in depreciation reserve as on 31 Mar 2019. The school is directed to follow correct accounting convention and reverse the depreciation charged on 'building under construction'.

Therefore, the amount spent on development of building, which was reported by the school as building repair and maintenance amounting to INR 63,11,191 is hereby added in the fund position (enclosed later in the order) with the direction to the school to recover the same from the Society within 30 days from the date of this order. Further, the school has budgeted inflated amount towards Building repair and maintenance for FY 2019-2020, which has not been considered as part of budgeted expenses in the fund position of the school (enclosed in the later part of this order) on the same rationale as mentioned herein above. Also, the school is directed not to incur developmental expense on building without ensuring compliance of Rule 177.

3. Para 7.14 of Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "*Plan assets comprise:*
  - *assets held by a long-term employee benefit fund; and*





- *qualifying insurance policies.*"

Also, Directorate's order No. F.DE.15(140)/PSB/2019/1924-1928 dated 22 Feb 2019 issued to the school post evaluation of fee hike proposal for FY 2017-2018 directed the school that the provisions for gratuity and leave encashment are to be based on actuarial valuation and that it should make equivalent investments against the provision for gratuity and leave encashment with LIC (or any other agency) within 90 days of receipt of the order.

On review of the financial statements for FY 2018-2019, it was noted that the school has made a total provision of INR 54,83,644 and INR 23,07,046 towards gratuity and leave encashment respectively as on 31 Mar 2019. Also, the school has obtained actuarial valuation report dated 20 July 2019 for measuring its liability towards gratuity and leave encashment as on 31 Mar 2019. However, it did not deposit any amount in investments such as group gratuity scheme and leave encashment scheme of LIC or other insurer to earmark funds towards gratuity and leave encashment of staff.

Since the school did not comply with the direction of the Directorate regarding deposit of equivalent amount in group gratuity and group leave encashment policies of LIC or other insurer, no adjustment has been made towards the provisions for gratuity and leave encashment appearing in the financial statements of the school while deriving the fund position of the school (enclosed in the later part of this order).

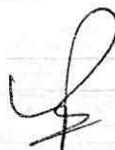
The school is again directed to deposit the amount of determined liability towards gratuity and leave encashment in investments such as group gratuity scheme and leave encashment scheme of LIC or other insurer within 30 days from the date of this order to protect statutory liabilities towards retirement benefits of school staff.

4. 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).

From the information provided by the school and taken on record, it was noted that the school charges earmarked levies in the form of ERP Fees and Computer fees from students. During FY 2017-2018, the school created a separate fund for Computer fee on deriving surplus from Computer fee collected from students. Based on financial statements for FY 2018-2019, the following were the incomes and expenses against earmarked levies:

Earmarked Fee	Income (INR)	Expenses (INR)	Surplus/Fund Balance (INR)
	A	B	C=A-B
Computer Fees	11,11,200	10,05,195	1,06,005
ERP Fees	3,96,000	3,96,000	-

Though the school has created fund account for surplus derived from Computer Fee, it has utilised this fund on other expenditures since there is insufficient bank balance against this fund created by the school. Thus, the same has not been adjusted while deriving the fund position of the school for FY 2019-2020 (enclosed in the later part of this order).

Further, 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 charging of



unwarranted fee or charging of any other amount/fee under different heads other than prescribed and accumulation of surplus fund thereof prima-facie is considered as collection of capitation fee in other manner and form. From the financial statements for FY 2018-2019, it was noted that the school has started levy of a new earmarked levy in the name of ERP Fees from the students of all classes. This ERP fee charged from all students loses its character of earmarked levy, being a non-user based fees. Thus, based on the nature of the ERP Fees and details provided by the school in relation to expenses incurred against the same, the school should not have charged such fee as the expense against the same should have been met from Annual Charges already collected from students. Thus, this ERP fee of INR 3,96,000 collected excessively from students during FY 2018-2019 should be adjusted against fee/ refunded to students, as per the convenience of the parents within 30 days from the date of this order.

5. Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states *"Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining 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."*

From the fixed assets schedule enclosed with the financial statements for FY 2018-2019, it was noted that the school had categorized assets purchased from PTA fund under development fund. The school also indicated bus and library books under the assets purchased from development fund. Thus, the above assets which were purchased from PTA fund and/or were not in the nature of furniture, fixture and equipment should not comprise part of the assets purchased from development fund. Thus, the school has reported non-qualifying assets under development fund and cumulative depreciation thereon under depreciation reserve for development fund assets.

