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

No. F.DE.15 (483)/PSB/2022/ 2679 – 2683 **Dated:** 10/05/22

Order

WHEREAS, **Lovely Public Senior Secondary School Priya Darshini Vihar, Delhi – 110092 (School Id: 1001198)** (hereinafter referred to as "**the School**"), run by the **Lovely Bal Shiksha Parishad Society** (hereinafter referred to as the "**Society**"), is a private unaided school recognized by the Directorate of Education, Govt. of NCT of Delhi (hereinafter referred to as "**DoE**"), under the provisions of Delhi School Education Act & Rules, 1973 (**hereinafter referred to as "DSEAR, 1973"**). The School is statutorily bound to comply with the provisions of the DSEAR, 1973 and RTE Act, 2009, as well as the directions/guidelines issued by the DoE from time to time.

AND WHEREAS, every school is required to file a full statement of fees every year before the ensuing academic session under section 17(3) of the DSEAR, 1973 with the Directorate. Such statement is required to indicate estimated income of the school to be derived from fees, estimated current operational expenses towards salaries and allowances payable to employees etc. in terms of rule 177(1) of the DSEAR, 1973.

AND WHEREAS, as per section 18(5) of the DSEAR, 1973 read with sections 17(3), 24 (1) and rule 180 (3) of the above DSEAR, 1973, responsibility has been conferred upon to the DoE to examine the audited financial Statements, books of accounts and other records maintained by the school at least once in each financial year. Sections 18(5) and 24(1) and rule 180 (3) of DSEAR, 1973 have been reproduced as under:

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

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

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

AND WHEREAS, besides the above, the Hon'ble Supreme Court in the judgment dated 27.04.2004 held in Civil Appeal No. 2699 of 2001 titled Modern School Vs. Union of India and others has conclusively decided that under sections 17(3), 18(4) read along with rules 172, 173, 175 and 177, the DoE has the authority to regulate the fee and other charges, with the objective of preventing profiteering and commercialization of education.

AND WHEREAS, it was also directed by the Hon'ble Supreme Court, that the DoE in the aforesaid matter titled Modern School Vs. Union of India and Others in para's 27 and 28 in case of private unaided schools situated on the land allotted by DDA at concessional rates that:

"27….

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

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

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

AND WHEREAS, the Hon'ble High Court of Delhi vide its judgement dated 19.01.2016 in writ petition No. 4109/2013 in the matter of Justice for All versus Govt. of NCT of Delhi and Others, has reiterated the aforesaid directions of the Hon'ble Supreme Court and has directed the DoE to ensure compliance of terms, if any, in the letter of allotment regarding the increase of the fee by recognized unaided schools to whom land has been allotted by DDA/ land owning agencies.

AND WHEREAS, accordingly, the DoE vide order No. F.DE.15 (40)/PSB/2019/2698-2707 dated 27.03.2019, directing all the private unaided recognized schools, running on the land allotted by DDA/other land-owning agencies on concessional rates or otherwise, with the condition to seek prior approval of DoE for increase in fee, to submit their proposals, if any, for prior sanction, for increase in fee for the session 2018-19 and 2019-20.

AND WHEREAS, in pursuance to order dated 27.03.2019 of the DOE, the **Lovely Public Senior Secondary School Priya Darshini Vihar, Delhi – 110092 (School Id: 1001198),** submitted the proposal for fee increase for the academic session **2019-20**. Accordingly, this order dispenses the proposal for enhancement of fee submitted by the School for the academic session **2019-20.**

AND WHEREAS, 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 26.11.2019 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(413) PSB/2018/30066-71 dated 30.11.2018 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 and subsequent documents submitted by the school were thoroughly evaluated by the team of Chartered Accountants and key observations noted are as under:

A. Financial Observations

1. As per direction no. 2 included in the Public Notice dated 04.05.1997, "*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 30.10.1998 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 10.02.2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*"

Further, Rule 177 of DSER,1973 states "*income derived by an unaided private 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 management committee for meeting capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely award of scholarships to students, establishment of any other recognised school, or assisting any other school or educational institution, not being a college, under the management of the same society or trust by which the first mentioned school is run*".

The abovementioned savings 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 developmental nature;

c) The expansion of the school building or for the 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.

Based on the above-mentioned provisions, the cost relating to land and construction of the school building should be met by the society, being the property of the society not from the school funds.

The audited financial statements of the school for the FY 2017-18 revealed that school has spent INR 60,98,822 (INR 46,01,757 in main school and INR 14,97,065 in primary school) on construction of building in name of furnishing and finishing out of school funds which is in contravention of aforesaid provisions.

Further, the DoE vide its order no. F.DE.15(413) PSB/2018/30066-71 dated 30.11.2018 issued for academic session 2017-18 post evaluation of fee increase proposal for the financial year 2017-18, directed to the school to recover INR 49,50,043 from the society on account of expenditure incurred on construction of building during the FY 2014-15 which is yet to be recovered from the society. Thus, the total amount of INR 1,10,48,865 spent by the school on construction of the building is recoverable from the society and has been included while deriving the fund position of the school on the assumption that this is available with the school. The school is directed to recover this amount from the society within 30 days from the date of the issued of this order. The school is further directed that do not utilise the school fund on construction of the school building in contravention of the aforesaid clause. *[Calculated Fund Position of the school has been provided at the latter part of this report.]*

2. From review of the audited financial statements of the school, it was noted that the school has purchased vehicles of INR 57,24,097 and INR 28,63,100 during the FY 2017-18 and 2018-19 respectively out the school funds. This capital expenditure was incurred without complying the requirements prescribed in Rule 177 of DSER, 1973. Therefore, the amount totalling of INR 85,87,197 utilized by the school for purchase of vehicles has been considered while deriving the fund position of the school with the direction to school to recover this amount from the society within 30 days from the date of issue of this order. [Calculated Fund Position of the school has been provided at the latter part of this report.]

3. 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.*"

The audited financial statements of the school revealed that school has been using development fund for meeting revenue expenditure as well as purchase of assets other than furniture, fixture and equipment's in contravention of clause 14 of the order dated 11.02.2009. As per clause 14 of the order dated 11.02.2009 development fund can only be utilised for purchase, upgrade and replacement of furniture and fixtures and equipment not for any other purposes. The details of utilisation of development fee in contravention of clause 14 are as under:

Particulars	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Fixed Assets other than Furniture and Fixture and Equipment				
Building	-	-	60,98,822	-
Bus	66,000	-	-	
Badminton Court	-	-	-	8,00,000
Library Books	2,21,820	77,083	1,08,230	2,640
Revenue Expenditure				
Boundary wall renovation	-	9,42,109	-	-
Conference room renovation	-	9,40,034	-	-
Swimming Pool	-	19,59,471	-	-
Road maintenance	-	4,46,851	-	-
Science lab renovation	10,14,740	-	-	22,27,082
Mind power lab	6,33,720	-	-	-
ASL Room	9,01,942	-	-	-
Furnishing and Fitting	-	5,32,079	-	-
Match Lab	-	91,545	-	-
Robotic Lab	-	1,50,685	-	
Total	**28,38,222**	**51,39,857**	**62,07,052**	**30,29,722**

The DOE in its order no. F.DE.15(413) PSB/2018/30066-71 dated 30.11.2018 issued post evaluation of the proposal for enhancement of fee for the academic year 2017-18, noted similar observation wherein the school was directed to follow correct accounting procedure in accordance DSEAR,1973 and other orders issued by the directorate for arriving at correct position of the general reserve and development fund balance. But the school has not yet complied with direction of the department and has been continuously utilising development fee in contravention of clause 14 of the order dated 11.02.2009.

Therefore, the school is again directed to follow correct accounting with respect to development fund and make the necessary rectification entries in its books of accounts and report the correct development fund and general fund balance in its audited financial statements. In case the school fail to comply with the above direction necessary action against the school will be taken under section 24 of the DSEA, 1973.

4. As per Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "*Accounting for defined benefit plans is complex because actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses.*" Further, the Accounting Standard defines Plan Assets (the form of investments to be made against liability towards retirement benefits) as:
   a. Assets held by a long-term employee benefit fund; and
   b. Qualifying insurance policies

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

   From review of the audited financial statements of the school for the FY 2018-19, it was noted that provision of INR 2,15,67,966 towards gratuity and INR 58,12,619 towards leave encashment was created in accordance with the actuarial valuation report without making any investment in plan assets. The school claimed that it has investment in the form of FDR against gratuity and leave encashment of INR 98,82,187 which can be utilised for payment of these liability. But the investment made by the school in the form of FDR is not in accordance with AS-15 and therefore, the same has been considered while deriving the fund position the school.

   In the absence of the investment in plan assets the total amount proposed by the school of INR 29,00,000 toward gratuity and leave encashment has not been considered while deriving the fund position of the school.

   Thus, the school is directed to deposit the amount determined by the actuary in plan assets as per the requirements of AS-15 and submit the compliance report within 30 days from the date of issue of this order. [Calculated Fund Position of the school has been provided at the latter part of this report.]

