

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

No. F.DE.15 (193)/PSB/2021/ 3386-90

Dated: 09/09/21

Order

WHEREAS, every school is required to file a full statement of fees every year before the ensuing academic session under section 17(3) of the 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 etc in terms of Rule 177(1) of the Delhi School Education Rules, 1973 (hereinafter read as '**the Rules**').

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 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 above, the Hon'ble Supreme Court in the judgment dated 27.04.2004 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, Directorate 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 19.01.2016 in writ petition No. 4109/2013 in the matter of Justice for All versus Govt. of NCT of Delhi and others has reiterated the aforesaid directions of the Hon'ble Supreme Court and has directed the 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/ land owing agencies.

AND WHEREAS, accordingly, this Directorate vide order No. F.DE.15 (40)/PSB/2019/2698-2707 dated 27.03.2019, 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 for increase in fee for the session 2018-19 and 2019-20.

AND WHEREAS, in pursuance to order dated 27.03.2019 of this Directorate **New Green Fields School (School ID-1925266), Alaknanda (Kalkaji), New Delhi-110019**, had submitted the proposal for fee increase for the academic session 2019-20. Accordingly, this order is dispensed off the proposal for enhancement of fee submitted by the said school for the academic session **2019-20**.

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 has 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 by the aforesaid School for the academic session 2019-20, necessary records and explanations were also called from the school through email. Further, the school was also provided an opportunity of being heard on 25.11.2019 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. During the aforesaid hearing compliances against order no. F.DE.15(52) PSB/2019/767-72 dated 21.01.2019 issued for academic session 2017-18 were also discussed and school submissions were taken on record.

AND WHEREAS, the reply of the school, documents uploaded on the web portal for fee increase together with subsequent documents/ clarifications submitted by the school were thoroughly evaluated by the team of Chartered Accountants. And based on evaluation of fee proposal of the school the key findings and status of compliance against order no. F.DE.15(52) PSB/2019/767-72 dated 21.01.2019 issued for academic session 2017-18 are as under:



A. Financial Discrepancies

1. As per the Clause 2 of Public notice dated 04.05.1997, "Schools are not allowed to charge building fund and development charges when the building is complete or otherwise as it is the responsibility of the society. Society means the trust or institution who has established the school, society should raise such fund from their own sources because the immovable property of the school become the sole property of the society. Therefore, the students should not be burdened by way of collecting the building fund or development charges". Moreover, the Hon'ble High Court of Delhi in its Judgment dated 30.11.1998 in case of Delhi Abibhavak Mahasangh concluded that "Tuition Fee cannot be fixed to recover capital expenditure to be incurred on the properties of the Society". Also, clause (vii) of order No. F.DE/15/Act/2k/243/KKK/883-1982 dated 10.02.2005 issued by this Directorate states "Capital Expenditure cannot constitute a component of financial fee structure."

Accordingly, based on the aforementioned public notice and Hon'ble High Court judgement, the cost relating to land and construction of the school building has to be met by the society, being the property of the society and school funds i.e. fee collected from students is not to be utilised for the same.

As per Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 867 dated 08.08.2017 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-17 noted that the school had purchased a building near the existing school building for running nursery and prep classes for Rs. 4,57,03,931 during FY 2014-15. The above purchase of building was done in contravention of Clause 2 of Public Notice dated 04.05.1997 and was not in accordance with the provisions of Rule 177 of the DSER, 1973. In the above-mentioned order, the school was given direction to recover the amount from society within 30 days from the date of issue of the order.

Similar direction was also given to the school in DoE order no. F.DE.15(52) PSB/2019/767-72 dated 21.01.2019 issued to the school post evaluation of proposal for enhancement of fee for FY 2017-18. The documents submitted by the school were taken on record. From examination of the said documents, it has been noted that the school has not recovered the aforesaid amount from the society until now. Accordingly, the amount of Rs. 4,57,03,931 is hereby added to the fund position of the school considering the same as funds available with the school. The school is again directed to recover the aforesaid amount from the Society within 30 days from the date of this order. The compliance with the aforesaid direction will be evaluated strictly while evaluating the fee increase proposal of the school for the subsequent year. [Calculated Fund Position of the school has been provided at the latter part of this report.]

