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GOVERNMENT OF NATIONAL CAPITAL TERRITORY OF DELHI

DIRECTORATE OF EDUCATION

(PRIVATE SCHOOL BRANCH)

OLD SECRETARIAT, DELHI-110054

No. F. DE.15 (77)/PSB/2024/1707-1712

Dated: 12/04/24

Order

WHEREAS, **Laxmi Public School (School ID - 1003211)**, X-20, Institutional Area, Karkardooma, Delhi - 110092, run by the **Laxmi Educational 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 running on the land allotted by the Government on the recommendation of the DoE. Therefore, the School is statutorily bound to comply with the provisions of the DSEAR, 1973 and RTE Act, 2009, as well as the directions/guidelines issued by the DoE from time to time.

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

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

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

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

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

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

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

"27....

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

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

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

AND WHEREAS, accordingly, the DoE vide Order No. DE.-15(40)/PSB/2023/1964-1972 dated 01.03.2023, directing all the private unaided recognized schools, running on the land allotted by DDA/other land-owning agencies on concessional rates or otherwise, with the condition to seek prior

approval of DoE for increase in fee, to submit their proposals, if any, for prior sanction, for increase in fee for the academic session 2023-24.

AND WHEREAS, in pursuance to Order No. DE.-15(40)/PSB/2023/1964-1972 dated 01.03.2023 of the DOE, the school submitted its proposal for fee increase for the academic session **2023-24**. Accordingly, this order dispenses the proposal for fee increase submitted by the school for the academic session **2023-24**.

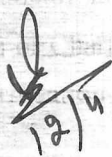
AND WHEREAS, in order to ensure that the proposals submitted by the schools for fee increase are justified or not, this Directorate has deployed teams of Chartered Accountants at HQ level. **Suri & Sudhir, Chartered Accountants** have evaluated the fee increase proposals of the school very carefully in accordance with the provisions of the DSEA, 1973, the DSER, 1973 and other orders/ circulars issued from time to time by this Directorate for fee regulation.

AND WHEREAS, in the process of examination of fee increase proposal filed by the aforesaid School for the academic session 2023-24, necessary records and explanations were also called from the school through email. Further, the school was also provided an opportunity of being heard on 04th March, 2024 to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted. During that hearing, the compliance of Order No. F.DE.15(1246)/PSB/2023/1505-1509 dated 14.02.2023 issued for the academic session 2012-23 was also discussed and the school submission were taken on record.

AND WHEREAS, on receipt of clarification as well as documents uploaded on the web portal for fee increase and subsequent documents submitted by the school as a result of the personal hearing, were evaluated thoroughly by the team of Chartered Accountants. After evaluation of fee increase proposal of the school and its subsequent clarifications and submissions, following key suggestions for improvement were noted:

A. Financial Suggestions for Improvement

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


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In this regard, it is also important to mention that the society was allotted an institutional land at a very low cost compared to the price of commercial and residential land in the nearby locality. The reason for the allotment of land at such a low cost was that the society came up with an offer to engage in noble work in the field of education and run the school in Delhi on charity and a "no profit and no loss" basis. In its offer, the society also undertook to execute this work from its resources or by arranging funds through donations, subscriptions, or any other legal possible manner. Based on these noble grounds, the DoE recommended to the land-owning agencies for the allotment of land to the society, which would otherwise not have been possible for the society to obtain such prime land at this cost in such a posh location.

Accordingly, if the DoE finds any deviation or non-compliance in any condition of the land allotment letter, the society as well as the school is bound to comply and honor that immediately as per the direction of the DoE. The society cannot always claim the protection of Article 19(1) (g), 21 & 30 of the Constitution of India for non-interference by the DoE. This is because the main source (i.e. land) required to establish and run the school was supported by the DoE by recommending to the land-owning agency to allot the land to the society. After considering the recommendation of the DoE, a clause was included in the land allotment letter of the school stating that the school shall not increase the fee without the prior sanction of the Director (Education) and shall follow the provisions of the Delhi School Education Act/Rules, 1973, and other instructions issued by the department from time to time.