5. Clause 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 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 11.02.2009 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, the school has submitted that only principal amount is being refunded to the students at the time of his /her leaving from the school which is not in accordance with the clause 18 of the order dated 11.2.2009 and clause 3 of the Public Noted dated 04.05.1997. The school is hereby directed to comply with the above-mentioned provisions with respect to caution money collected from the student. Therefore, the amount refundable INR 8,12,500 as on 31.03.2019 as per the audited Financial Statements has 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.]

B. Other Observations

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 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, 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 information provided by the school were taken on record. As per the details provided by the school it has been noted that the school charges earmarked levies in the form of Transport Fees, Technology and Activity Fees, Examination Fees from students without maintaining separate fund accounts and on which school has been generating either surplus or incurring deficit. 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. The details of calculation of surplus/deficit, based on financial statements is given below:

Particulars	Income	Expenditure	Net Surplus/Deficit
Transportation Fee	1,38,33,330	1,70,03,799	**(31,70,469)**
Examination Fees	15,78,940	16,02,710	**(23,770)**
Technology and Activity Fees*	3,48,51,856	-	**3,48,51,856**
Total	**5,02,64,126**	**1,86,06,509**	**3,16,57,617**

*The school has not provided corresponding expenditure incurred against the earmarked levies.

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 "Technology and Activity 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. Thus, the school should not charge "Technology and Activity Fee" as earmarked fee. The expenses relating to these services / facilities shall be incurred from tuition fee and annual charges, as the case maybe.

Thus, 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.

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

2. 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."

From the financial year 2018-19 the school has started following para 99 partially i.e. on purchase of the assets out of the development fund/fee, the school transfer an amount equivalent to cost of assets purchased to deferred income. But this deferred income should be written off in the proportion of deprecation charged in every year.

Further, the directorate through its order no. F.DE.15(413) PSB/2018/30066-71 dated 30.11.2018 issued for academic session 2017-18, directed to the school to correct and accounting procedure and determine the correct fund balance of the school. But the school has to comply with this direction. This is being accounting issue not financial impact has been given while deriving the fund position of the school for this point.

Therefore, the school is again directed to follow correct accounting with respect to development fund and make the necessary rectification entries in its books of accounts and report the correct development fund and general fund balance in its audited financial statements. In case the school fail to comply with the above direction necessary action against the school will be taken under section 24 of the DSEA, 1973.

3. As per order No. F.DE. /15(56)/Act/2009/778 dated 11.02.2009, the development fee shall be collected only if the school is maintaining depreciation reserve fund equivalent to the depreciation charged in the revenue accounts.

On review of the audited financial statements of the FY 2017-18 and FY 2018-19, it was noted that school has utilised depreciation reserve fund for purchase of fixed assets of INR 1,06,22,593 and INR 72,47,517 in FY 2017-18 and FY 2018-19 respectively.

Further, as per para 99 the depreciation reserve is merely an accounting entry which cannot be utilised to purchase of fixed assets. This clearly indicates that the school need to ensure compliance with para 99 of the Guidance Note-21 "Accounting by School". This being procedural observation no impact has been given while deriving the fund position for the school. Therefore, school is directed to follow correct accounting procedure in accordance with the provisions of DSEAR, 1973 and other orders issued by the Directorate for arriving at correct position of general reserve, depreciation reserve fund and development fund balance.

4. As per per order no. No. F.DE-15/ACT-I/WPC-4109/Part/13/ 7914-7923 dated 16.04.2016 read with order of Hon'ble High Court of Delhi dated 19.01.2016 in writ petition No. 4109/2013 in the matter of Justice for All versus GNCTD and others and the decision of Hon'ble Supreme Court in the judgment dated 27.04.2004 passed in Civil Appeal No. 2699 of 2001 titled Modern School V. Union of India and others, all Private Unaided recognised Schools, allotted land by the land owning agencies on the condition of seeking prior sanction of Director of Education for increase in fee, shall apply to the Director Education for increase in fee and shall increase the fee only if the same has been approved by the Director Education.

However, it was noted that the school increased its fee in FY 2016-17 without taking prior approval from the Director of Education, under the head examination fee, annual charges, board fees and pupil fund fee wherein increase in fee collection was more than 10% though the increase in students was 2% only. Further, the Directorate in its order F.DE.15(413) PSB/2018/30066-71 dated 30.11.2018 issued for academic session 2017-18, directed to the school to refund or adjust the increased fee in subsequent months.

However, during the personal hearing the school confirmed that it has neither refunded nor adjusted the excess amount collected by it.The details of fee increased and increase in students are as follows:

Particulars	2015-16	2016-17	Difference	Change in %
Examination Fees	30,82,500	46,63,000	15,80,500	51%
Annual Charges	81,05,180	95,37,840	14,32,660	18%
Board Fees	-	7,57,690	7,57,690	-
Pupil Fund Fees	40,97,071	50,98,065	10,00,994	24%
No. of students	2,859	2,924	65	2%

In view of above it is clear that the school has increased the fee in contravention of aforesaid order and order of Hon'ble High Court of Delhi. Thus, the school is once again directed to ensure the compliance with the aforesaid order and submit the compliance report within 30 days from the date of issue of this order. In case the school fails to comply with this direction necessary action as per the provision of DSEAR,1973 will be taken by the department.

5. The school has not prepared Fixed Assets Register (FAR) for keeping track of fixed assets purchased by it. The school should prepare a FAR, which should include details such as asset description, purchase date, supplier name, invoice number, manufacturer's serial number, location, purchase cost, other costs incurred, depreciation, asset identification number, etc. to facilitate identification of asset and complete details of assets at one place.

   During the personal hearing, school submitted that it would start preparation of FAR from FY 2019-20 onwards. The compliance of which will be verified while evaluating the fee increase proposal for FY 2020-21. This being a procedural observation, no financial impact is warranted for deriving the fund position of the school.

6. 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 payments account, income and expenditure account and balance sheet of the preceding year should be duly audited by Chartered Accountant.

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 for 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 observation 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 INR **26,75,02,563** out of which cash outflow in the FY 2019-20 is estimated to be INR **26,98,43,301.** This results in deficit amounting to INR **23,40,738** for FY 2019-20 after all payments. The details are as follows:

Particulars	Amount INR
Cash and Bank balances as on 31.03.19 as per Audited Financial Statements of FY 2018-19	3,36,66,154
Investments as on 31.03.19 as per Audited Financial Statements of FY 2018-19	4,34,78,551
Liquid Fund as on 31.03.2019	**7,71,44,705**
Add: Amount spent on construction of building recoverable from the society **(Refer Financial Observations No.1)**	1,10,48,865
Add: Amount spent for vehicles recoverable from the society **(Refer Financial Observations No.2)**	85,87,197

Particulars	Amount INR
Add: Fees for FY 2018-19 as per Audited Financial Statements **(Refer Note 1 Below)**	20,26,33,945
Add: Other income for FY 2018-19 as per Audited Financial Statements **(Refer Note 1 Below)**	53,82,210
Total Available Funds for FY 2018-19	**30,47,96,922**
Less: FDR with joint name of School Manager and CBSE as on 31.03.2018 **(Refer Note 2 Below)**	9,91,668
Less: FDR with joint name of School Manager and DOE as on 31.03.2018 **(As per School submission) (Refer Note 3 Below)**	3,39,213
Less: FDR with joint name of school's manager and DOE towards 3 months' salary reserve **(As per School submission) (Refer Note 4 Below)**	3,22,65,483
Less: Development Fund **(Refer Note 5 below)**	16,93,698
Less: Caution Money **(Refer Financial Observations No.5)**	8,12,500
Less: ATL Fund **(Refer Note 6 Below)**	11,91,797
Less: Depreciation Reserve Fund **(Refer Note 7 Below)**	-
Less: Staff retirement benefits-Gratuity and Leave Encashment **(Refer Financial Observations No.4)**	-
Net Available Funds for FY 2019-20	**26,75,02,563**
Less: Budgeted expenses as per the Budgeted Financial Statement for the Financial Year 2019-20 **(Refer Note 8 & 9 Below)**	**24,14,40,500**
Less: Salary arrears as per 7th CPC from the Jan 2016 to Mar 2018 **(As per School Submission) (Refer Note 9 Below)**	**2,84,02,801**
Deficit	**23,40,738**

Notes:

1. The total income as per audited Financial Statements of FY 2018-19 has been considered with the assumption that the amount received in FY 2018-19 will at least accrue during FY 2019-20.

2. The school has made investment in the form of FDR in the joint name of the school and Secretary, CBSE. The fixed deposit balance of INR 9,91,668 as on 31.03.2019 as provided by the school, has been excluded while deriving the fund position of the school.

3. The school has made specific investment in the form of FDR the joint of DOE and school. The fixed deposit balance of INR 3,39,213 as on 31.0.3.2019 as provided by school, has been excluded while deriving the fund position of the school.

