

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

No. F.DE.15(592)/PSB/2022/3494-3498

Dated: 25/05/22

ORDER

WHEREAS, K.R Mangalam World School, H- Block Vikas Puri, New Delhi-110018 (School Id: 1618208, (hereinafter referred to as "the School"), run by the All India Kataria Education Society of the Diocese of Delhi, Church on North India (hereinafter referred to as "Society"), is a private unaided School recognized by the Directorate of Education, Govt. of NCT of Delhi (hereinafter referred to as "DoE"), under the provisions of Delhi School Education Act & Rules, 1973 (hereinafter referred to as "DSEAR, 1973"). The School is statutorily bound to comply with the provisions of the DSEAR, 1973 and RTE Act, 2009, as well as the directions/guidelines issued by the DoE from time to time.

AND WHEREAS, every School is required to file a full statement of fees every year before the ensuing academic session under section 17(3) of the DSEA, 1973 to the DoE. Such full statement of fee is required to indicate estimated income of the school to be derived from the fees and estimated operational expenses to be incurred during the ensuing year towards salaries and allowances payable to employees etc in terms of Rule 177(1) of the DSER, 1973.

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

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

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

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

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

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

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

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

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

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

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

AND WHEREAS, in pursuance to order dated 27.03.2019 of the DoE, the School submitted its proposal for enhancement of fee for the academic session 2019-20. Accordingly, this Order dispenses the proposal for enhancement of fee submitted by the school for the academic session **2019-20**.

AND WHEREAS, in order to examine the proposals submitted by the schools for fee increase for justifiability or not, the DoE has deployed teams of Chartered Accountants at HQ level who has evaluated the fee increase proposals of the school carefully in accordance with the provisions of the DSEAR, 1973, and other Orders/ Circulars issued from time to time by the DoE for fee regulation.

AND WHEREAS, in the process of examination of fee hike proposal filed by the aforesaid School for the academic session 2019-20, necessary records and explanations were also called from the school through email. Further, the School was also provided an opportunity to be heard on 25.11.2019 to present its justifications/ clarifications on fee increase proposal including audited financial statements. Based on discussions, the school was further asked to submit necessary documents and clarification on various issues. During the aforesaid hearing compliances against order no. F.DE.15(139) PSB/2019/1897-1901 dated 22.02.2019 issued for academic session 2017-18 were also discussed and school submissions were taken on record.

AND WHEREAS, the response of the school along with documents uploaded on the web portal for fee increase, and subsequent documents submitted by the school, were evaluated by the team of Chartered Accountants; the key observations noted are as under:

A. Financial Observations

1. Section 18 (4) DSEA 1973 states *"income derived by unaided schools by way of fees shall be utilized only for such educational purposes as may be prescribed"*. 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"*.



The DoE in its order no. F.DE.15(139) PSB/2019/1897-1901 dated 22.02.2019 issued for academic session 2017-18 post evaluation of fee increase proposal, noted that the school had utilized the school funds for purchase of luxury car- verna for INR 13,26,308 during the FY 2014-15. This car was purchase without complying with the above-mentioned provision. Accordingly, the school was directed to recover this amount of INR 13,26,308 from the Society which is still pending for recovery. Accordingly, it has been included while deriving the fund position of the school with the direction to the school to recover this amount from the Society within 30 days from the date of issue of this order.

2. The Hon'ble High Court of Delhi in its Judgment dated 30.10.1998 in case of Delhi Abibhavak Mahasangh concluded held 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*".

Further, Rule 177 of DSER, 1973 states "*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 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*".

And the above-mentioned 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.

From review of the audited financial statements, it has been noted that the school has taken secured loans for purchase of buses and cars and utilised school funds for repayment of loan and interest cost thereon without complying the above-mentioned provisions. Rule 177 of DSER, 1973 states that the income of the school at first instance should be used for meeting the establishment cost including the retirement benefit payable to the staff and balance if any should be used for meeting capital and contingent expenditure of the school. From the documents submitted by the school, it has been noted that the school has utilised school funds for purchase of buses and cars and submitted the proposal for fee increase that translates to constituting capital expenditure as component of the fee structure. It has also been noted that the school has incurred these expenditures before paying salary arrears to it staff as per the recommendation of the 7th CPC and before investing an amount equivalent to the liability determined by the actuary for retirement benefits in plan assets within the meaning of AS-15. The details of down payment, repayment of loan and interest paid thereon by the school are provided below.