2. The Directorate's Order No. DE 15/Act/Duggal.com/203/ 99/23033/23980 dated 15.12.1999 states, "the management is restrained from transferring any amount from the recognized unaided school fund to society or trust or any other institution". The Supreme Court also through its judgement on a review petition in 2009 restricted transfer of funds to the society.

The audited financial statements for the FY 2018-19, reflect Rs. 1,17,072 receivables from Head Office for of TDS deducted on "Interest on fixed deposit". Accordingly, this amount of Rs.1,17,072 receivable from head office/Society and other units as on 31.03.2019 is hereby added to the fund position of the school 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. *[Calculated Fund Position of the school has been provided at the latter part of this report.]*

3. The documents submitted by the school were taken on record. On review of the documents submitted by the school, it has noticed that the school had appointed Director in the school and had paid remuneration and other allowances to the tune of Rs. 31,17,700 to him from FY 2014-15 to 2018-19. The details of remuneration paid by the school is as follows:

Particulars	Amount in Rs.
2014-15	3,96,000
2015-16	5,73,000
2016-17	5,88,000
2017-18*	7,80,000
2018-19*	7,80,000
Total	31,17,000

*The remuneration paid to director has not been provided. Therefore, remuneration provided to the directors for FY 2017-18 and 2018-19 has been computed based on the per month remuneration appearing the salary statement submitted by the school i.e. Rs. 65,000 PM.

As the position of "Director" is not a prescribed post in the Recruitment Rules. Therefore, remuneration paid by school to Director is not in accordance with the DSEAR, 1973. Accordingly, Rs. 31,17,000 is recoverable from the director/ school management being not a authorised expenditure of the school. Thus, it has been included while deriving the fund position of the school with the direction to the school to recover this amount within 30 days from the date of issue of this order.

Further, the school has proposed Rs.8,28,000 as remuneration to Director and Rs. 72,000 as conveyance allowance in the budget for the FY 2019-20, has not been considered in the computation of the fund position of the school. *[Calculated Fund Position of the school has been provided at the latter part of this report.]*

4. 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:
1. award of the scholarships to students,
 2. establishment of any other recognised school, or

3. *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."*

However, on review of the audited financial statements of the FY 2017-18 and FY 2018-19, it has been noticed that the school has paid scholarship to students of Rs. 1,65,600 and Rs.1,94,400 respectively, which is not as per in accordance with the above sub-rule 2 of Rule 177 of DSER 1973. During the personal hearing the school explained that the scholarships was given to meritorious students only.

It is also important to mention there that similar observation was also noted in order no. F.DE.15(52) PSB/2019/767-72 dated 21.01.2019 issued for academic session 2017-18, wherein the school has paid Rs. 72,000 as scholarship fee in FY 2016-17.

In view of above scholarship payments made by the school without complying with the requirements of sub Rule (2) of Rule 177 of DSER, 1973, the total amount of scholarships paid to students out of the school fund totalling to Rs. 4,32,000 is hereby added to the fund position of the school 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 scholarship proposed by the school amounting to Rs. 1,94,400 in the budget for the FY 2019-20 has not been considered while deriving the fund position of the school. *[Calculated Fund Position of the school has been provided at the latter part of this report.]*

5. Directorate's order no. F.DE-15/WPC-4109/Part/13/7914-7923 dated 16.04.2016 regarding fee increase proposals for FY 2016-17 states "*In case, the schools have already charged any increased fee prior to issue of this order, the same shall be liable to be adjusted by the schools in terms of the sanction of the Director of Education on the proposal.*"

During evaluation of fee hike proposal for the FY 2016-17, it was noticed that the school had increased its fees (against all heads of fee except smart class fee) in the range between 7% to 20% during FY 2016-17 without prior approval of the Directorate and as per school submission the school had collected an additional sum of Rs.58,04,940 on

account of increased fee in FY 2016-17. Whereas, post evaluation of fee increase proposal for FY 2016-17 submitted by the school, the fee increase proposal was rejected by DoE with the direction that the increased fee which was already collected from students shall be refunded/adjusted vide Order No. F.DE-15/ACT-I/WPC-4109/PART/13/867 dated 08.08.2017.