4. As per condition of recognition letter and clause 10 of Form 2 of Right of Children to Free and Compulsory Education Act, 2009, the school is required to maintain liquidity in the form of investments of 3 months salary and this investment should be in the joint name of the Deputy Director (Education) and Manager of the school. During the evaluation the school has provided details of FDR of INR 3,22,65,483 which is in joint name of the Deputy Director and Manager of the school. Therefore, this earmarked investment has been adjusted while deriving the fund position of the school.

5. During the FY 2018-19 the school has done prior period adjustments in the development fund due to which correct closing balance cannot be arrived. As the school is maintaining separate bank account for collection of development fee. Therefore, the balance lying in bank account specifically for this purpose, INR 16,93,698 has been considered against the closing balance of INR 4,46,58,422 as on 31.03.2019.

6. Amount included in the school fund toward ATL lab has been adjusted while deriving the fund position of the school.

7. As per the accounting principle the depreciation reserve fund is to be created when the depreciation is debited to income and expenditure account and corresponding depreciation reserve is created. Further the creation of the depreciation reserve fund is a pre-condition for charging development fee, as per the decision of Hon'ble Supreme court in case of Modern School Vs Union of India & Ors, 2004(5) SCC 583. Also, para 99 of Guidance Note-21 'Accounting by School' issued by the Institute of Chartered Accountants of India states that "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."

   Accordingly, depreciation reserve (that is to be created equivalent to the depreciation charged in revenue account) is mere 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 fund position of the school. Hence, it has not been excluded deriving the fund position of the school.

8. Depreciation being non-cash expense has not been considered because there will not any outflow for this.

9. As per financial observation no. 4, in the absence of the investment in plan assets the amount proposed by the school of INR 29,00,00 toward gratuity and leave encashment has not been considered while deriving the fund position of the school.

   Further, the school has proposed INR 1,41,19,400 towards salary reserve in the budget for the FY 2019-20 has not been considered while deriving the fund position of the school as the entire deposit made by the school in the name of of Dy. Director (Education) and Manager of the school has been excluded in the fund available with the school. Also, arrears payable on account of 7th CPC INR 2,84,02,801 as per the school has also been considered.

ii. The School does not have sufficient funds to carry on the operation of the school for the academic session 2019-20 at the existing fee 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 observations, that funds are not 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 accepted.

AND WHEREAS, it is also noticed that the School has incurred INR 1,10,48,865 for construction building and INR 85,87,197 for purchase of buses out of the school fund which is not in accordance with clause 2 of public notice dated 04.05.1997 and Rule 177. Thus, the school is directed to recover INR 1,96,36,062 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, the recommendations 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 funds are not available with the school for meeting financial implication for the academic session 2019-20.

AND WHEREAS, it is relevant to mention that Covid-19 pandemic had a widespread impact on the entire society as well as on general economy. Further, charging of any arrears on account of fee for several months from the parents is not advisable not only because of additional sudden burden fall upon the parents/students but also as per the past experience, the benefit of such collected arrears are not passed to the teachers and staff in most of the cases as was observed by the Justice Anil Dev Singh Committee during the implementation of the 6th CPC. Keeping this in view, and exercising the powers conferred under Rule 43 of DSER, 1973, the Director (Education) has accepted the proposal submitted by the school and allowed an increase in fee by 5% to be effective from 1st July 2022.

AND WHEREAS, the school is directed, henceforth to take necessary corrective steps on the financial and other observations noted during the above evaluation process and submit the compliance report within 30 days from the date of this order to the D.D.E (PSB).

Accordingly, it is hereby conveyed that the fee hike proposal for the academic session 2019-20 of **Lovely Public Senior Secondary School Priya Darshini Vihar, Delhi – 110092 (School Id: 1001198),** is accepted by the Director (Education) and school is allowed to increase the fee by 5% with effect from 1st July 2022. Further, the management of said school is hereby directed under section 24(3) of DSEAR 1973 to comply with the following directions:

1. To increase the fee only by the prescribed percentage from the specified date.

2. To ensure payment of salary is made in accordance with the provision of Section 10(1) of the DSEA, 1973. Further, the scarcity of funds cannot be the reason for non-payment of salary and other benefits admissible to the teachers/ staffs in accordance with section 10 (1) of the DSEA, 1973. Therefore, the Society running the school must ensure payment to teachers/ staffs accordingly.

3. To utilize the fee collected from students in accordance with the provisions of Rule 177 of the DSER, 1973 and orders and directions issued by this Directorate from time to time.

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

This 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
Lovely Public Senior Secondary School (School Id: 1001198)
Priya Darshini Vihar,
Delhi – 110092

No. F.DE.15 (483)/PSB/2022/ 2679-2683 Dated: 10/05/22

Copy to:

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

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