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

No. F.DE.15(738)/PSB/2022/4523-4527 **Dated:** 13/06/22

ORDER

WHEREAS, **Sri Venkateshwar International School, Sector 18, Dwarka, Delhi- 110078 (School ID: 1821231),** (hereinafter referred to as "**the School**"), run by the Diamond Educational and Welfare Society (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 18.12.2019 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(57) PSB/2019/954-958 dated 23.01.2019 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. Direction no. 2 included in the Public Notice dated 04.05.1997 states "*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.*"

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 out of this fund, will be kept in a separately maintained Development Fund Account.*"

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.

Further, Clause 7.24 of Duggal committee states that *"Simultaneously, it is also to be ensured that the Schools, do not discharge any of the functions, which rightly in the domain of the Society out of the fees or other charges collected from the students; or where the parents are made to bear, even in part, the financial burden for the creation of facilities including building, on a land which had been given to the Society at concessional rates for carrying out a "philanthropic" activity. One only wonders what then the contribution of the Society that professes to run the School!"*

Based on the aforesaid Public Notice and Judgement of the Hon'ble High Court, the cost relating to construction of Building has to be met by the Society, being the property of the society and not from the fund of the school.

The Directorate in its order no. F.DE.15(57) PSB/2019/954-958 dated 23.01.2019 issued for academic session 2017-18, directed to the School to recover INR 3,26,76,792 from the Society for utilization of development fund for upgradation of School building which was not in accordance with above mentioned provisions. This amount is pending for recovery from the Society.

In response to the aforesaid order, the School submitted its reply and explained that *"the expenditure under objection has been incurred mainly on renovation work of existing facilities which includes electric and plumbing work involve electric wiring, switches, data cables, grills, windows and sanitary items. School has capitalised all these items under one head i.e., building fixtures in financial statement and utilised development fund as per clause 14 of DoE order, which was duly certified by the auditor."*

The contention of the School is not correct because the Development fund can only be utilised for purchase, upgradation and replacement of furniture, fixture and equipment. Thus, based on above-mentioned provisions, the capital expenditure related to the School building should be the responsibility of the Society and school funds should not be utilised for construction of the building. In addition to this, the School does not provide any documentary evidence in support of its contention. Further, the School has rightly mentioned that statutory auditor has certified these details. Accordingly, the auditor has correctly vouched these details and have categorised under the head 'Building'.

On review of the audited financial statement of FY 2017-18 and 2018-19, it has been noted that the School has further capitalised INR 1,93,95,243 in FY 2017-18 under the head "building Fixtures" which is not in accordance with above mentioned provisions. Therefore, total amount of INR 5,20,72,035 (INR 3,26,76,792 plus INR 1,93,95,243) has been considered as funds available with School and 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.

Further, the Directorate in its order no. F.DE.15(57) PSB/2019/954-958 dated 23.01.2019 issued for academic session 2017-18 states that the School had taken a loan of INR 7,00,00,000 from Kotak Mahindra Bank to meet the infrastructural needs of the School. The School has shown this loan as amount payable to the Society and has already made repayment of INR 4,70,88,128 to the Society in contravention of the Rule 177 of the DSER' 1973 till Mar' 2017 which is still pending for recovery.

On the review of the audited financial statements, it has been noted that the School has made further repayments to the Society which is not in accordance with above mentioned provisions. Details of such repayments given below:

Period	Amount in INR	Remarks
2014-15 to 2016-17	4,70,88,128	As per previous order
2017-18	1,15,65,882	As per balance sheet
2018-19	22,72,075	As per balance sheet
Total	**6,09,26,085**	

Therefore, total amount of INR 6,09,26,085 paid to the Society has been considered as fund available with School and 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 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*".

Further, Rule 176 states *"Income derived from collections for specific purposes shall be spent only for such purpose"*

The Directorate in its order no. F.DE.15(57) PSB/2019/954-958 dated 23.01.2019 issued for academic session 2017-18, directed to the School to recover INR 2,30,18,433 from the Society for purchase of vehicles and repayment of loan out of school funds without complying with the requirements of Rule 177 of DSER' 1973. However, this amount is still pending for recovery.