Particulars	Interest Paid	Repayment of Loan	Down Payments
FY 2017-18	6,58,304	31,97,516	7,91,389
FY 2018-19	8,04,641	48,55,773	6,61,627
Total	14,62,945	80,53,289	14,53,016

The DoE in its Order No. F.DE.15(139) PSB/2019/1897-1901 dated 22.02.2019, issued for academic session 2017-18, noted similar observation wherein the school had also utilized the school funds for repayment of loan and interest cost thereon towards purchase of bus and car. In the aforesaid order, it was noted that the school had purchased buses and car by taking loan and had repaid INR 37,98,391 towards principal and INR 6,94,335 towards interest cost during the FY 2014-15 to 2016-17. Accordingly, the school was directed to recover INR 44,92,726 from the Society which is still pending for recovery.

Therefore, the total amount of INR 1,54,61,976 (INR 14,62,945 plus INR 80,53,289 plus 14,53,016 and INR 44,92,726) spent by the school in contravention of the above-mentioned provisions has been included in the calculation of fund position of the school with the direction to the school to recover this amount from the Society withing 30 days from the date of issue of this order. The school is further directed to ensure that the capital expenditure should be incurred only if there is saving derived in terms of Rule 177 of the DSER, 1973.

Further, the amount proposed by the school of INR 8,50,000 towards payment of interest and INR 21,00,000 towards repayment of loan related to the aforesaid loan taken for purchase of buses has not been considered in the total budgeted expenditure of the school.

3. Clause 14 of DoE'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, up gradation 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 from this fund, will be kept in a separately maintained Development Fund Account."*

During, person hearing, the school explained that it has stopped collection of development fee with effect from FY 2012-13. On review of the documents submitted by the school it has been noted that the school in order to avoid compliance with Clause 14 of the order dated 11.02.2009, has merged its fee structure into one single head called "Fees". So that it school can utilise amount collected from the students freely. Thus, the claim of the school that it has stopped collection of development fee is not correct as the school has been collecting same fee from the students by changing the nomenclature of the fee head. By doing so the total collection of the school has not affected at all as the school is able to generate same amount of fee as it was collection before this merger of the fee.

As per clause 14 of the order dated 11.02.2009, the development fee can only be utilized for purchase, upgrade and replacement of furniture of fixture and equipment, it cannot be utilized by the school for any other purposes other than specified in clause 14 of the order dated 11.02.2009. The similar observation was noted by DoE while evaluating the fee increase proposal for FY



2017-18 wherein the school was not to club the development fee with other type of fee because development fee is of capital nature and can be utilized for limited purposes while the other fee is of revenue nature. But the school has not complied with this direction.

Accordingly, the capital expenditure proposed by the school of INR 1 Core under different heads has not to be considered while deriving the fund position of the school. The school is further directed not to incur any capital expenditure out of the school funds unless there is saving derived in accordance with Rule 177 of DSER, 1973.

4. 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 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."*

The documents submitted by the school were taken on record. Review of the documents submitted and the audited financial statements of FY 2018-19 revealed that the School has reported total liability of INR 2,08,23,596 towards gratuity and INR 4,27,824 towards leave encashment based on the actuarial valuation report. It has also been noted that the school has taken group gratuity scheme from LIC and has invested INR 1,00,00,000 on 18 November 2019 and INR 1,08,00,000 on 23 January 2020 with LIC and provided the receipt of the same. As this investment with LIC qualifies as plan assets within the meaning of AS-15. Therefore, the actual investment of INR 2,08,00,000 with LIC has been considered while deriving the fund position of the school. Further, the amount proposed by the school towards gratuity and leave encashment during the FY 2019-20 has not been considered in order to avoid the duplicity. The school is hereby directed to invest an amount equivalent to the amount determined by the actuary for leave encashment in plan assets within 30 days from the date of the order and submit status of compliance.

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."*

On review of the financial statements, it has been noted that the school has been collecting caution money from the students. However, 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 above-mentioned provisions. The school should refund the caution money to the student along with the interest earned on the same not only the amount actually collected from them. Therefore, the school is directed to ensure compliance with the above-mentioned provisions with respect collection and refund of caution money.