The DoE, in its Order No. F.DE. 15(1203)/PSB/2023/1155-1160 dated 03.02.2023 and Order No. DE 15/1 81/PSB/2021/3348-3352 dated 09.09.2021, issued to the school post evaluation of a fee hike proposal for the academic session 2018-19, noted that the school had paid rent of INR 1,37,07,050 to the society for the use of the school building until December 2017. The school in its compliance report submitted for Order No. F.DE. 15(1203)/PSB/2023/1155-1160 dated 03.02.2023, issued to the school post evaluation of a fee hike proposal for the academic session 2022-23 stated that "*rent is a generic term used by the school and it includes other expenses of similar nature such as MCD Charges, municipal tax...*". However, the same doesn't give the school the right to be in contravention of the abovementioned provisions. Further, based on the above-mentioned provision, the school cannot make any payment to the society by way of rent or otherwise. Therefore, the school was directed to recover INR 1,37,07,050 from the society, which is still pending for recovery. Accordingly, this amount of INR 1,37,07,050 has been included in the calculation of available funds of the school, and the school

may hereby be directed to recover this amount from the society within 30 days from the date of issue of this order.

Non-compliance with this direction will be viewed seriously, and appropriate action against the school shall be taken under Section 24(4) of the DSEA, 1973, without providing further opportunity to be heard.

2. Clause 8 of Order No. DE 15/Act/Duggal.Com/203/99/23033-23980 dated 15.12.1999 states: *"no amount whatsoever shall be transferred from the recognized unaided school fund of a school to the society or the trust or any other institution."*

A review of the audited financial statements for FY 2022-23 revealed that the school has reported INR 6,81,04,962 as recoverable from the society. During the personal hearing, the school was asked to provide a ledger account along with the details of this payment. In response to its reply, the school submitted only ledger accounts in condensed form (not in detailed form) but did not submit the reason as to why this amount was transferred to the school. From the record submitted by the school, it was also noted that the school has yet to implement the recommendation of the 7th CPC and has to invest an amount in plan assets for the payment of retirement benefits admissible to the employees. Therefore, it appears that the school has deliberately exhausted school funds in the hope of getting the fee hike from the department. The school in its compliance report submitted for Order No. F.DE. 15(1203)/PSB/2023/1155-1160 dated 03.02.2023, issued to the school post evaluation of a fee hike proposal for the academic session 2022-23 stated that *"subsequently when the school felt the need for additional space, the school embarked on further construction..."* However, the need for additional space is not a ground for contravention of the abovementioned provisions.

Therefore, the amount recoverable from the society of INR 6,81,04,962 has been included in the determination of the fund position of the school. The school may hereby again be directed to recover this amount within 30 days from the date of issue of this order and restrain itself from transferring school funds to the trust in the future.

3. Rule 59 of DSEAR, 1973 'Scheme of management of recognized school' states, *"Regarding appointment and qualification of Manager 59(2)(1), the educational and other qualifications of the manager and his duties and responsibilities; the position of the manager viz-a-viz the managing committee:*

(j) no employee of an aided school (other than the head of school) shall be appointed as the manager, the head of school may be appointed the manager of a school, whether aided or unaided.

(k) appointment of the manager; the terms and conditions of his appointment; removal of the manager; filling up of casual vacancy in the office of the manager, duties, and responsibilities of the manager.

(l) bills (including bills relating to the salaries and allowances of the teachers and non-teaching staff) shall be jointly signed by the manager and the head of the school; but where the head of the school is also the manager, such bills shall be signed jointly by the head of the school and another member of the managing committee specially authorized by that committee in this behalf.

(m) that the administration and academic work of the school shall be attended to by the head of school, and except where the head of school is the manager, the manager shall not interfere with the day-to-day administration and academic work of the school.