In response to the aforesaid order, the School submitted its reply and explained that *"it will be unfair if neither capital cost of vehicle nor depreciation on vehicle is allowed to charge from the Students. It will mean that at every point of time where replacement of transport vehicle taken place parent society will be responsible to purchase transport vehicle and donate to the School for its usage,* *particularly when provision of transport is not mandatory but a discretion exercised by the SMC. This is not justified and not as per the spirit of Education Act."*

The contention of the School is not correct as transportation is an earmarked levy and the School should charge transportation fees from the user students only on 'no profit and no loss basis'. Shifting the burden of loan repayments of specific levy to the other students is not permissible.

Further, on review of the audited financial statement of FY 2017-18 and 2018-19, it has been noted that the School has further made repayments of the principal and interest cost of the aforesaid loan. Details of such payment is given below:

Period	**Principal Repayment**	**Remarks**
2014-15 to 2016-17	2,30,18,433	As per previous order
2017-18	52,35,188	As pre receipt and payment account
2018-19	26,37,025	As pre receipt and payment account
Total	**3,08,90,646**	

Therefore, the total amount of INR 3,08,90,646 has been considered as fund available with the School and 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 INR 18,66,000 for finance cost in its budgeted expenditure of FY 2019-20 which has been excluded from the budgeted expenditure while calculating the fund position of the School.

3. 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:

1. Assets held by a long-term employee benefit fund; and
2. Qualifying insurance policies.

Para 57 of AS-15 states that *"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."*

Further, Para 60 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states *"A defined benefit scheme is a scheme under which amounts* *to be paid as retirement benefits are determined usually by reference to employee's earnings and/or years of service".*

An appropriate charge for the retirement benefits obligation has to be made in the income and expenditure account through a provision for the accruing liability. The accruing liability should be calculated according to actuarial valuation. However, if a school employs only a few persons, say less than twenty, it may calculate the accrued liability by reference to any other rational method. The ensuing amount of provision for liability should then be invested in *"plan assets"* as per AS-15 issued by ICAI.

On review of the audited financial statements, it has been noted that the school has not got the actuarial valuation report for its liability towards retirement benefits has not created any provisions in its audited financial statements. Also, school has not invested any amount in plan assets as required under Accounting Standard-15 'Employee benefits".

Therefore, the School has proposed INR 25,00,000 for provision for gratuity and leave encashment in its budgeted expenditure of FY 2019-20 which has been excluded from the budgeted expenditure while calculating the fund position of the School.

It is directed to the school to get its actuarial valuation towards retirement benefits and make appropriate provision in the books of account and invest equivalent amount in "plan assets" (as defined in AS-15) within 30 days from the date of issue of this order.

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.*"

   Clause 22 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11.02.2009 states that *Earmarked levies shall be charged from the user student only. Earmarked levies for the services rendered shall be charged in respect of facilities involving expenditure beyond the expenditure on the earmarked levies already being charged for the purpose. They will be calculated and collected on 'no profit no loss' basis and spent only for the purpose for which they are being charged. All transactions relating to the earmarked levies shall be an integral part of the school accounts*

   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-21 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).

From the information provided by the school and taken on record, it was noted that the school charges earmarked levies in the form of Transport fee, Computer & IT Fee, Health & Medical Fee and Mid-day meal charges from students. However, the school has been generating surplus from earmarked levies that has been utilised for meeting other expenses of the school or has been incurring losses (deficit), which has been met from other fees/income. The details of funds position for the three financial years as follows:

(Amount in INR)

Particulars	**Computer Fee**	**Transport Charges^**	**Health & Medical Fee**	**Mid-day Meal**
For the year 2016-17				
Fee Collected during the year (A)	86,60,404	3,81,44,900	43,30,638	66,66,700
Expenses during the year (B)	62,02,047	3,82,06,950	38,37,635	65,31,250
Difference for the year (A-B)	**24,58,357**	**-62,050**	**4,93,003**	**1,35,450**
For the year 2017-18				
Fee Collected during the year (A)	89,29,410	3,86,19,050	41,04,679	66,89,095
Expenses during the year (B)	65,48,467	3,80,95,015	44,10,901	73,55,133
Difference for the year (A-B)	**23,80,943**	**5,24,035**	**-3,06,222**	**-6,66,038**
For the year 2018-19				
Fee Collected during the year (A)	99,84,480	4,14,96,815	50,31,201	67,59,900
Expenses during the year (B)	1,06,64,293	4,06,77,587	52,36,768	72,68,800
Difference for the year (A-B)	**-6,79,813**	**8,19,228**	**-2,05,567**	**-5,08,900**
Total (Surplus)	**41,59,487**	**12,81,213**	**-18,786**	**-10,39,488**

^ The school has not apportioned depreciation on vehicles used for transportation of students in the expenses stated in table above for creating fund for replacement of vehicles, which should have been done to ensure that the cost of vehicles is apportioned to the students using the transport facility during the life of the vehicles.