Further, Clause 18 of Order No. F.DE. /15 (56) /Act /2009 / 778 dated 11.02.2009, no Caution money/security deposit of more than INR 500 per student shall be charged. Review of the audited financial statements of the school of FY 2018-19 revealed that the school has reported security deposit (transport) of INR 88,27,024 as on 31.03.2019. From review of the fee structure, it has been noted that the school has been collecting security deposit @ INR 15,000 from the user of the transport facility which is not in accordance with the Clause 18 of the Order dated 11.2.2009. Neither any provision of the DSEAR, 1973 nor any circular/ order of the DoE permits the school to collect any security deposit from the students other than specified under Clause 18 of the Order dated 11.02.2009. Therefore, the school is directed to refund this amount to students immediately and submit the status of compliance within 30 days from the date of issue of this order. Accordingly, this amount has been included while deriving the fund position of the school.

6. Section 13 (1) of the Right to Education Act, 2009 states that *"no school or person shall, while admitting a child, collect any capitation fee and subject the child or his or her parents or guardian to any screening procedure"*.

Section 13 (2) of the Right to Education Act, 2009 states that *"Any school or person, if in contravention of the provisions of sub-section (1):*

- a. *receives capitation fee, shall be punishable with fine which may be extended to ten times the capitation fee charged.*
- b. *subjects a child to screening procedures shall be punishable with a fine which may extend to twenty-five thousand rupees for the first contravention and fifty thousand rupees for each subsequent contravention.*

And section 2(b) of the Right to Education Act, 2009 states *"capitation fee" means any kind of donation or contribution or payment other than the fee notified by the school.* Further, the Supreme Court in its Judgement dated 02 May 2016 in the matter of Modern 'Dental College and Research Centre Vs. State of Madhya Pradesh [Medical Council of India]' held that education is a noble profession and emphasized that:

"Every demand of capitation fee by educational institutions is unethical & illegal. It emphasized that commercialization and exploitation are not permissible in the education sector and institutions must run on a 'no-profit-no-loss' basis".

The Hon'ble Supreme Court categorically held that *"though education is now treated as an 'occupation' and, thus, has become a fundamental right guaranteed under Article 19(1) (g) of the Constitution, at the same time shackles are put in so far as this particular occupation is concerned, which is termed as noble. Therefore, profiteering and commercialization are not*



permitted, and no capitation fee can be charged. The admission of students has to be on merit and not at the whims and fancies of the educational institutions,"

Further, the Hon'ble High Court in LPA 196/2004 in the matter of '*Rakesh Goyal Vs. Montfort School and Section 13(1) of RTE Act, 2009*' states "*no school or person shall, while admitting a child, collect any Capitation fee/Donation from the parents. Any school or person who contravenes this provision and receives a capitation fee, shall be punishable with a fine which may extend to ten times the capitation fee charged*".

Further, The Directorate of Education, vide Order No. DE15/ Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and Order No.F.DE./15(56)/ Act/2009/778 dated 11.02.2009, indicated the following types of Fee that a recognised private unaided school can collect from the students/parents:

- a. **Registration Fee:** Registration fee INR 25 per student prior to admission, shall be charged.
- b. **Admission Fee:** No admission fee of more than INR 200/- per student, at the time of the admission shall be charged. The admission fee shall not be charged again from any student who is once given admission as long as he remains on the rolls of the school. Further, Clause 4 of the Public notice dated 04.05.1997 states "*admission fee can be charged only at the nominal rate but not exceeding INR 200 in any case. It should not be made a regular practice. Once a student is admitted in the school, he should not be asked to pay admission fee again at middle or secondary or senior secondary stage*".
- c. **Caution Money:** No Caution Money/ Security Deposit of more than INR 500 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 he/she requests for a refund. Thus, it is not an income of the school, but a deposit/ liability which is to be refunded at the time of students leaving the school.
- d. **Tuition Fee:** It is required to be determined so as to cover the standard cost of the establishment including provisions for DA, bonus etc. and all terminal benefits, as also the expenditure of revenue nature concerning curricular activities. No fee shall be charged in excess of the amount so determined.
- e. **Annual Charges:** Annual charges are expected to cover all revenue expenditure not included in tuition fee and overhead and expenditure on playgrounds, sports equipment, cultural and other co-curricular activities as distinct from curricular activities of the school.
- f. **Earmarked Levies:** Earmarked levies are required to be charged from the user students only. Earmarked levies for the services rendered are to be charged on no profit no loss basis in respect of facilities provided to the user students involving additional expenditure in the provision of the same.

- g. **Development Fee:** It is to be treated as capital receipts and utilized towards purchase, upgradation and replacement of furniture, fixture and equipment.