During evaluation of fee hike proposal for the FY 2018-19, the documents submitted by the school were taken on record, from examination of the said documents it has been noted that school has not complied with the aforesaid direction i.e. not refunded/adjusted the amount collected from students against the fees receivable for academic session 2017-18 & 2018-19. Further, school continued to charge increased fees for academic session 2017-18 & 2018-19.

During the personal hearing the school explained that the school does not have adequate liquid funds to refund the excess fees collected from the students during FY 2016-17 and that the school has filed writ petition against the above mentioned order of Directorate in the Hon'ble High Court of Delhi (Ref. WP(C) No.11445/2017).

Further as per notes to accounts of the audited financial statements for the FY 2017-18, the school has shown the fee refundable to students as contingent liability of Rs. 56,23,740. Hence the amount shown in the notes to accounts has been considered as the actual amount of increased fee collected from the students during the FY 2016-17 and adjusted while deriving the fund position of the school for FY 2018-19 with the direction to the school to immediately adjust/refund the amount to the students and submit evidence of the same within 30 days from the date of this order.

Further, on review of the fee receipts provided by the school, it has been observed that the school had increased the fee in all heads in FY 2018-19 without obtaining prior approval from the Directorate of Education which is also not in accordance with the above-mentioned provisions. However, actual amount collected by the school due to increase fee could not be identified. Therefore, the school is directed to roll back the increase fee or adjust the excess amount collected by the school against the future fee receivable from the students and submit the compliance report within 30 days from the date of issue of this order. The compliance against this direction will be viewed seriously while evaluating the fee increase proposal of the school for the subsequent years.

6. Para 57 of Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "*An enterprise should determine the present value of defined obligations and the fair value of any plan assets with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.*"

According to para 7.14 of the Accounting Standard 15 – 'Employee Benefits' issued by the Institute of Chartered Accountants of India, "Plan assets comprise:

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



On review of the audited financial statements of the school for the FY 2018-19, and the actuarial valuation report, it has been noted that the school has recorded its liability for gratuity and leave encashment in accordance with the actuarial valuation report. According, actuarial valuation report the total liability towards gratuity was Rs. 2,28,93,679 and towards leave encashment was Rs. 60,81,393 as on 31.03.2019.

Further, the school has invested Rs. 2,09,15,073 & Rs. 51,05,898 for gratuity & leave encashment respectively, with the bank in the form of FDR which does not qualify as plan assets within the meaning of AS-15 issued by ICAI. Thus, the school should deposit the amount determined by actuary in the investment that qualify as "Plan Assets" within 30 days from the date of issue of this order.

The similar observation was noted in Order No. F. DE-15/ACT-I/WPC-4109/PART/13/867 dated 08.08.2017 issued to the school post evaluation of the proposal for fee enhancement for FY 2016-2017, wherein the school was directed to make earmarked equivalent investments against provision for Retirement Benefits with LIC (or any other agency), so as to protect the statutory liabilities of retirement benefits. Similar direction was also given in order no. F.DE.15(52) PSB/2019/767-72 issued to the school post evaluation of the proposal for fee enhancement for FY 2017-18. But the same has not been complied by the school till date.

Since, the school has not complied with the previous direction of this Directorate until now, the amount of Rs. 2,07,95,500 and Rs. 45,93,615 towards gratuity and leave encashment respectively allowed to the school in the previous year have been considered while deriving the fund position of the school. The school is hereby directed to make equivalent investments in plan assets within 30 days from the date of the order. Non-compliance with the above direction would be viewed seriously at the evaluation of fee increase proposal of the subsequent financial year.

Further, the school has proposed Rs. 17,87,500 towards gratuity and leave encashment in the budget for the FY 2019-20 has not been considered while deriving the fund position of the school because the school has not invested any amount in plan assets as per requirement of AS-15 issued by ICAI. [calculated Fund Position of the school has been provided at the later section of this report].

7. Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11.02.2009 states "*Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixtures and equipment. Development Fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund, will be kept in a separately maintained Development fund Account.*"

It has been noted that school has purchased library books amounting to Rs. 83,484 and incurred Rs. 1,33,308 on repair during FY 2016-17. The school has also incurred Rs. 17,63,770 on installation of solar plant during FY 2017-18 and reflected the same as



utilisation of development fund in the audited financial statements. This utilisation of development fund is not accordance with clause 14 of the order dated 11.02.2009.