Further, as per the Duggal Committee report, there are only four categories of fee that can be charged by a school. The first category of fee comprises of "registration fee and all One Time Charges" which is levied at the time of admission such as Admission and Caution Money. The second category of fee comprise of "Tuition Fee" which is to be fixed to cover the standard cost of the establishment and also to cover expenditure of revenue nature for the improvement of curricular facilities like Library, Laboratories, etc., and Science and Computer fee up to class X and examination fee. The third category of the fee should consist of "Annual Charges" to cover all expenditure not included in the second category and the fourth category should consist of all "Earmarked Levies" for the services rendered by the school and to be recovered only from the 'User' students. These charges are Transport Fee, Swimming Pool Charges, Horse Riding, Tennis, Midday Meals etc.

Based on the aforesaid provisions, earmarked are to be collected only from the user students availing the services. And if the services are extended to all the students of the school, a separate charge should not be levied by the school as it would get covered either form the Tuition Fee or from Annual Charges. It has been noted that the School has been collecting "Computer Fee and Health & Medical Fee" from all the Students of the School therefore, the school is directed to stop collecting separate charges in the name of the "Computer & Fee and Health & Medical Fee".

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, the school is also directed to determine its fee structure in accordance with above mentioned provisions.

2. As per para 67 of the Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India, *"The financial statements should disclose, inter alia, the historical cost of fixed assets."*

On review of audited financial statements for the FY 2016-17, FY 2017-18 and FY 2018-19, it is noted that the school has presented its fixed assets purchased out of school funds at Written Down Value (WDV) which is not consistent with the Guidance Note. Thus, the school is hereby directed to comply with the requirements of Guidance Note issued by ICAI.

3. 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 for children belonging to EWS category. Since, the school is not complying with the aforesaid order, the concerned DDE is required to look into the matter. The admission allowed under EWS/ Free ship during the FY 2017-18 and FY 2018-19 are as under:

Particulars	FY 2016-17	FY 2017-18	FY 2018-19
Total Students	2,329	2,473	2,564
EWS Students	216	251	288
% of EWS students	9%	10%	11%

4. As per the order dated 19.01.2016 issued by the Hon'ble High Court of Delhi, every recognized unaided schools to whom land was allotted by DDA shall not increase the rate of fees without the prior sanction of Director, Education. Further, as per the directions of Supreme Court in ***Modern School vs. Union of India & Ors.*** (supra), a Circular dated 16.04.2010 has been issued reiterating as under:

a) It is reiterated that annual fee-hike is not mandatory.

b) School shall not introduce any new head of account or collect any fee thereof other than those permitted. Fee/funds collected from the parents/students shall be utilized strictly in accordance with rules 176 and 177 of the Delhi School Education Rules, 1973.

c) If any school has collected fee in excess of that determined as per procedure prescribed, the school shall refund/adjust the same against subsequent instalments of fee payable by students.

Also, Clause no. 17 of Letter of Allotment of Land issued by DDA states that *"The school shall not increase the rates of tuition fee without prior sanction of the Directorate of Education, Delhi Admn. and shall follow provisions of Delhi School Education Act/ Rules, 1973 and other instructions issued from time to time."*

On review of document submitted by the school, it has been noted that school has been charging Mid-day meal fee from the students which is not part of fee structure approved by the Directorate for the School.

Therefore, the school is directed not to collect such fee from the students without prior approval of Directorate and school should apply with proper documentation and explanation of the expenditure incurred for such purpose in next financial year.

5. 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. 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 practicing Chartered Accountants from 1 July 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:*

i. All the statements that comprise the financial statements, including the related notes, have been prepared; and

ii. *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 26.07.2019. Further, the audit report issued by the auditor is not in accordance in 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 compliance report. In case, UDIN was not generated by the auditor, the School is directed to seek explanation from the auditor for not complying with the requirements notified by ICAI and get the said audit report and financial statements verified from the Institute of Chartered Accountants of India for its authenticity and validity.