(n) manager shall not be at the same time the manager of any other school and a person shall not be at the same time the chairman of the managing committee and the manager."

The DoE, in its Order No. F.DE. 15(1203)/PSB/2023/1155-1160 dated 03.02.2023 issued to the school post-evaluation of the fee hike proposal for the academic session 2022-23 and Order No. DE.. DE. 15/181/PSB/2021/3348-3352 dated 09.09.2021 issued to the school post-evaluation of the fee hike proposal for the academic session 2018-19, noted that the school paid professional charges of INR 1,15,64,000 to Mrs. Kamla Rani Gupta from FY 2014-15 to FY 2018-19, who is a member of the society. The aforesaid payment was made without complying with the aforementioned provisions. As of 31.03.2019, the school reported INR 58,00,000 payable to Mrs. Kamla Rani Gupta. Therefore, the school was directed to recover INR 57,64,000 (INR 1,15,64,000 minus INR 58,00,000) from the society, the amount actually paid to Mrs. Kamla Rani Gupta, which is still pending for recovery.

Further, on review of the audited financial statements from FY 2019-20 to FY 2021-22, it was noted that the school, instead of recovering the aforesaid amount, has incurred further expenses of INR 53,46,000 (INR 1,48,500 per month) as professional charges payable to Mrs. Kamla Rani Gupta as of 31.03.2022.

Further, on review of the audited financial statement of FY 2022-23, it was noted that the school, instead of recovering the aforesaid amount, has again incurred further expenses of INR 19,20,000 (INR 1,60,000 per month) as professional charges payable to Mrs. Kamla Rani Gupta, leaving an outstanding balance of INR 27,00,000 as of 31.03.2023.

Furthermore, on review of the audited financial statement of FY 2022-23, it was noted that the school, has incurred expenses of INR 1,56,398 as professional charges payable to Mr. Govardhan Gupta (Manager).

The school in its compliance report submitted for Order No. F.DE. 15(1203)/PSB/2023/1155-1160 dated 03.02.2023, issued to the school post evaluation of a fee hike proposal for the academic session 2022-23 stated that *"Mrs. Kamla Gupta renders her services at the school...Mrs. Kamla Rani Gupta is paid by the school for her services rendered at the school..."* However, during the hearing, the School was asked to submit proofs of whether the recruitment of Mrs. Kamla Rani Gupta was made in accordance with Rule 59 of the DSEAR, 1973. No response or proof has been submitted by the school. Hence, the transaction in contention is in contravention of the abovementioned provisions.

Therefore, the total payment made to Mrs. Kamla Rani Gupta, a member of the society, amounting to INR 1,61,30,000 (INR 1,15,64,000 plus INR 53,46,000 plus INR 19,20,000 minus INR 27,00,000) and total payment made to Mr. Govardhan Gupta INR 1,56,398 has been considered as fund available with the school and has been included in the calculation of the fund position of the school. The school may hereby be directed to recover this amount from the society within 30 days from the date of issue of this order. Non-compliance with the above direction shall be viewed seriously in accordance with the provisions of Section 24(4) of the DSEA, 1973 while evaluating the fee hike proposal for the subsequent academic session

4. As per sub-rule (ii) of Rule 110 of DSE(A)R, 1973: *"Notwithstanding anything contained in sub-rule (I), every teacher, laboratory assistant, librarian, Principal, or Vice-Principal employed in such school shall continue to hold office until he attains the age of 60 years."*

The DoE, in its Order No. F.DE. 15(1203)/PSB/2023/1155-1160 dated 03.02.2023 and Order No. DE.15/181/PSB/2021/3348-3352 dated 09.09.2021, issued to the school post-evaluation of the fee hike proposal for the academic session 2018-19, noted that the school had paid salaries amounting to

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● INR 3,46,122 to Mrs. Neelam on 30.06.2018 and INR 9,91,632 to Mr. Anil Kumar on 28.02.2017 after her/his retirement by giving extensions of service. The aforesaid payment was not made in accordance with the above-mentioned provisions. Therefore, the school was directed to recover INR 13,37,754 (INR 3,46,122 plus INR 9,91,632) from society, which is still pending for recovery. On review of the documents submitted, it was noted that the school, instead of recovering the aforesaid amount, has further paid INR 9,75,384 to Mrs. Neelam Kalra and INR 13,53,925 to Mr. Anil Kumar during FY 2019-20, FY 2020-21, and FY 2021-22.

