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

No. F.DE.15(270)/PSB/2021/ 4775-4781 Dated: 24/11/21

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 the their proposals, if any, for prior sanction of DoE for increase in fee for the session 2018-2019 and 2019-2020.

AND WHEREAS in response to this directorate's circular dated 27 Mar 2019 referred to above, **Holy Innocents Public School (School ID-1618232), Vikaspuri, New Delhi** submitted its proposal for enhancement of fee for the academic session 2019-2020 in the prescribed format.

AND WHEREAS, in the process of examination of fee hike proposal filed by **Holy Innocents Public School (School ID-1618232), Vikaspuri, New Delhi** 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 24 Feb 2020 at 2:15 PM to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted.

AND WHEREAS, the reply of the school, documents uploaded on the web portal for fee increase and all subsequent documents submitted by the school were thoroughly evaluated 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 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 27 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 audited final accounts (for FY 2016-2017 to FY 2018-2019) submitted by the school, it was noted that though the receipt and payment accounts was duly signed by the auditor with reference thereon to the audit report of even date, no opinion thereon was included in the audit report. The auditor only gave his opinion on the true and fair view on:

- The state of affairs in the case of the balance sheet as on 31 March; and
- Deficit of the accounting year in the case of Income and expenditure account.

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 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 further directed to ensure that the audit opinions issued on its future final accounts by the practicing Chartered Accountant comply 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 the audit opinion is issued by the auditor on the entire set of financial statements i.e. Balance Sheet, Income & Expenditure Account and Receipt & Payment Account.

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. It was noted that the Manager and Principal signed the Balance Sheet and Notes to Accounts along with last pages of Income and Expenditure Account and Receipt and Payment Account. However, Schedules annexed to the financial statements were not signed by both the principal and the Manager. It was also noted that while the designation of 'Chairman' was printed on some pages, it was not signed by him on any of such pages. 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.

   Directorate's order No. F.DE.15(671)/PSB/2018/30838-42 dated 24 Dec 2018 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 and FY 2015-2016 revealed that the school had incurred capital expenditure towards the school building totalling to INR 8,23,214. The amount spent by the school on school building during FY 2014-2015 and FY 2015-2016 from the school funds without complying the requirements of Rule 177 was liable to be recovered from the Society.

The school represented that Rule 177 allows the school to incur capital expenditure towards the needed expansion of the school or any expenditure of a development nature or 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. Thus, the school represented that the expenditure incurred by it on school building was in accordance with Rule 177.

Based on the fact that the school did not accurately disclose its liability towards retirement benefits (gratuity and leave encashment) of staff in its financial statements and did not secure funds group gratuity scheme and group leave encashment scheme of LIC or other insurer until 31 Mar 2019 (and that too only INR 1 lakh), 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*". Accordingly, the burden of additions to building could not shifted on the students and must have been borne by the Society on account of non-compliance with provisions of DSEA&R, 1973.

Therefore, the amount of INR 8,23,214 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.

Also, based on above, the amount budgeted by the school towards building renovation of INR 20,08,000 during FY 2019-2020 has not been considered as part of budgeted expenses for FY 2019-2020 in the fund position of the school (enclosed in the later part of this order) as the school has not secured funds towards staff gratuity and leave encashment in plan-assets such as group gratuity and group leave encashment policy of LIC or other insurer.

2. Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/ 883-1982 dated 10 Feb 2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*"

   Also, the Hon'ble Supreme Court through its 2004 judgement in the case of Modern School Vs Union of India and Others mentioned "*Rule 177(1) shows that salaries, allowances and benefits to the employees shall constitute deduction from the income in the first instance. That after such deduction, surplus if any, shall be appropriated towards, pension, gratuity, reserves and other items of appropriations enumerated in rule 177(2) and after such appropriation the balance (savings) shall be utilized to meet capital expenditure of the same school or to set up another school under the same management.*"

   It was pointed out in Directorate's order No. F.DE.15(671)/PSB/2018/30838-42 dated 24 Dec 2018 issued to the school post evaluation of fee hike proposal for FY 2017-2018 that the school has purchased a luxury car of INR 14,48,559 during FY 2014-2015, which is in contravention of the abovementioned provision. The school was directed to recover the amount spent on purchase of vehicle.