The School is further directed to ensure that the audit opinions issued on its future final accounts by 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 Academic session 2019-20 amounting to INR**43,88,01,998** out of which cash outflow is estimated to be INR **35,57,07,471**. This results in Estimated Surplus of INR **8,30,94,527**. The details are as follows:

Particulars	**Amount in INR**
Cash and Bank balances as on 31.03.19 as per Audited Financial Statement of FY 2018-19	57,52,003
Investments as on 31.03.19 as per Audited Financial Statements of FY 2018-19	7,99,758
Liquid fund as on 31.03.19	**65,51,761**
Add: Amount recoverable from society for utilization of development fund for renovation of Building (Refer financial observation no.1)	5,20,72,035
Add: Amount recoverable from the Society for repayment of loan taken for construction of infrastructure of the School (Refer financial observation no.1)	6,09,26,085
Add: Amount recoverable from the Society for repayment of loan taken for purchase of buses in contravention of Rule 177 of DSER' 1973 (Refer financial observation no.2)	3,08,90,646
Add: Fees for FY 2018-19 as per Audited Financial Statements (Refer note 1 below)	28,48,01,326
Add: Other income for FY 2018-19 as per audited Financial Statements (Refer note 1 below)	43,59,903
Total available funds for FY 2019-20	**43,96,01,756**
Less: FDR on joint name with DOE as on 31.03.2019	4,38,792
Less: FDR on joint name with Secretary, CBSE as on 31.03.2019	3,60,966
Less: Investment made with LIC against provision made for retirement benefits (Refer financial observation no.3)	-
Less: Depreciation reserve fund (Refer note 2 below)	-
Less: Salary reserve (Refer note 3 below)	-
Estimated Available Funds for FY 2019-20	**43,88,01,998**
Less: Budgeted expenses for the session 2019-20 (Refer note 4 below)	**31,57,15,000**
Less: Arrears on implementation of 7th CPC for the period 01.01.16 to 31.03.19 (Refer note 5 below)	**3,99,92,471**
Estimated Surplus	**8,30,94,527**

Note 1: Income as per audited financial statements for FY 2018-19 has been considered assuming that the income accruing in FY 2018-19 will at least accrue to school in FY 2019-20.

Note 2: As per the Duggal Committee report, there are four categories of fees that can be charged by a private unaided School. The first category of fee comprised of "*Registration fee and all one Time Charges*' levied at the time of admissions such as admission and caution money. The second category of fee comprises '*Tuition Fee*' which is to be fixed to cover the standard cost of the establishment and to cover the expenditure of revenue nature for the improvement of curricular facilities like library, laboratories, science, and computer fee up to class X and examination fee. The third category of the fee should consist of *'Annual Charges*' to cover all expenditure not included in the second category and the fourth category consist of all *'Earmarked Levies'* for the services rendered by the school and be recovered only from the 'User' students. These charges are transport fee, swimming pool charges, Horse riding, tennis, midday meals etc. This recommendation has been considered by the Directorate while issuing order No. DE.15/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.

The purpose of each head of the fee has been defined and it is nowhere defined the usage of development fee or any other head of fee for investments against depreciation reserve fund.

Further, Clause 7 of order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and clause 14 of the order no F.DE./15(56)/Act/2009/778 dated 11.02.2009, "*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, fixture 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*". Thus, the above direction provides for:

- Not to charge development fee for more than 15% of tuition fee.
- Development fee will be used for purchase, upgradation and replacement of furniture, fixtures, and equipment.
- Development fee will be treated as capital receipts.
- Depreciation reserve fund is to be maintained.

Thus, the creation of the depreciation reserve fund is a pre-condition for charging of development fee, as per above provisions and the decision of Hon'ble Supreme court in the case of Modern School Vs Union of India & Ors.: 2004(5) SCC 583. Even the Clause 7 of the above direction does not require to maintain any investments against depreciation reserve fund. Also, as per para 99 of Guidance Note-21 'Accounting by School' 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."

Accordingly, the depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue account) is mere of an accounting head for the appropriate accounting treatment of depreciation in the books of account of the school in accordance with Guidance Note -21 issued by the Institute of Chartered Accountants of India. Thus, there is no financial impact of depreciation reserve on the fund position of the School. Accordingly, the depreciation reserve fund of INR 1,04,49,62,90 as reported by the School in the audited financial statements for the FY 2018-19 has not been considered while deriving the fund position of the School.

Note 3: As per form 2 of Right of Children to Free and Compulsory Education Act 2009, the schools are required to maintain the liquidity in the form of investment for 3 months' salary and this amount should be invested in joint name of Dy. Director (Education) and Manager of the school.

Based on provision, school has proposed salary reserve without investing in fixed deposit in the joint name of Dy. Director (Education) and manager of school.

Therefore, salary reserve of INR 81,04,000 budgeted in FY 2019-20 has been excluded from the total expenditure of the School.

Note 4: All budgeted expenditure proposed by the school has been considered in the above table (including impact of salaries payable as per 7th CPC) except the following:

Particulars	Amount Disallowed (in INR)	Remarks
Salary & wages 7th CPC arrears FY 2018-19 and 2019-20	3,51,54,000	The School has proposed salary expenditure of INR 9,72,50,000 plus 7th CPC arrear of INR 2,11,54,000 for FY 2019-20 which appears to be higher as compared to the expenses incurred during the previous year of INR 8,63,75,911. Therefore, INR 3,51,54,000 has not been considered because the impact of salary arrear of 7th CPC has been considered separately (refer note no. 5 below).
Salary provision (1 month)	81,04,000	Refer note no. 3 below
Provision for retirement benefits	25,00,000	Refer financial observation no.3
Finance Cost	18,66,000	Refer financial observation no. 1&2

Note 5: The Directorate vide order No. DE.15 (318)/PDB/2016/18117, dated 25.08.2017, the Managing Committee of all the private unaided recognized Schools were directed to implement the Central Civil Revised Pay Rules 2016 in respect of the regular employees of the corresponding status in their Schools with effect from 01.01.2016 as adopted by the Government of NCT of Delhi vide its circulars No. 30-3(17)/(12)/VII Pay Comm./Coord./2016/110006-11016 dated 19.08.2016 and No. 30-3(17)/(12)/VII Pay Comm./Coord./2016/12659-12689 dated 14.10.2016. Further, vide order No. F.DE.15/ (318)/PSB/2019/11925-30 dated 09.10.2019, the managing committee of all Private

Unaided Schools once again directed to implement the recommendation of 7th CPC with effect 01.01.2016 within 15 days from the date of issue of aforesaid order.

Further, section 10 of DSEA states "*the scales of pay and allowances, medical facilities, mention, gratuity, provident fund and other prescribed benefits of the employees of recognized private school shall not be less than those of the employees of the corresponding status in school run by the appropriate authority*". Therefore, employees of all the private unaided recognized Schools are entitled to get the revised pay commission. This legal position has been settled by the Hon'ble High Court long back at the in the matter of WPC 160/2017; titled as Lata Rana Versus DAV Public School & Ors vide order dated 06.09.2018 for implementation of sixth pay commission recommendations.

As per submission made by the School, INR 3,99,92,471 (INR 2,59,27,053 plus INR 140,00,000) has been considered as 7th CPC arrears while deriving the fund position of the School with the direction to the School to implement the recommendations of 7th CPC in full within 30 days from the date of issue of this order. A strict action against the School would be initiated u/s 24(3) of DSEA, 1973 for non-compliance with the direction cited above.

ii. In view of the above examination, it is evident that the school has sufficient funds to carry on the operation of the school for the academic session 2018-19 on the existing fees structure. In this regard, the 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 discrepancies, that the sufficient funds are available with the school to carry out its operations for the academic session 2019-20 therefore, the fee increase proposal of the school may be rejected.

AND WHEREAS, it is also noticed that the School has incurred INR 14,38,88,766 for addition to building fixtures, repayment of loan for building and buses, which is not in accordance with clause 2 of public notice dated 04.05.1997 and Rule 177 of DSER, 1973. Thus, the school is directed to recover INR 14,38,88,766 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 issuance of this order. Non-compliance of this shall be taken up as per DSEA & R, 1973.

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 sections 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 funds are available with the School for meeting its 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.

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 for enhancement of fee for session 2019-20 of **Sri Venkateshwar International School, Sector 18, Dwarka, Delhi- 110078 (School ID: 1821231)** has been 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/charges during FY 2019-20. In case, the School has already charged increased fee during FY 2019-20, the School should make necessary adjustments from future fee/refund the amount of excess fee collected, if any, as per the convenience of the parents.

2. To 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
Sri Venkateshwar International School
School ID: 1821231
Sector 18, Dwarka,
Delhi- 110078

No. F.DE.15(738)/PSB/2022/ 4523-4527 Dated: 13/06/22

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 (South West-B) to ensure the compliance of the above order by the school management.
4. In-charge (I.T Cell) with the request to upload on the website of this Directorate.
5. Guard file.

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