Similar observation was also noted in order no. F.DE-15/ACT-I/WPC-4109/PART/13/867 dated 08.08.2017 issued post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 and order no. F.DE.15(52) PSB/2019/767-72 dated 21.01.2019 issued post evaluation of the proposal for enhancement of fee for the academic year 2017-18. Wherein the school was directed to ensure that development fund is utilised only towards purchase of furniture, fixture and equipment.

As the development fund can only be utilised for purchase, upgrade and replacement of furniture and fixtures and equipment not for any other purposes. Thus, the school is again directed to ensure the compliance with clause 14 of the order dated 11.02.2009.

8. Direction no. 3 of the public notice dated 04.05.1997 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 Rs.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 11.02.2009 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."*

During the personal hearing, school mentioned that the school had previously incorrectly transferred funds from caution money account to general reserve and that the amount reported as caution money payable in the audited financial statements of Rs. 8,01,866 is incorrect as the school has had collected caution money from 1,770 students @ Rs. 500 per student comes to Rs. 8,85,000. Hence, during the FY 2017-18, school has made adjustment for Rs. 45,113 by transferring from general fund. Further, the school explained that fixed deposits have already been earmarked against caution money and interest earned from the same has been allocated to caution money account, however, the school is not refunding interest along with caution money to students at the time of leaving the school.

The school is hereby directed to ensure the compliance with the above clause 18 of the order dated 11.02.2009 and ensure that caution money is refunded along with interest to the students. Accordingly, the amount to be refunded to the students of Rs. 10,04,417 reflecting in the audited financial statements of the school as on 31.03.2019, has been considered while deriving the fund position of the school.

B. Other Discrepancies

1. 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 11.02.2009 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."

However, it has been noted that the school charges earmarked levies in the form in the form of Transport Fees, Smart Class Fees, Science Fees, Examination Fees, activity fees and assignment Fees from students.

Also, earmarked levies collected from students are a form of restricted funds, which, according to Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India, are required to be credited to a separate fund account when the amount is received and reflected separately in the Balance Sheet.

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

The school was directed in order no. F.DE.15(52) PSB/2019/767-72 dated 21.01.2019 issued for academic session 2017-18 to maintain separate fund account depicting clearly the amount collected amount utilised and balance amount for each earmarked levy collected from students. Unintentional surplus/deficit, if any, generated from earmarked levies has to be utilized or adjusted against earmarked fees collected from the users in the subsequent year. However, on review of the earmarked levies collected and utilised by the school it has been noted that the same is not being charge on no profit and no loss basis. The details of calculation of surplus/deficit, based on breakup of expenditure provided by the school is given below:

Particulars	Transport Fund (Surplus)	Activity Fee	Science Fee	Smart Class Fee	Assignment Fee
For the year 2015-16					
Fee Collected during the year (A)	4,73,440	47,52,480	2,08,800	11,57,000	32,35,800
Expenses during the year (B)			39,649	1,80,389	

Particulars	Transport Fund (Surplus)	Activity Fee	Science Fee	Smart Class Fee	Assignment Fee
Difference for the year (A-B)	4,73,440	47,52,480	1,69,151	9,76,611	32,35,800
For the year 2016-17					
Fee Collected during the year (A)	4,16,475	51,80,850	2,20,880	19,51,600	34,23,040
Expenses during the year (B)			1,47,601	4,87,409	
Difference for the year (A-B)	4,16,475	51,80,850	73,279	14,64,191	34,23,040
For the year 2017-18					
Fee Collected during the year (A)	2,96,186	52,02,360	2,25,280	22,65,400	-
Expenses during the year (B)			10,669	23,69,024	
Difference for the year (A-B)	2,96,186	52,02,360	2,14,611	-1,03,624	-
For the year 2018-19					
Fee Collected during the year (A)	11,86,101	30,11,828	2,22,860	27,18,720	
Expenses during the year (B)	67,811	30,11,828	18,418	27,18,720	
Difference for the year (A-B)	11,18,290	-	2,04,442	-	-
Total	23,04,391	1,51,35,690	6,61,483	23,37,178	66,58,840

* The details of expenses incurred against the activity fee and assignment has not provided by the school.