Therefore, the total amount paid by the school amounting to INR 36,67,063 (INR 3,46,122 plus INR 9,91,632 plus INR 9,75,384 plus INR 13,53,925) to Mrs. Neelam and Mr. Anil Kumar without complying with the above-mentioned provisions is recoverable from society or school management. Accordingly, it has been included in the calculation of the fund position of the school. The school may hereby again be directed to recover this amount from society or school management within 30 days from the date of issue of this order. Non-compliance with this directive would be taken seriously, and the department would take appropriate action against the school under Section 24(4) of the DSEA, 1973, without giving the school any further opportunity.

5. Para 7.14 of AS-15 "Employee Benefit" issued by the Institute of Chartered Accountants of India (ICAI) states 'Plan Assets as:

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

Further, the para 57 of the AS-15 states *"an enterprise should determine the present value of defined benefit obligations and the fair value any plan assets with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date."*

A review of the audited financial statements of FY 2022-23 revealed that the school has neither recognized the liability for retirement benefits nor invested any amount in plan assets. Therefore, no amount has been considered while deriving the fund position of the school. The school may be further directed to get its retirement benefit determined by the actuary and report the same in the audited financial statements along with investment in the plan assets.

6. Clause 14 of this Directorate's Order No. F.DE/15 (56)/Act/2009/778 dated 11.02.2009 states:

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"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."

From a review of the presentation of the audited financial statements of FY 2022-23, it has been noted the school has reported a development fund balance of INR 3,59,13,092 as on 31.03.2023 while the cash/bank balance against this fund is nil. During the personal hearing, the school was asked to provide details about how it has utilized the development fund balance, which it has not provided for verification.

The closing balance of the development fund was not considered when determining the school's fund position due to a lack of detailed information, and the school was directed to rectify its books and accounts by making the necessary accounting entries. The school may be further directed to ensure that the collection and utilization of development fees and funds should be in accordance with Clause 14 of the order dated February 11, 2009.

7. Directorate's order no. F.DE-15/PSB (PMU)/Fee Hike/2017-2018/14073-082 dated 07.04.2017 regarding fee increase proposals for FY 2017-2018 states *"Schools are strictly directed not to increase any fee until the sanction is conveyed to their proposal by Director of Education."* Further, Directorate's order no. F.DE-15/WPC-4109/Part/13/7914-7923 dated 16.04.2016 regarding fee increase proposals for FY 2016-2017 stated *"In case, the schools have already charged any increased fee prior to issue of the order, the same shall be liable to be adjusted by the schools in terms of the sanction of the Director of Education on the proposal."*

As per the order dated 19.01.2016 issued by the Hon'ble High Court of Delhi, every recognized unaided school whom land was allotted by DDA shall not increase the rate of fees without the prior sanction of DoE. Further, as per the directions of Supreme Court in **Modern School v. 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.

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- 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 here-above, the school shall refund/adjust the same against subsequent installments of fee payable by students.

On review of the fee structure for FY 2022-23, it was noted that the school has increased its tuition fees and development fees in FY 2022-23 without obtaining prior approval from the Director of Education which is the contravention of the clauses of the aforesaid orders as well as the rules of DSEAR, 1973. The head wise increase of fee made by the school has been tabulated below:

Fee Head	Increase In Fee	No. of Fee-Paying Students	Unauthorised Fee Charged
Tuition Fee	600	913	65,73,600
Development Charges	90	913	9,86,040
Total			75,59,640

The school is hereby directed to refund/adjust the excess fee charged from the students in the subsequent month/quarter and submits the compliance of the same within 30 days from the date of receipt of this order and do not increase any fee without prior approval from the Directorate of Education.