It was further noted from the financial statement for FY 2018-2019 that the school has reported a closing balance of development fund of INR 2,15,72,718. Against this, the school has a total cash and bank balance amounting to INR 6,03,484 only as on 31 Mar 2019 indicating that the school has utilized substantial part of development fund collected from students on expenses/ payments other than purchase, upgradation and replacement of furniture, fixture and equipment. While the school was required to maintain the balance of development fund in a separate bank account. The bank balance available with the school is inadequate to cover the balance of development fund. Thus, the school has not complied with the requirements of clause 14 cited above. Accordingly, on account of mis-utilization of development fund towards other expenses, the development fund balance to the extent of available cash and bank balance with the school as on 31 Mar 2019, has been considered in the fund position of the school (enclosed in the later part of this order).





The school is directed to make necessary rectifications and ensure that development fund is utilized only towards purchase, upgradation and replacement of furniture, fixtures and equipment.

### C. Other Discrepancies

1. As per Order No. F.DE-15/ACT-I/WPC-4109/PART/13/7905-7913 dated 16 Apr 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."

Basis the presentation made in the financial statements for FY 2018-2019 submitted by the school, it was noted that the school is reporting fixed assets (other than those purchased from development fund) at written down value, which is not in accordance with the disclosure requirements included in the guidance note cited above.

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 above being a presentation/ disclosure finding, no financial impact is warranted for deriving the fund position of the school.

2. As per the land allotment letter issued by the Delhi Development Authority to the Society in respect of the land allotted for the school, it shall ensure that percentage of freeship from the tuition fees, as laid down under rules by the Delhi Admn. from time to time, is strictly complied. The school shall ensure admission to the students belonging to weaker sections to the extent of 25% and grant freeship to them.

From the breakup of students provided by the school, it had admitted students under Economically Weaker Section (EWS) Category as under:

Particulars	FY 2016-2017	FY 2017-2018	FY 2018-2019
Total No. of Students	1,563	1,347	1,319
No. of EWS Students	185	183	189
% of EWS Students to total students	11.84%	13.59%	14.33%

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 2019-2020 amounting to INR 10,16,96,487 out of which cash outflow in the year 2019-2020 is estimated to be INR 5,20,62,637. This results in net surplus of INR 4,96,33,850. The details are as follows:

Particulars	Amount (INR)
Cash and Bank Balance as on 31 Mar 2019 (as per financial statements of FY 2018-2019)	6,03,484
Investments (Fixed Deposits) as on 31 Mar 2019 (as per financial statements of FY 2018-2019)	23,03,311
<b>Total Liquid Funds Available with the School as on 31 Mar 2019</b>	<b>29,06,795</b>
<b>Add:</b> Fees/Incomes for FY 2019-2020 (based on income reported in financial statements of FY 2018-2019) [Refer Note 1]	4,48,73,033
<b>Add:</b> Amount recoverable from Society towards construction of building [Refer Financial Discrepancy No. 1]	5,07,74,647
<b>Add:</b> Amount recoverable from Society towards expenditure of developmental nature incurred on building [Refer Financial Discrepancy No. 2]	63,11,191
<b>Gross Estimated Available Funds for FY 2019-2020</b>	<b>10,48,65,666</b>
<b>Less:</b> FDR against specific liabilities (jointly with CBSE and DOE) (as per financial statements of FY 2018-2019)	21,69,695
<b>Less:</b> Staff retirement benefits [Refer Financial Discrepancy No. 3]	-
<b>Less:</b> Refund/adjustment of ERP fee collected from students during FY 2018-19 [Refer Financial Discrepancy No. 4]	3,96,000
<b>Less:</b> Development fund balance (restricted to the amount of cash and bank balance) [Refer Financial Discrepancy No. 5]	6,03,484
<b>Net Estimated Available Funds for FY 2019-2020</b>	<b>10,16,96,487</b>
<b>Less:</b> Budgeted Expenses for FY 2019-2020 (as per budget submitted by the school along with its fee increase proposal) [Refer Note 2]	5,20,62,637
<b>Estimated Surplus as on 31 Mar 2020</b>	<b>4,96,33,850</b>

**Notes:**

1. Fee and income based on income reported in financial statements of FY 2018-2019 have been considered (after adjusting excessive fee of INR 3,96,000 collected from students in the name of ERP fee detailed in Financial Discrepancy No. 4) with the assumption the amount of income during FY 2018-2019 will at least accrue during FY 2019-2020.
2. Per the Budget for FY 2019-2020 submitted by the school along with proposal for fee increase, the school had estimated the total expenditure during FY 2019-2020 of INR 5,93,48,327, which



in some instances was found to be unreasonable/ excessive. Based on the explanations and details provided by the school during personal hearing, most of the expenses heads as budgeted were considered. Further, during review of budgeted expenses, other discrepancies were noted in some of the expense heads, which were adjusted from the budgeted expenses. The same were discussed during personal hearing with the school. Therefore, the following expenses have been adjusted while considering the budgeted expenses for FY 2019-2020.

Expense Heads	FY 2018-2019	FY 2019-2020	Amount Allowed	Amount Disallowed	Remarks
ERP Expenses	3,96,000	7,61,600	3,82,800	3,78,800	In the budget for FY 2019-2020, the school budgeted ERP expenses twice as INR 3,82,800 and INR 3,78,800. Accordingly, on account of double budgeting, expense has been considered once and remaining amount disallowed.
Repair and Maintenance-Building	63,11,191	66,16,120	-	66,16,120	Refer Financial Discrepancy No. 2
Capital Expenditure (Out of Development Fund)	12,44,225	48,00,000	45,09,230	2,90,770	Capital expenditure restricted to the extent of development fees receipts (as per financial statements of FY 2018-2019)
<b>Total</b>	<b>79,51,416</b>	<b>1,21,77,720</b>	<b>48,92,030</b>	<b>72,85,690</b>	

In view of the above examination, it is evident that the school has adequate funds for meeting all the budgeted expenses for the financial year 2019-2020.

- ii. The directions issued by the Directorate of Education vide circular no. 1978 dated 16 Apr 2010 states *"All schools must, first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase."* The school has sufficient funds to carry on the operation of the school for the academic session 2019-2020 on the basis of existing fees structure and after considering existing funds/reserves.

Whereas, in the light of above evaluation, which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, certain financial irregularities were identified (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings were also noted (appropriate



instructions against which have been given in this order), the funds available with the school to carry out its operations for the academic session 2019-2020 and payment of salaries as per the recommendations of 7<sup>th</sup> CPC are sufficient. Accordingly, the fee increase proposal of the school may be rejected.

And whereas, the act of the school of charging unwarranted fee or any other amount/fee under head other than the prescribed head of fee and accumulation of surplus fund thereof tantamount to profiteering and commercialization of education as well as charging of capitation fee in other form.

And whereas, the relevant materials were put before Director of Education for consideration and who after considering all material on record has found that the school has sufficient funds for payment of salaries as per the recommendations of 7<sup>th</sup> CPC and meeting the expenses for the financial year 2019-2020. Since the school has accumulated surplus funds, increasing fee from students would result in profiteering and commercialisation of education. Therefore, Director (Education) rejects the proposal submitted by the school for enhancement of fee for the academic session 2019-2020.

Accordingly, it is hereby conveyed that the proposal for enhancement of fee for session 2019-2020 of **Preet Public Sec. School (School ID-1002280), B-Block, Preet Vihar, Delhi - 110092** has been rejected by the Director of Education. Further, the management of said school is hereby directed under section 24(3) of DSEA, 1973 to comply with the following directions:

1. Not to increase any fee/charges during FY 2019-2020. In case, the school has already charged increased fee during FY 2019-2020, the school should make necessary adjustments from future fee/refund the amount of excess fee collected, if any, as per the convenience of the parents.
2. To communicate with the parents through its website, notice board and circular about rejection of fee increase proposal of the school by the Directorate of Education.
3. To ensure that salaries and benefits are paid to the staff in accordance with section 10(1) of DSEA, 1973 and Directorate's order dated 25 Aug 2017.
4. To ensure that the salaries and allowances shall come out from the fees whereas capital expenditure will be a charge on the savings in accordance with the principles laid down by Hon'ble Supreme Court of India in its Judgment of Modern School vs Union of India and Others. Therefore, school must not include capital expenditure as a component of fee structure (to be submitted by the school under section 17(3) of DSEA, 1973).
5. To utilise the fee collected from students in accordance with the provisions of Rule 177 of the DSER, 1973 and orders and directions issued by this Directorate from time to time.
6. To rectify the financial and other irregularities/violations as listed above and submit the compliance report within 30 days from the date of this order to D.D.E.(PSB).





7. The Compliance Report detailing rectification of the above listed deficiencies/ violations must also be attached with the proposal for enhancement of fee of subsequent academic session, as may be submitted by the school. Compliance of all the directions mentioned above will be examined before evaluation of proposal for enhancement of fee for subsequent academic session.

Non-compliance of this order or any direction herein shall be viewed seriously and will be dealt with in accordance with the provisions of section 24(4) of Delhi School Education Act, 1973 and Delhi School Education Rules, 1973.

This order is issued with the prior approval of the Competent Authority.



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

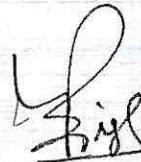
To:

The Manager/ HoS  
Preet Public Sec. School  
School ID-1002280  
B- Block, Preet Vihar  
Delhi-110092  
No. F.DE.15(271)/PSB/2021/4834-39

Dated: 25/11/21

Copy to:

1. P.S. to Principal Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. DDE (East) ensure the compliance of the above order by the school management.
4. In-charge (I.T Cell) with the request to upload on the website of this Directorate.
5. Guard file.



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