Based on the provisions mentioned above, charging of 'Orientation Fee' from the students at the time of admission is nothing but is in the nature of capitation fee only. Additionally, not only the charging of one-time fee at the time of admission is tantamount to capitation fee but also if the school is charging unwarranted fee under different heads or introduce new head of fee other than the prescribed heads of fee and accumulates surplus funds out of it, it is also prima-facie considered to be as collection of capitation fee in other manner and form.

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.

Further, as per Section 27 of the DSEA, 1973, the Manager of the school is responsible to look after the operation of the school smoothly and to ensure compliance with the provisions of the DSEAR, 1973 including the compliance of the High Court/Supreme Court and orders/circulars issued by the Directorate of Education from time to time in this regard. As the manager and principal have been bestowed with the power to ensure proper functioning of the school, including the admission process transparent, are jointly as well as in their personal capacity be responsible for levy and collection of capitation fee and any another unauthorized fee collected by the school.

Therefore, the school is directed not to collect orientation fee as mentioned above with immediate effect and recover this amount from the manager/ principal of the school along with the penalty of 10 times and refund/ adjust the same against the subsequent installment of fee payable by the students. The school is also directed to submit compliance status within 30 days from the date of issue of this order. Non- compliance with this direction would be reviewed seriously and a necessary action against the school will be initiated U/s 24(4) of the DSEA, 1973.

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 Guidance Note lays down the concept of fund-based accounting for restricted funds, whereby upon incurrance 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, it has been noted that the school charges earmarked levies in the form of Transport Fees from the students. However, the school has not been maintaining separate fund accounts. The school has been generating surplus from this earmarked levy, which has been utilized for meeting other expenses of the school. The DoE in its Order No. F.DE.15(139) PSB/2019/1897-1901 dated 22.02.2019 issued to the school post evaluation of fee increase proposal of FY 2017-18, directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from student, but the school has not complied yet. The details of surplus of last three financial years are given below:

Particulars	Amount (in INR)
For the year 2015-16	
Fee Collected during the year (A)	2,43,91,223
Expenses during the year (B)	2,39,22,109
Difference for the year (A-B)	4,69,114
For the year 2016-17	
Fee Collected during the year (A)	2,32,78,930
Expenses during the year (B)	2,29,28,401
Difference for the year (A-B)	3,50,529
For the year 2017-18	
Fee Collected during the year (A)	2,99,82,660
Expenses during the year (B)	2,92,24,126
Difference for the year (A-B)	7,58,534
Total	15,78,177

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

2. Directorate's order No. F.DE.15(139) PSB/2019/1897-1901 dated 22.02.2019 issued to the school post evaluation of proposal for enhancement of fee for FY 2017-2018 noted that the school did not prepare Fixed Assets Register (FAR)'.

During personal hearing, the school mentioned that it will prepare FAR in proper format from FY 2019-20 onwards. Therefore, the School is directed to prepare FAR with relevant details such

as supplier name, invoice number, purchase date, manufacturer's serial number, quantity, purchase cost, other costs, location, asset identification number, depreciation, etc. to facilitate identification of asset and documenting complete details of assets at one place. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

3. Review of the audited financial statement of the school, it has been noted that the school has been incurring on an average INR 1.5 Crores for housekeeping charges which appears to be on higher side considering the size of the school and nature of expenses. Therefore, the school management is directed to ensure reasonability of this expenditure and submit the compliance status within 30 days from the date of issue of this order by attaching the details break up of this expenditure, relevant invoices and ledger accounts.
4. The school is not complying with the DOE Order No.F.DE.15/Act-I/08155/2013/5506-5518 dated 04-06-2012 as well as condition specified in the land allotment letter which require to provide 25% reservation to children belonging to EWS category. Since the school has not complied with the aforesaid order. Therefore, concerned DDE District is directed to look in the matter. The admission allowed under EWS category allowed by the school has been provided below.

Particulars	FY 2016-17	FY 2017-18	FY 2018-19
Total students	2,596	2,451	2,551
Total number of EWS	369	250	275
% of EWS to total number of students	14%	10%	11%

5. As per clause 103 on Related Party Disclosure, contained in Guidance Note 21 on 'Accounting by Schools', issued by the ICAI, there is a requirement that keeping in the view the involvement of public funds, schools are required to disclose the transactions made in respect of related parties.

From review of the audited financial statements of 2018-19, it has been noted that the school has not made any disclosure relating to related party transactions in its audited financial statements. In the absence of such details, the purpose and genuineness of transactions entered into between the related parties cannot be determined. Therefore, the School is hereby directed to include such details in audited financial statements of the subsequent year.