B. Other Suggestions for improvement

1. 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"*.

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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 a 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 Judgment dated 02.05.2016 in the matter of *Modern Dental College and Research Centre v. 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 insofar 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. 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, indicated the following types of fees that a recognized private unaided school can collect from the students/parents:

- a. Registration Fee
- b. Admission Fee:
- c. Caution Money
- d. Tuition Fee
- e. Annual Charges
- f. Earmarked Levies
- g. Development Fee

Based on the provisions mentioned above, charging of '*smart class fees, pupil fund, activity fees, games fees,*' from the students is in the nature of capitation fee only. Additionally, 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 fund out of it, it is also prima-facie considered to be a collection of capitation fee in other manner and form. Accordingly, the collection of smart class fees, pupil fund, activity fees and games fees indicates that the school is engaged in profiteering and commercialization of education.

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 provision 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 the school's proper functioning, including ensuring the admission process transparently 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 may be directed to not charge capitation as mentioned above with immediate effect and submit the compliance within 30 days from the date of issue of this order. Non-compliance with this direction would be reviewed seriously and necessary action against the school will be initiated U/s 24(4) of the DSEA, 1973 by the department.

From a review of documents submitted by the school post personal hearing, the following has been noted with respect to the Fixed Asset Register (FAR) maintained by the school:

- No tagging of the assets has been done in the Fixed Assets Register (FAR), and the location is not identified, due to which assets could not be physically verified.
- Depreciation for the individual assets is not recorded in the FAR; only the cost of the assets is available in the FAR, and the Written Down Value (WDV) of the assets is not available.
- Invoice number, manufacturer's serial number, and the location of the asset are not mentioned in the fixed assets register.

Therefore, the School may hereby be directed to prepare a FAR, which should include details such as asset description, purchase date, supplier name, invoice number, manufacturer's serial number, location, purchase cost, other costs incurred, depreciation, asset identification number, etc., to facilitate the identification of assets and document complete details of assets at one place. The school may be further directed to comply with the directions for preparing FAR with relevant details mentioned above according to the process for periodic physical verification of assets and documenting the results of physical verification of assets. The same shall be verified at the time of the evaluation of the fee hike proposal for subsequent years. This being a procedural finding, no financial impact is warranted on the fund position of the school.

3. 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:

1. All Certificates with effect from 1 Feb 2019
2. GST and Income Tax Audit with effect from 1 Apr 2019
3. 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 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 IC'AI'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."

On review of audited financial statements for FY 2022-23, it is noted that the UDIN has not been duly mentioned by the auditor of the school in audited statements of FY 2022-23. This has been considered and taken on record. The school is instructed to ensure compliance with Appendix II to Rule 180(1) of DSER, 1973.

4. 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 the review of the audited financial statements of 2022-23, 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 may hereby be directed to include such details in the audited financial statements of the subsequent year.

5. Para 99 of Guidance Note-21 'Accounting by school' issued by the Institute of Chartered Accountants of India (ICAI), relating to restricted fund, *"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"*.


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Taking cognisance from the above para, the school needs to create the 'Development Fund Utilisation Account' as deferred income to the extent of the cost of assets purchased out of development fund and then this deferred income should be amortised in the proportion of the depreciation charged to revenue account. By following the aforesaid accounting treatment for development fund, development fund utilisation account, and depreciation on assets purchased out of development fund as per para 99 of GN-21, the depreciation reserve fund would be mere an accounting head and the school does not require the creation of equivalent investments against the depreciation reserve.

However, the audited financial statements of the school revealed that the school has not been following para 99 of the GN 21. Because upon incurrence of the capital expenditure out of the development fund, the school has created a development fund utilisation account but has not transferred any amount from deferred income to the credit of the income and expenditure account.