The school represented that the vehicle purchased by the school is used for various purposes such as going to meetings, awards, events. These visits are unavoidable as they are related to education purpose including visits related to CBSE and DOE itself and a vehicle is a must requirement to commute.

Based on the fact that the school did not accurately disclose its liability towards retirement benefits (gratuity and leave encashment) of staff in its financial statements and did not secure funds group gratuity scheme and group leave encashment scheme of LIC or other insurer until 31 Mar 2019 (and that too only INR 1 lakh), while the school incurred capital expenditure on purchase of a luxury car. Therefore, the school did not comply with the requirements of Rule 177.

Therefore, the expenditure incurred by the school on purchase of luxury car for INR 14,48,559 has been 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 is directed to ensure compliance with the requirements of Rule 177 before incurring capital expenditure (other than that covered under development fund), which must be funded through savings derived as per Rule 177.

3. 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….. capital expenditure/investments have to come from savings.*"

From the financial statements of the school for FY 2017-2018, it was noted that the school had purchased a bus of INR 20,88,818 by utilising school funds.

While the school is not following fund based accounting and has not created fund account against transport service provided to students by the school, the income and expense towards transport service from the financial statements of the school for FY 2016-2017 to FY 2018-2019 were evaluated and it was noted that the school was charging transport fee, which was not even adequate to cover revenue (operating) expenses for providing the transport service to students. The school did not provide comprehensive details of expenses incurred in relation of the transport facility, thus, estimated calculation of deficit based on documents and information on record, is enclosed below:

Particulars	**FY 2016-2017**	**FY 2017-2018**	**FY 2018-2019**
Income			
Transport Fees (A)	30,68,250	28,23,820	24,19,100
Expenses			
Transport Expenses	2,98,248	3,43,454	4,82,163
Repair and Maintenance	2,68,159	1,62,956	1,51,449
Insurance	1,84,705	1,30,211	1,89,452
Vehicle Hire Charges	19,04,000	16,90,000	14,70,200

Particulars	FY 2016-2017	FY 2017-2018	FY 2018-2019
Salary of Drivers and Conductors	-^	-^	-^
Total Expenses (B)	26,55,112	23,26,621	22,93,264
Surplus/(Deficit) (C)=(A-B)	**4,13,138**	**4,97,199**	**1,25,836**

^ The school did not provide details of salary of drivers and conductors engaged in transport facility for FY 2016-2017 to FY 2018-2019. Though in absence of details from the school, the exact amount of salary expense for drivers and conductors could not be determined and adjusted from the transport fee, however, the school had 2 buses and even a salary of INR 12,000 per person for 4 persons (2 drivers and 2 conductors) would result in annual expense of INR 5.76 lakhs. Accordingly, it is expected that the amount of salary cost, which if added to the total expenses above would result in the surplus (currently presented in the table) being converted to deficit.

The school explained that the buses were purchased to meet the transport needs of the students, which was required for effective operation of the school.

It has been observed that the school has purchased buses for provision of transport facility despite there being deficit (after considering salary of drivers and conductors) from operation of transport facility and has submitted proposal for increase of fee from students that translates to constituting capital expenditure as component of the fee structure of school and hence non-compliance. Earmarked levies in the form of transport fee are to be charged on no-profit no-loss basis and the school was not able to recover the cost of buses from the transport fee collected from students indicating that the school has shifted the burden of capital cost of buses to all the students of the school, who are not even availing the transport service. The amount spent on purchase of bus, being additional burden met out of school funds (fee collected from students), should not have been paid from school funds.

Accordingly, the amount spent by the school on purchase of buses of INR 20,88,818 is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the Society within 30 days from the date of this order. The school is further directed to ensure that transport vehicles are procured only from the transport fund and not from school funds unless savings are derived in accordance with Rule 177.

4. 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.*"

   Directorate's order No. F.DE.15(671)/PSB/2018/30838-42 dated 24 Dec 2018 issued to the school post evaluation of fee hike proposal for FY 2017-2018 directed the school to ensure that the provisions for gratuity and leave encashment are based on actuarial valuation report.

   Based on the documents submitted by the school and taken on record, the school has obtained actuarial valuation (statement from LIC) dated 22 Apr 2019 for measuring its liability towards gratuity and leave encashment of INR 1,12,37,547 and INR 59,33,800 respectively as on 1 Apr 2019.

On review of the financial statements for FY 2018-2019, it was noted that the school has made a total provision of INR 1,12,37,547 and INR 59,33,800 towards gratuity and leave encashment respectively as on 31 Mar 2019 in accordance with the liability determined by LIC and deposited INR 1 lakh each towards group gratuity scheme and group leave encashment scheme of LIC (i.e. investments that qualify as plan assets as per Accounting Standard 15) to earmark funds towards gratuity and leave encashment of staff.

The school is required to deposit amount equivalent to that determined by actuary in plan-assets in the form of group gratuity and leave encashment policies of LIC or other insurer. Since the school did not make any investments in group gratuity and leave encashment policies of LIC or other insurer, other than INR 1 lakh deposited each in group gratuity scheme and group leave encashment scheme of LIC on 31 Mar 2019, 50% of the amount of liability determined by the actuary towards staff gratuity and leave encashment respectively has been considered and adjusted while deriving the fund position of the school (enclosed in the later part of this order) with the direction to the school to deposit the same within 30 days from the date of this order to protect the statutory liabilities towards retirement benefits of school staff.

Further, the school is directed to make investments in group gratuity scheme and group leave encashment scheme of LIC or other insurer in subsequent years to ensure that the value of investment equals the amount of liability determined by the actuary towards staff gratuity and leave encashment.

Accordingly, since the 50% of the liability determined by the actuary towards staff gratuity and leave encashment has been adjusted, the amount budgeted by the school towards gratuity and leave encashment provision for the FY 2019-2020 has not been considered as part of budgeted expenses of FY 2019-2020 in the fund position of the school (enclosed in the later part of this order).

5. 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 Transportation fees, Science lab charges and smart class fee from students. However, the school has not maintained separate fund accounts for these earmarked levies and the school has been generating surplus or incurring loses from earmarked levies, which was also mentioned in Directorate Order No. F.DE.15(671)/PSB/ 2018/30838-42 dated 24 Dec 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018. Based on the financial statements for FY 2018-2019, the following were the incomes and expenses against earmarked levies:

Earmarked Fee	Income (INR)	Expenses (INR)	Surplus (INR)
	A	B	C=A-B
Transportation Fees^	24,19,100	22,93,264	1,25,836
Smart Class fees	27,34,625	13,90,206	13,44,419
Science Lab charges	3,31,937	37,268	2,94,669

^ The school has not apportioned salary of staff involved in transport service (driver, conductor, etc.) and 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.

Based on the 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. The school is charging Smart Class fee 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. Directorate Order No. F.DE.15(671)/PSB/ 2018/30838-42 dated 24 Dec 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 directed the school not to charge Smart Class fee from students, but the school has continued to charge this fee. Based on the nature of the Smart Class fee and details provided by the school in relation to expenses incurred against the same, the school should stop collecting Smart Class fee with immediate effect and should incur the expenses relating to the same from tuition fee or annual charges, as applicable collected from the students.

Since the school does not follow fund-based accounting, total fees (including earmarked fee) have been included in the budgeted income and budgeted expenses (included those for earmarked purposes) while deriving the fund position of the school (enclosed in the later part of this order). However, the income from Smart class fee has not been included as part of Budgeted income for FY 2019-2020 and in case, the school has already collected the same, it is directed to adjust/refund the same to the students within 30 days from the date of this order.

Additionally, the school is 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 has to be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies during subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on no-profit no-loss basis. 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.

6. Directorate's order No. F.DE.15(671)/PSB/2018/30838-42 dated 24 Dec 2018 issued to the school post evaluation of fee hike proposal for FY 2017-2018 noted that the school had revised the opening balances of FY 2016-2017 (i.e. the same did not reconcile with the closing balances included in audited financial statements for FY 2015-2016), the reason for such revision was not disclosed in the Notes to Accounts annexed with the financial statements. Further, the school has failed to provide any explanation/clarification in this regard. Therefore, the school was directed to provide appropriate explanation/clarification for the revisions made in the opening balances of FY 2016-2017. The summary of such differences in the opening balances of FY 2016-2017 and closing balances of FY 2015-2016 are as under:

Particulars	Closing Balances as per Audited Financial Statements of FY 2015-2016 (A)	Previous year figures (Opening Balances) as per Audited Financial Statements of FY 2016-2017 (B)	Difference in Opening Balance of FY 2016-17 (C)=(B-A)
General Fund	2,88,39,577	3,55,84,761	67,45,184

Development Fund	-	-	-
Development Fund Utilization	60,34,236	60,34,236	-
Depreciation Reserve Fund	-	-	-
Caution Money	10,15,615	24,26,115	14,10,500
Other Liabilities	2,15,06,814	2,15,91,579	84,765
Total of Liability Side of Balance Sheet	**5,73,96,242**	**6,56,36,691**	**82,40,449**
Fixed Assets	1,17,66,153	1,67,49,593	49,83,440
Investments	3,26,46,832	3,36,46,832	10,00,000
Cash and Bank	1,23,20,396	1,35,42,516	12,22,120
Other Current Assets	6,62,862	16,97,750	10,34,888
Total of Assets Side of Balance Sheet	**5,73,96,242**	**6,56,36,691**	**82,40,448**

Since the school failed to provide any reconciliation/ explanation in respect of the above-mentioned difference, the reason for such difference is still unknown and no adjustment, if any could be made in the fund position of the school (enclosed in the later part of this order).

Accordingly, the school is again directed to provide reconciliation/ explanation in respect of the differences in the opening balance of FY 2016-2017. The same shall be examined at the time of evaluation of subsequent fee hike proposal of the school.

C. Other Discrepancies

1. 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 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.*"

   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 audited financial statements for FY 2018-2019 submitted by the school, it was noted that while the fixed assets schedules annexed to the financial statements included break up of opening block of assets, additions, deletions, closing block of fixed assets, opening depreciation reserve, depreciation during the year, adjustment (if any), closing balance of depreciation reserve and net (WDV) opening and closing block of fixed assets, the school is reporting Fixed Assets (other than assets purchased from development fund) at written down value on the face of the Balance Sheet, which is not in accordance with the disclosure requirements of the guidance note citied above.

Further, Directorate Order No. F.DE.15(671)/PSB/ 2018/30838-42 dated 24 Dec 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school does not charge depreciation at the rates specified in Appendix I to the Guidance Note. It was noticed that the school has not adopted the depreciation rates specified in Appendix I to the Guidance Note in its latest financial statements for FY 2018-2019.

Accordingly, the school is directed to disclose all fixed asset at gross 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. Also, the school is instructed to adopt the depreciation rates as prescribed by the Guidance Note. The above being a presentation/ disclosure finding, no financial impact is warranted for deriving the fund position of the school.

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 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."*

   Further, 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.*"

   Directorate's order No. F.DE.15(671)/PSB/2018/30838-42 dated 24 Dec 2018 issued to the school post evaluation of fee hike proposal for FY 2017-2018 noted that school has utilised development fund towards the construction of building.

   Further, from the audited financial statements of FY 2016-2017, it was noted that the school had purchased assets of INR 5,97,495 from development fund, which were indicated as fixed assets purchased in the Receipt and Payment Account. However, the school failed to disclose the same in the Fixed Assets schedule annexed to the financial statements. Thus, the fixed assets were under-reported in the financial statements for FY 2016-2017. The school is directed to disclose the assets purchased from development fund in the Fixed Assets schedule.

   Further, from the fixed assets schedules enclosed with the financial statements for FY 2017-2018 and FY 2018-2019, it was noted that the school had utilized development fund towards repair and maintenance of toilets, drinking water area, furniture and payment of salaries. The school utilized INR 20,22,262 during FY 2017-2018 towards repair and maintenance of toilets and drinking water area, INR 18,86,000 towards payment of salaries and INR 4,64,361 towards repair and maintenance of furniture (indicated as upgradation of assets; however, the school did not capitalize this expenditure in accordance with Accounting Standard 10) out of development fund, which were not incurred towards purchase, upgradation and replacement of furniture, fixture and equipment. Thus, the school has not complied with the requirements of clause 14 cited above. The school should make necessary rectifications in development fund, as repair and maintenance of toilets, drinking water area, furniture and payment of salaries are expenses of revenue nature and development fund cannot be utilized towards these expenses. Accordingly, the school is directed to make the adjustment entries to rectify the balance of development fund.

Also, basis the presentation made in the audited financial statements for FY 2018-2019 submitted by the school, it was noted that the school transferred an amount equivalent to the purchase cost of the assets from development fund to 'development fund utilised against fixed assets' and reported its closing balance on 31 Mar 2019 equal to the gross value of fixed assets purchased from development fund, which is not in accordance with the guidance note cited above. Development fund utilised against fixed assets ("Deferred income" as per guidance note) should be equivalent to the written down value of assets purchased from development fund and not gross value of the fixed assets. It was also noted that the fixed assets schedule in relation to assets purchased from development fund included cost of building, whereas a number of equipment and furniture were included in the fixed assets schedule of assets procured out of general fund. The school is instructed to make necessary rectification entries relating to 'development fund utilised against fixed assets' and fixed assets schedule to comply with the accounting treatment indicated in the Guidance Note.

The school is directed to make necessary rectifications including compliance with the accounting and reporting requirements of Guidance Note 21 and ensure that development fund is utilized only towards purchase, upgradation and replacement of furniture, fixtures 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.*"

   Directorate's order No. F.DE.15(671)/PSB/2018/30838-42 dated 24 Dec 2018 issued to the school post evaluation of fee hike proposal for FY 2017-2018 noted that the school has not maintained separate bank account for the collection of caution money From the information provided by the school, it was noted that the school was not refunding interest along with caution money to students. Therefore, the school is directed to ensure compliance with the above cited directions and refund caution money together with interest thereon. Further, the school has not maintained separate bank account for the collection of caution money school is directed to maintain separate bank account for collection of caution money.

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, 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	1837	1858	1881
No. of EWS Students	292	322	358
% of EWS students to Total Students	15.90%	17.33%	19.03%

   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 8,88,75,520 out of which cash outflow in the year 2019-2020 is estimated to be INR 5,55,73,750 . This results in net surplus of INR 3,33,01,770 . The details are as follows:

Particulars	**Amount (INR)**
Cash and Bank Balance as on 31 March 2019 (as per financial statements of FY 2018-2019)	61,41,771
Investments (Fixed Deposits) as on 31 March 2019 (as per financial statements of FY 2018-2019)	4,15,97,602
Investment against retirement benefits (gratuity & Leave Encashment) with LIC during FY 2018-2019 [Refer Financial Discrepancy No. 4]	2,00,000
Total Funds Available with the School as on 31 Mar 2019	**4,79,39,373**
Add: Fees/Incomes for FY 2019-2020 (based on income reported in financial statements of FY 2018-2019) [Refer Note 1]	4,67,61,933
Add: Amount recoverable from Society towards construction of building [Refer Financial Discrepancy No. 1]	8,23,214

Particulars	Amount (INR)
Add: Amount recoverable from Society towards purchase of Luxury Car [Refer Financial Discrepancy No. 2]	14,48,559
Add: Amount recoverable from Society towards purchase of bus [Refer Financial Discrepancy No.3]	20,88,818
Gross Estimated Available Funds for FY 2019-2020	**9,90,61,897**
Less: FDRs jointly with DOE and MCD (as per financial statements of FY 2018-2019)	7,57,511
Less: Staff retirement benefits - Gratuity [Refer Financial Discrepancy No. 4]	56,18,774
Less: Staff retirement benefits - Leave Encashment [Refer Financial Discrepancy No. 4]	29,66,900
Less: Development Fund (as per financial statements of FY 2018-2019)	1,90,193
Less: Salary Reserve [Refer Note 2]	-
Less: Depreciation Reserve Fund [Refer Note 3]	-
Less: Caution money balance (as per financial statements of FY 2018-2019)	6,53,000
Net Estimated Available Funds for FY 2019-2020	**8,88,75,520**
Less: Budgeted Expenses for FY 2019-2020 (as per budget submitted by the school along with its fee increase proposal) [Refer Note 4]	5,55,73,750
Estimated Surplus as on 31 Mar 2020	**3,33,01,770**

Notes:

1. Fees and other incomes as reported in the financial statements for FY 2018-2019 have been considered with the assumption that the amount of income (other than aid from society, being a non-recurring income, liability no longer required, being non-cash income and smart class fee, which the school has been directed not to collect as per financial discrepancy no. 6) during FY 2018-2019 will at least accrue during FY 2019-2020.

2. Though the school was directed vide Directorate's order No. F.DE.15(671)/PSB/2018/30838-42 dated 24 Dec 2018 to create Fixed Deposit in the joint name of the school and Deputy Director of Education toward salary reserve, but the school failed to make such joint Fixed Deposit. Accordingly, the same has not been considered in table above. Also, the additional amount budgeted by the school towards same during FY 2019-2020 has not been considered as part of Budgeted Expenses for FY 2019-2020 on same ground.

3. 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 fund (Refer Other Discrepancy No. 3) and presented the same as depreciation reserve on liabilities side of the Balance Sheet of the school. Also, the school is charging development fund from students for purchase, up-gradation and replacement of furniture, fixture and equipment. Since the balance of development fund as per the financial statements of FY 2018-2019 has been adjusted 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.

4. Per the Budget for FY 2019-2020 submitted by the school along with its proposal for fee increase, the school had estimated the total expenditure during FY 2019-2020 of INR 6,13,21,000, 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, certain 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	Actuals FY 2018-2019	Budget FY 2019-2020	Amount Allowed	Amount Disallowed	Remarks
3 Months' Salary Reserve	-	9,78,000	-	9,78,000	Refer Note 2 above
Gratuity	32,08,480	10,00,000	-	10,00,000	Refer Financial Discrepancy No. 4
Leave Encashment	16,90,201	5,00,000	-	5,00,000	
Building Renovation Expenses	-	20,08,000	-	20,08,000	Refer Financial Discrepancy No. 1
Capital Expenditure (Out of Development Fund)	14,34,709	36,20,000	23,58,750	12,61,250	Capital expenditure restricted to the extent of development fees receipts (as per financial statements of FY 2018-2019), since the balance of development fund as on 31 Mar 2019 has been considered separately in table above.
Total	63,33,390	81,06,000	23,58,750	57,47,250	

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 7th 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 7th 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 **Holy Innocents Public School (School ID-1618232), Vikaspuri, New Delhi** 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. Therefore, school not to 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
Holy Innocents Public School
School ID-1618232,
Vikaspuri, New Delhi-110018

No. F.DE.15(270)/PSB/2021/ 4775-4781 Dated: 24/11/21

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 (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