6. 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 Practicing 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."*

Standard on Auditing (SA) 700 (Revised) – 'Forming an Opinion and Reporting on Financial Statements' notified by the Institute of Chartered Accountants of India include formats for issuing audit opinions on the financial statements by practicing Chartered Accountants.

Also, para 47 of SA 700 states *"The auditor's report shall be dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements, including evidence that:*

- All the statements that comprise the financial statements, including the related notes, have been prepared; and*
- Those with the recognized authority have asserted that they have taken responsibility for those financial statements."*

The financial statements for FY 2018-2019 submitted by the school along with Audit Report signed by Chartered Accountant did not cite UDIN, as mandated by ICAI. Further, the Chartered Accountant failed to mention the date of signing on the audit report, balance sheet and income and expenditure account. However, notes to accounts enclosed with the financial statements were signed on 31.07.2019. Further, the audit report issued by the auditor is not in accordance the format prescribed under SA 700 since it fails to draw reference to applicable accounting standards or Generally Accepted Accounting Principles and does not give opinion on the true and fair view of state of affairs of the school, surplus/deficit during the year and cashflows during the year. Therefore, authenticity of the audit and that of the financial statements for FY 2018-2019 submitted by the school could not be verified.

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 2019-20 assuming the same as unauthentic 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 status of compliance. 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 practicing Chartered Accountant comply with the requirements enunciated by their regulatory body i.e. The Institute of Chartered Accountants of India including compliance with SA 700 and generation of UDIN.

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. **31,17,27,712** out of which cash outflow for the FY 2019-20 is estimated to be INR **34,99,33,888**. This results in net deficit of INR **3,82,06,176** for FY 2019-20 after all routine payments. The details are as follows:

Particulars	Amount (in INR)
Cash and Bank balances as on 31.03.19 as per Audited Financial Statements of FY 2018-19	3,74,167
Investments as on 31.03.19 as per Audited Financial Statements of FY 2018-19	1,06,78,531
Liquid Fund as on 31.03.2019	1,10,52,698
Add: Amount recoverable from the Society against Luxury Car (Refer Financial Observation No.1)	13,26,308
Add: Amount recoverable from the Society towards purchase of buses and Car (Refer Financial Observations No. 1)	1,54,61,976
Add: Fees for FY 2018-19 as per Audited Financial Statements (Refer Note 1 Below)	31,10,37,025
Add: Other income for FY 2018-19 as per audited Financial Statements (Refer Note 1 Below)	30,45,460
Total Available Funds for FY 2019-20	34,19,23,467
Less: FDR with joint name of School Manager and CBSE/DOE as per School Submission	5,68,731
Less: Investment with LIC towards Gratuity (Refer Financial Observation No.4)	2,08,00,000
Less: Caution Money Fund as on 31.03.2019 (Refer Financial Observation No. 5)	-
Less: Security Deposit Refundable to the User of Transport Students (Refer Financial Observations No.5)	88,27,024
Less: Salary Reserve (Refer Note 2 Below)	-
Net Available Funds for FY 2019-20	31,17,27,712
Less: Budgeted Expenditures of FY 2019-20 after all adjustments (Refer Note 3 below)	30,53,53,626
Less: Arrears of salary towards implementation of 7th CPC till March 2019 as provided by the school (Refer Note 4 Below)	4,45,80,262
Estimated Deficit	3,82,06,176

Note 1: Income as per audited financial statement of FY 2018-19 has been considered except INR 13,51,104 towards provision for gratuity written off, INR 66,103 towards provision for leave encashment written off and INR 9,16,049 towards profit and loss on sale of assets and fine etc.

Note 2: As per clause 10 of Form-II of Right of Children to Free and Compulsory Education Act 2009, the schools are required to maintain liquidity equivalent to 3 months' salary and this amount should be invested in the joint name of Deputy Director (Education) and manager of the school. Generally, it is done in the form of FDR in any scheduled bank.

The audited financial statements of the school for FY 2018-19 revealed that the school has created provision of INR 2,92,52,310 towards salary reserve without earmarking any investment in the joint name of the Deputy Director and Manager of the school. Further Clause 10 of Form-II requires to maintain salary reserve within one month from the date of recognition of the school. The school got recognition in 2006 since then the school has not invested any amount against this. Therefore, mere creation of the provision cannot be considered sufficient ground to include this amount in the fund position of the school, without having investment as per the requirements. Therefore, this has not been considered while deriving the fund position of the school.