Thus, the school may hereby be directed to follow the accounting treatment specified in para 99 of the Guidance Note 21 with respect to the collection and utilization of development fund to make necessary adjustment in the general reserve account.

6. The school is not complying with the DoE Order No. F.DE.15/Act-1/08155/2013/5506-5518 dated 04.06.2012 as well as the conditions specified in the land allotment letter, which require that the school should provide 25% reservation for children belonging to EWS/DG category. Therefore, the school may be directed to ensure admission in accordance with the aforesaid order. Further, the school is also required to provide uniforms and textbooks to the EWS/DG category students. Therefore, the concerned Deputy Director Districted may be requested to ensure compliance with this regard by the school. From the information provided by the school, the percentage of admission allowed to the school to EWS is provided below:

Particulars	FY 2023-24
Total Students	1,113
EWS Students *	200
% of EWS Students	17.97%

**Included EWS and other non-fee-paying students*

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 with the school for FY 2023-24 amounting to INR 12,45,72,318 out of which the expected expenditures for FY 2023-24 are to be INR 4,61,88,693. This results in a net surplus of INR 7,83,83,625 for the FY 2023-24. The details calculation is provided below:

Particulars	Amount (INR)
Cash and Bank balances as on 31.03.2023	12,99,563
Investments as on 31.03.2023	3,46,963
Liquid fund as on 31.03.2023	16,46,526
Add: Recovery from society for rent payments made to society (Refer Financial Suggestion No. 1)	1,37,07,050
Add: Recovery from society for loans to society (Refer Financial Suggestion No. 2)	6,81,04,962
Add: Recoverable from society or Mrs. Kamla Gupta and Mr. Govardhan Gupta for payment of professional charges (Refer Financial Suggestion No. 3)	1,62,86,398
Add: Recovery from the society for payment of Salary to retired staff (Refer Financial Suggestion No. 4)	36,67,063
Add: Fees for FY 2022-23 as per Audited Financial Statements (Refer Note No. 2 Below)	3,34,38,288
Add: Other income for FY 2022-23 as per audited Financial Statements (Refer Note No. 3 Below)	22,02,234
Less: Unauthorised fee hike included in Fees for FY 2022-23 as per Audited Financial Statements (Refer Financial Suggestion No. 7)	65,73,600
Total available funds for FY 2023-24	13,24,78,921
Less: FDR in joint name of DDE and Manager (Refer Note No. 1 Below)	3,46,963
Less: Student Security Deposit	-

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Less: Investment made with LIC against provision made for retirement benefits (Refer Financial Suggestion No. 5)	-
Less: Development Fund as per Audited Financial Statements of FY 31.03.2023 (Refer Financial Suggestion No. 6)	-
Less: Depreciation reserve fund as on 31.03.2023 (Refer Note No. 4 Below)	-
Less: Refund/Adjustment of increased fee collected during FY 2022-23 (Refer Note No. 2 Below)	75,59,640
Estimated Available Funds for FY 2023-24	12,45,72,318
Less: Budgeted Expenditure for FY 2022-23 (Refer Note No. 5 and 6 Below)	4,61,88,693
Less: Arrears of 7th CPC (Refer Note No. 7 Below)	-
Estimated Surplus	7,83,83,625

Note 1: The details of fixed deposits held by the school as per the audited financial statements of FY 2022-23 are provided below:

S. No	Particulars	Amount (INR)	Remarks
1	FDR in Joint name of DDE and Manager	3,46,963	Considered separately.
	Total	3,46,963	

Note 2: Upon reviewing the audited financial statements of FY 2022-23 and considering additional information provided by the school, it has been observed that the school has generated fees income of INR 3,34,38,288. It is assumed that the school will maintain at least this level of fee income for FY 2023-24.

Note 3: Other income amounting to INR 22,02,234 as per Audited financial statements of FY 2022-23 has been considered while deriving the fund position of the school. Other income amounting to INR 54,50,328 with respect to "Excess Provision Written back, Development Fund, Annual & Development Charges (2020-21)" has not been considered while deriving the fund position of the school.