The school for the first time has started the following fund-based accounting from FY 2018-19. However, the receipts and expenditure against the earmarked levies are not routed through the income and expenditure account and the fund balance has been directly shown in the balance sheet. Which is not in accordance with the above-mentioned provisions. Therefore, the school is hereby directed to follow the fund-based account in accordance with the guidance note-21 issued by the ICAI and route all the income and expenditure through income and expenditure account.

Based on the above provisions, the earmarked levies are to be collected only from the user students availing the service/facility. In other words, if any service/facility has been extended to all the students of the school, a separate charge should not be levied for the service/facility as the same would get covered either under tuition fee (expenses on curricular activities) or annual charges (expenses other than those covered under tuition fee). The school is charging Smart Class Fee and assignment fees from the students of all classes. Thus, the fee charged from all students loses its character of earmarked levy, being a non-user-based fee. Thus, based on the nature of the Smart Class Fee and IT Charges and details provided by the school in relation to expenses incurred against the same, the school should not charge such fee as earmarked levy. The expenses relating to these services / facilities shall be incurred from the tuition fee or from the annual charges, as the case may be.

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

2. Para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states "*Where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year.*" Further, Para 102 of the aforementioned Guidance Note states "*In respect of funds, schools should disclose the following in the schedules/notes to accounts:*"
- (a) *In respect of each major fund, opening balance, additions during the period, deductions/utilisation during the period and balance at the end;*
 - (b) *Assets, such as investments, and liabilities belonging to each fund separately;*
 - (c) *Restrictions, if any, on the utilisation of each fund balance;*
 - (d) *Restrictions, if any, on the utilisation of specific assets."*

Basis the presentation made in the audited financial statements for FY 2017-18 and FY 2018-19 submitted by the school, it was noted that

- The school has transferred an amount equivalent to the purchase cost of assets from development fund and purchase cost of assets from general fund to capital fund. The closing balance of capital fund are equal to written down value of all assets, which is not in accordance with the guidance note as mentioned above.
- As per Para 99 of the guidance note the purchase cost of assets out of development only to be transfer to capital fund and treat it as deferred income to the extent of the cost of the asset, and transfer to the credit of the income and expenditure account in proportion to the depreciation charged every year.

This being a procedural finding, the school is instructed to make necessary rectification entries relating to capital fund/deferred income to comply with the accounting treatment indicated in the Guidance Note.

3. Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 867 dated 08.08.2017 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 and order no. F.DE.15(52) PSB/2019/767-72 dated 21.01.2019 issued post evaluation of the proposal for enhancement of fee for the academic year 2017-18 noted that the fixed asset register has not been maintained by the school as required the order No. F.DE-15/Act-I/WPC-4109/Part/13/10348-10356 dated 20.07.2016.

The school submitted Fixed Assets Register (FAR) only in respect of additions that captured asset name, date, supplier name, Invoice number, quantity and amount. The school should also include details such as manufacturer's serial number, location, depreciation, asset identification number, etc. to facilitate identification of asset and documenting complete details of assets at one place.

During the personal hearing, school mentioned that it is in process of updating fixed asset register and will make recommended changes from FY 2018-19 onwards. The school is directed to update the FAR with relevant details mentioned above. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

The school is directed to ensure that the fixed asset register is updated with aforementioned details in respect of all assets included in the Balance Sheet and not just the additions. Compliance of the same shall be validated the time of evaluation of subsequent fee increase proposal.

4. As per Section 18(5) of the DSEA, 1973, the management 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.

Further, Rule 180 of DSER, 1973 states " (1) every unaided recognised private schools shall submit the returns and documents in accordance with Appendix-1, (2) Every return or documents referred to in sub-rule (1), shall be submitted to the Director by the 31st day of July of each year.(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 any officers authorised by the Comptroller and Auditor General of India"

And Section 24 (2) of DSA. 1973 states "The Director may arrange special inspection of any school on such aspects of its working as may, from time to time, be considered necessary by him".

Whereas Appendix-II to Rule 180 specify that "final accounts i.e. receipts, and payment account, income and expenditure and balance sheet of the preceding year should be duly audited by Chartered Accountant.

And It has been noticed that Financial Documents/ Certificates Attested by third person misrepresenting themselves as CA Members are misleading the Authorities and Stakeholders. ICAI is also receiving number of complaints of signatures of CAs being forged by non CAs.

To curb such malpractices, the Professional Development Committee of ICAI has come out with an innovative concept of UDIN i.e. Unique Document Identification Number which is being implemented in phased manner. It will secure the certificates attested/certified by practicing CAs. This will also enable the Regulators/Banks/Third parties to check the authenticity of the documents.



Accordingly, the Council in the 379th meeting of ICAI held on 17.12.2018 and 18.12.2018, made mandatory for all practicing member to obtain 18 digits UDIN before issuing any audits reports/ certification etc. in the following manner:

- All Certification done by Practising CAs w.e.f. 01.02.2019.
- All GST & Tax Audit Reports w.e.f. 01.04.2019.
- All other attest functions w.e.f. 01.07.2019.

However, on examination of the financial statements submitted by the school for evaluation of fee increase proposal of FY 2019-20, it been has observed that the financial statements of the school were certified by the Chartered Accountant without mentioning the UDIN as required by the council. This being the procedural finding therefore, the school management are instructed to ensure this compliance from the Auditor of the school.

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 FY 2019-20 amounting to Rs. **17,89,06,838** out of which cash outflow in the FY 2019-20 is estimated to be Rs. **10,42,76,761**. This results in net balance of Surplus amounting to Rs. **7,46,30,077** for FY 2019-20 after all payments. The details are as follows:

Particulars	Amount (in Rs.)
Cash and Bank balances as on 31.03.19 as per Audited Financial Statements of FY 2018-19	1,31,44,333
Investments as on 31.03.19 as per Audited Financial Statements of FY 2018-19	7,45,20,063
Liquid Fund as on 31.03.2019	8,76,64,396
Add: Recovery from the society of additions to the Building. [Refer Financial Discrepancies No. 1 given above]	4,57,03,931
Add: Amount recoverable from society/inter-units. [Refer Financial Discrepancies No. 2 given above]	1,17,072
Add: Amount Recoverable from the society as remuneration paid to Director. [Refer Financial Discrepancies No. 3 given above]	31,17,000
Add: Scholarship paid to students in non-conformity of prescribed Rules to be recovered from Society [Refer Financial Discrepancies No. 4 given above]	4,32,000
Add: Fees for FY 2018-19 as per Audited Financial Statements (we have assumed that the amount received in FY 2018-19 will at least accrue in FY 2019-20)	7,75,64,185
Add: Other income for FY 2018-19 as per Audited Financial Statements (we have assumed that the amount received in FY 2018-19 will at least accrue in FY 2019-20)	39,29,618
Total Available Funds for FY 2019-20	21,85,28,202
Less: FDR with joint name of School Manager and DOE as on 31.03.2019	10,65,192

Particulars	Amount (in Rs.)
Less: Development Fund [Refer Note No. 2 below]	65,38,900
Less: Adjustment/Refund of increase fee collected by the school during FY 2016-2017	56,23,740
Less: Staff retirement benefits- Gratuity and Leave Encashment (Investments with LIC) [Refer Financial Discrepancies No. 6 given above]	2,53,89,115
Less: Caution Money balance as on 31 Mar 2019 (as per audited financial statements of FY 2018-2019)	10,04,417
Net Available Funds for FY 2019-20	17,89,06,838
Less: Budgeted expenses as per the Budgeted Financial Statement for the Financial Year 2019-20. (after making adjustment) (Refer NoteNo.3 below)	7,61,41,414
Less: Salary arrears as per 7th CPC from the Jan 2016 to Mar 2020 (As per School Submission)	2,81,35,347
Estimated Surplus	7,46,30,077

Note 1: Fee and income as per audited financial statements of FY 2018-2019 has been considered with the assumption that the amount of income during FY 2018-2019 will at least accrue during FY 2019-20 with adjustment of Rs. 96,00,040 towards concessions reported as expense in the Income & Expenditure Account. Further, earmarked levies collected by the school of Rs.52,52,295 which were reported directly in the Balance Sheet as at 31.03.2019 instead of routing through the Income and Expenditure Account have also been included in the budgeted income of FY 2019-20, being income of the school and the school also proposed both income and expenditure against earmarked levies in the budget.

Note 2: The Supreme Court in the matter of Modern School held that development fees for supplementing the resources for purchase, upgradation and replacements of furniture and fixtures and equipment can be charged from students by the recognized unaided schools not exceeding 15% of the total annual tuition fee. Further, the Directorate's circular no. 1978 dated 16.04.2010 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." Over a number of years, the school has accumulated development fund and has reflected the closing balance of Rs. 2,39,16,484 in its audited financial statements of FY 2018-19. Accordingly, the accumulated reserve of development fund created by the school by collecting development fee more than its requirement for purchase, upgradation and replacements of furniture and fixtures and equipment has been considered as free reserve available with the school for meeting the financial implication of 7th CPC to be implemented by the school. However, development fund equivalent to amount collected in one year (FY 2018-19) from students has been considered for deriving the fund position of the school, which is considered sufficient basis the spending pattern of the school in past.

Note 3: The following expenses are not considered in the determination of fee increase for the FY 2019-20.

Particulars	Amount in Rs.	Remarks
Provision for Gratuity & Leave Encashment	17,87,500	Refer Financial Discrepancies no.6
Remuneration to Director	7,80,000	Refer Financial Discrepancies no.3
Depreciation	39,08,777	Depreciation being non-cash expense, it would not result in cash outflow. Thus, it has not been considered.
Scholarship	1,94,400	Refer Financial Discrepancies no.4

- ii. The School has sufficient funds to carry on the operation of the School for the academic session 2019-20 on the existing fees structure. In this regard, Directorate of Education has already issued directions to the Schools vide order dated 16/04/2010 that,

“All Schools must, first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase.”

AND WHEREAS, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that along with certain financial and other irregularities, that the sufficient funds are available with the school to carry out its operations for the academic session 2019-20. Accordingly, the fee increase proposal of the school may be rejected.

AND WHEREAS, it is also noticed that the School has incurred Rs. 4,57,03,931 for addition to building out of the school fund which is not in accordance with clause 2 of public notice dated 04.05.1997 and rules Rule 177. Further, the school has recoverable balance with society of Rs. 1,17,072 which is not in accordance with the order dated 15.12.1999, paid scholarship of Rs. 4,32,000 without complying provision of Rule 177 and paid remuneration to Director of Rs. 31,17,000. Thus, the school is directed to recover R. 4,93,70,003 from the society. The amount of above receipt along with copy of bank statement showing the receipt of above-mentioned amount should be submitted with DoE, in compliance of the same, within thirty days from the date of issuance of this order. Non-compliance of this shall be taken up as per DSEA&R, 1973.

AND WHEREAS, there are sufficient funds available with the school and in order to protect the interests of the staff the school is directed to deposit to LIC (or similar agency)

amount equivalent to the liabilities for gratuity and leave encashment. Moreover, school is also required to make investments in the joint name of Dy. Director Education (District) and the Manager, School equivalent to the 3 months' salary as salary reserve.

AND WHEREAS, recommendation of the team of Chartered Accountants along with relevant materials were put before the Director of Education for consideration and who after considering all the material on the record, and after considering the provisions of section 17 (3), 18(5), 24(1) of the DSEA, 1973 read with Rules 172, 173, 175 and 177 of the DSER, 1973 has found that the school has sufficient funds for meeting financial implication for the academic session 2019-20. Therefore, Director (Education) has rejected the proposal submitted by the school to increase the fee for the academic session 2019-20.

Accordingly, it is hereby conveyed that the proposal of fee increase **New Green Fields School (School ID-1925266), Alaknanda (Kalkaji), New Delhi-110019**, is rejected by the Director of Education. Further, the management of said School is hereby directed under section 24(3) of DSEAR 1973 to comply with the following directions:

1. Not to increase any fee in pursuance to the proposal submitted by school on any account for the academic session 2019-20 and if the fee is already increased and charged for the academic session 2019-20, the same shall be refunded to the parents or adjusted in the fee of subsequent months.
2. To communicate 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 rectify all the financial and other irregularities/violations as listed above and submit the compliance report within 30 days to the D.D.E (PSB).
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. In case of submission of any proposal for increase in fee for the next academic session, the compliance of the above listed financial and other irregularities/violations will also be attached.

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 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
New Green Fields School (School ID-1925266),
Alaknanda (Kalkaji),
New Delhi-110019,

No. F.DE.15 (193)/PSB/2021 | 3386-90

Dated: 09/09/21

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 concerned ensure the compliance of the above order by the school management.
4. Guard file.



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