Note 3: All budgeted expenditure proposed by the school has been considered while deriving the fund position of the school for the FY 2019-20 except the interest on vehicle loan amounting to INR 8,50,000 and repayment of vehicle loan amounting to INR 21,00,000. (Refer Financial Observation No.2). The amount proposed by the school towards salary and staff welfare appears to be higher side therefore, an amount of INR 2,58,41,641 has not been considered.

Further, with respect to the following heads, the school has proposed expenditure higher expenditure as compared to the actual expenditure incurred during the FY 2018-19 for which the school has provided satisfactory explanation/ Justification. Therefore, these expenditures have been restricted to 110% of the of the actual expenditure incurred by the school during the previous considering the rise in inflation.

Particulars	FY 2018-19	FY 2019-20	Net Increase/ (Decrease)	% Change	Amount Disallowed (in INR)
Legal & Professional Charges	5,00,950	19,89,000	14,88,050	297%	14,37,955
Lab Expenses	4,910	4,80,000	4,75,090	9676%	4,74,599
Smart Class Expenses	54,53,330	61,05,000	6,51,670	12%	1,06,337
Newspapers and Periodicals	2,76,445	5,41,000	2,64,555	96%	2,36,911
Function & Festival Expenses	16,88,682	30,70,000	13,81,318	82%	12,12,450
Sports & Culture Expenses	35,24,259	57,55,000	22,30,741	63%	18,78,315
Garden & Ground	18,94,509	27,53,000	8,58,491	45%	6,69,040
Scholarship Expenses	1,49,400	3,52,000	2,02,600	136%	1,87,660
Printing & Stationery	36,97,729	41,23,000	4,25,271	12%	55,498
Telephone and Internet Expenses	10,30,213	14,94,000	4,63,787	45%	3,60,766
Furniture & Fixture Repairs	34,16,787	42,37,000	8,20,213	24%	4,78,534
Other Repair	1,34,480	2,38,000	1,03,520	77%	90,072

Particulars	FY 2018-19	FY 2019-20	Net Increase/ (Decrease)	% Change	Amount Disallowed (in INR)
Staff Welfare	10,69,035	30,51,000	19,81,965	185%	18,75,062
Total	2,28,40,729	3,41,88,000	1,13,47,271		90,63,198

Note 4: Salary arrears towards implementation of 7th CPC as provided by the school till 31 March 2019 has been considered and salary arrears related to FY 2019-20 is already included in the proposed expenditure of the school.

- i. In view of the above examination, it is evident that the school does not has adequate funds for meeting all the operational expense for the financial year 2019-20. In this regard, the directions issued by the Directorate of Education vide circular no. 1978 dated 16 Apr 2010 states.

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

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 were identified (appropriate financial impact has been taken on the fund position of the school) and certain procedural findings which were also noted (appropriate instructions against which have been given in this order), that the sufficient funds are not available with the 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 has been noted that the school has incurred INR 13,26,308 for purchase of luxury car and INR 1,54,61,976 towards payment of loan along with interest thereon out of the school funds towards purchase of vehicle and cars which was not in accordance with Rule 177 of DSER, 1973 and other orders. Therefore, the school is directed to recover INR 1,67,88,284 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 30 days from the date of issue of this order. Non-compliance with the above direction shall be taken up in accordance the provisions of DSEA&R, 1973.

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 is not passed to the teachers and staff in most of the cases as was observed by the Justice Anil Dev Singh Committee (JADSC) 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 13% to be effective from 01 July 2022.

AND WHEREAS, recommendation of the team of Chartered Accountants along with relevant materials were put before the Director (Education) for consideration and who after considering all the material on the record, and after considering the provisions of section 17 (3), 18(5), 24(1) of the DSEA, 1973 read with Rules 172, 173, 175 and 177 of the DSER, 1973 has found that funds are not available with the school for meeting financial implication for the academic session 2019-20.

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

Accordingly, it is hereby conveyed that the proposal of fee increase for academic session 2019-20 of **K.R Mangalam World School, H- Block Vikas Puri, New Delhi-18 (School Id: 1618208)** has been accepted by the Director (Education) and the school is hereby allowed to increase the fee by 13% to be effective from 01 July 2022.

Further, the management of said School is hereby directed under section 24(3) of DSEA 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
K.R Mangalam World School (School Id: 1618208),
H- Block Vikas Puri,
New Delhi-110018

No. F.DE.15 (592)/PSB/2022/ 3494-3498

Dated: 25/05/22

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) 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