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Note 4: 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

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 has not been considered while deriving the fund position of the School

Note 5: All budgeted expenditure of the school has been considered while deriving the fund position of the school except the following:

S. No	Particulars	Amount (INR)	Remarks
1.	Depreciation	2,50,000	Non-Cash Expense
2.	Smart Class Expenses	12,00,000	Earmarked Levies
3.	Science Lab Expenses	1,00,000	Earmarked Levies
4.	Sports Expenses	1,50,000	Earmarked Levies
5.	Sports Fee	10,000	Earmarked Levies
6.	Depreciation Reserve Fund	2,50,000	Non-Cash Expense

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7.	Computer Charges	5,00,000	Earmarked Levies
8.	Examination Expenses	1,50,000	Earmarked Levies
	Total	26,10,000	

Note 6: While evaluating the fee hike proposal, department considers that how many liquid funds would the school require for a particular session for smooth operation without compromising with the quality of education. Thus, while deriving the fund position of the school all legitimate expenditures revenue as well as capital in accordance with the provisions DESAR, 1973 and pronouncement of Courts judgment have been considered. Therefore, balance of the other current assets other and current liabilities has not been considered. Because it is clear that the current assets, loans and advances and current liabilities are cyclic in nature and the same have already been considered in the form of budgeted income and expenditure of the school in the earlier years. Thus, current assets, loans and advances and current liabilities will always reflect in the financial statements at the end of the financial year.

Note 7: During the personal hearing, the school mentioned that it is not even in a position to pay salaries as per the recommendation of the 6th CPC. The school further explained that the management of the school has not yet decided about the implementation of the 7th CPC, and accordingly, the school has not proposed any amount towards salary arrears on account of the implementation of the 7th CPC. Therefore, no amount has been considered for salary arrears while calculating the fund position of the school.

- ii. In view of the above examination, the school has adequate funds for meeting all the operational expenditures for the FY 2023-24. In this regard, the directions issued by the Directorate of Education vide circular no. 1978 dated 16.04.2010 states that:

"All Schools must, first of all, explore and exhaust the possibility of utilizing 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 utilized for years together may also be used to meet the shortfall before proposing a fee increase."

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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 is recommended by us along with certain financial suggestions that were identified (appropriate financial impact has been taken on the fund position of the school) and certain procedural suggestions which were also noted (appropriate instructions against which have been given in this order), that the sufficient funds are available with the School to carry out its operations for the academic session 2023-24. Accordingly, the fee increase proposal of the school is rejected.

AND WHEREAS, DoE should take appropriate measures to regularize various financial and other findings as reported in sections 2.1 and 2.2 respectively before submission of fee increase proposal for the next academic session.

Accordingly, it is hereby conveyed that the proposal for fee increase of **Laxmi Public School (School ID - 1003211), X-20, Institutional Area, Karkardooma, Delhi - 110092** is rejected by the Director of Education.

Further, the management of said School is hereby directed under section 24(3) of DSEAR 1973 to comply with the following directions:

1. Not to increase any fee in pursuance to the proposal submitted by school on any account for the academic session 2023-24 and if the fee is already increased and charged for the academic session 2023-24, the same shall be refunded to the parents or adjusted in the fee of subsequent months.


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.

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Patil Pranjal LahenSingh
Additional Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi

To
The Manager/ HoS
Laxmi Public School (School ID - 1003211),
X-20, Institutional Area, Karkardooma, Delhi – 110092
No. F. DE.15(77)/PSB/2024/1707-1712

Dt: 12/04/24

Copy to:

1. P.S. to Principal Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. DDE (East) ensure the compliance of the above order by the school management.
4. DE's nominee concerned.
5. In-charge (I.T Cell) with the request to upload on the website of this Directorate.
6. Guard file.


Patil Pranjal LahenSingh
Additional Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi