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

No. F.DE.15(759)/PSB/2022/ 4836-4840 **Dated: 22/06/22**

ORDER

WHEREAS, **Oxford Senior Secondary School, E Block, Vikas Puri, New Delhi – 110018 School ID- 1618241** (hereinafter referred to as "**the School**"), run by the Hansraj Prabhakar 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 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 16.12.2019 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. No. F.DE.15(271)/PSB/2019/1460-1464 dated 29 Mar 2019, issued for academic session 2017-18, was also discussed and submissions 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. Authenticity of Audited Financial Statements

1. 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 Practising 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 practising Chartered Accountants from 1 Jul 2019. The UDIN System has been developed by ICAI to facilitate its members for verification and certification of the documents and for securing documents and authenticity thereof by Regulators.

Further, ICAI issued an announcement on 4 June 2019 for the attention of its Members with the requirement of mentioning UDIN while signing the Audit Reports effective from 1 Jul 2019, which stated "*With a view to bring uniformity in the manner of signing audit reports by the members of ICAI, it has been decided to require the members of ICAI to also mention the UDIN immediately after the ICAI's membership number while signing audit reports. This requirement will be in addition to other requirements relating to the auditor's signature prescribed in the relevant law or regulation and the Standards on Auditing.*"

The financial statements for FY 2018-2019 submitted by the school along with Audit Report dated 31 Jul 2019 signed by the chartered accountant did not cite UDIN, as mandated by ICAI. Further, it was noticed that while the audit opinion issued on the financial statements of the school for FY 2018-2019 also covered the true and fair view of the receipts and payments included in the Receipt and Payment Account, the cross reference to auditor's report was missing on the Receipt and Payment Account.

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 2019-2020 assuming the same as unaudited/provisional 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 must also ensure that the Receipt and Payment Account includes cross reference to the Auditor's Report of even date. The school is further directed to ensure that the audit opinions 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.

B. Financial Observations

1. As per Clause 14 of this Directorate's Order No. F.DE./15 (56) /Act /2009 / 778 dated 11 Feb 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 the collection under this head along with income generated from the investment made out of this fund, will be kept in a separately maintained development fund account."*

   The Hon'ble Supreme Court of India in its judgement in the matter of Modern School Vs Union of India and Others also upheld that the schools can collect development fee only if it treats it as capital receipt and utilise the same only towards purchase, upgradation and replacement of furniture, fixtures and equipment.

   Directorate Order No. F.DE.15(271)/PSB/2019/1460-1464 dated 29 Mar 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school is treating development fees as revenue receipt. Further, basis the presentation made in the audited financial statements for FY 2017-2018 and FY 2018-2019 submitted by the school, it was noted that the school has continued to treat development fund as revenue receipt and reported the same as income in its Income and Expenditure Account. Also, the school has not opened separate bank account or made separate investments in relation to development fund. Thus, the school has not complied with the direction included in the aforementioned order.

   While the school has treated development fee as revenue receipt, the details of development fee collected and fixed assets purchased during FY 2014-2015 to FY 2018-2019, based on details provided by the school, were compared and noted hereunder:

Particulars	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**	**FY 2017-18**	**FY 2018-19**
Development fees collected during the year (A)	1,14,80,125	1,24,09,215	1,22,46,640	1,19,62,420	1,16,73,440
Fixed Assets purchased during the year^ (B)	3,67,038	13,17,200	5,60,493	7,06,962	2,51,391
Surplus (A-B)	**1,11,13,087**	**1,10,92,015**	**1,16,86,147**	**1,12,55,458**	**1,14,22,049**

   ^ includes furniture, fixture, equipment and other assets purchased by the school

   Based on the table above, it has been derived that the school is collecting development fee excessive to its needs towards capital expenditure, which has resulted in profiteering and commercialisation of education.

   On account of non-compliance noted above relating to not treating development fee as capital receipts and collecting excessive development fee, the school is hereby directed to stop collecting development fee from students with immediate effect. As development fund is treated as revenue receipt and no fund balance has been reflected by the school in its audited financial statements for

FY 2018-2019, no impact of the same has been considered in the fund position of the school (enclosed in the later part of this order).

2. Directorate Order No. F.DE.15(271)/PSB/2019/1460-1464 dated 29 Mar 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 highlighted that the school has paid remuneration to the Manager, which is a honorary post and directed the school to recover the amount paid to the Manager.

   From the records submitted by the school and taken on record, it was noticed that the school paid remuneration paid to the Manager of INR 53,71,000 during FY 2014-2015 to FY 2016-2017. Further, the school has continued to pay remuneration totalling to INR 34,20,000 (INR 1,42,500 per month) to the Manager during FY 2017-2018 and FY 2018-2019.

   The school mentioned that honorarium is paid to the Manager for overseeing day to day functioning of the school.

   Since the Manager is not entitled to any payment whatsoever from the school funds, the amount totalling to INR 87,91,000 (INR 53,71,000 pertaining to FY 2014-2015 to FY 2016-2017 and INR 34,20,000 pertaining to FY 2017-2018 to FY 2018-2019) is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school with the direction to the school to recover this amount from the Society within 30 days from the date of this order.

   Further, the school is directed not to pay any salary/remuneration/ honorarium to the Manager. Therefore, the amount of INR 17,10,000 (derived annual amount based on salary of INR 1,42,500 paid in the month of Mar 2019) has been adjusted from the budgeted expenses for FY 2019-2020 while deriving the fund position of the school (enclosed in the later part of this order) with the direction to school not to pay any remuneration to the Manager and in case, the school has already made payment to the Manager subsequent to FY 2018-2019, the school must recover any such amount from the Manager/Society within 30 days of the date of this order.

3. From the audited financial statements of the school for FY 2017-2018 and FY 2018-2019, it was noted that the school had spent an amount totalling to INR 72,76,500 (INR 34,65,000 in FY 2017-2018 and INR 38,11,500 in FY 2018-2019) on computer teaching charges during FY 2017-2018 and FY 2018-2019. The school was asked to submit the supporting documents in relation to the same, which were submitted by the school and taken on record.

   On examination of the supporting documents provided by the school, it was noted that the school had incurred expenditure on hiring of computers, printers and LED screen along with instructors and resident engineer for providing IT training to the school children, which were procured from two specific vendors only - Megha Computer Services and C DOT COM. Following were noted after examination of the supporting documents of computer teaching expenses:

   a. On examination of the invoices of Megha Computer Services, it was noted that the vendor issued 22 invoices to the school with invoice serial numbers ranging between 105 to 129. Thus, out of the 25 invoices issued by the vendor during FY 2017-2018 and FY 2018-2019, more than 85% of the invoices were issued in the name of the School, which appears quite unusual. Thus, the genuineness of the invoices of Megha Computer Services is questionable.

b. On examination of the invoices of C DOT COM, it was noted that the vendor issued 20 invoices to the school with invoice serial numbers ranging between 1 to 20. Thus, out of the 20 invoices issued by the vendor during FY 2017-2018 and FY 2018-2019, all the invoices were issued in the name of the School, which appears quite unusual. Thus, the genuineness of the invoices of C DOT COM is questionable.

c. Additionally, it was noted that both the vendors - Megha Computer Services (Prop Suresh Bali) and C DOT COM (Prop Mandira Bali) are related to each other/ belong to the same family, as proprietors of both the vendors have the same surname. Further, on review of invoices of both the vendors, it was noted that both the vendors have used same invoice format and similar handwriting was also noted on both the invoices of both the vendors.

d. The school did not provide documentation for any procurement process followed for selection of the aforementioned vendors including documents such as request for quotations/proposals, quotations, comparative statements, approval of procurement committee, etc.; only invoices were provided by the school. During personnel hearing, the school mentioned that it has been engaging with these vendors since a long time, however, no procurement process was done previously by the school for selection of these vendors.

Thus, based on the facts and grounds above, genuineness of the invoices of the noted vendors are questionable and there is a possible diversion of funds. From the examination of ledger accounts for computer teaching expense, it was derived that expenses totalling to INR 72,76,500 were recorded by the school based on the invoices of Megha Computer Services and C DOT COM during FY 2017-2018 and FY 2018-2019. Thus, the amount of INR 72,76,500 diverted by the school in the aforementioned years is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the Society within 30 days from the date of this order.

Further, the school has budgeted an amount of INR 59,87,520 towards computer teaching expenses during FY 2019-2020, which has not been considered as part of budgeted expenses for FY 2019-2020 in the fund position of the school (enclosed in the later part of this order) based on the same rationale as mentioned herein above.

4. As per the clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/ 883-1982 dated 10 Feb 2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure..... capital expenditure/investments have to come from savings.*"

The Hon'ble Supreme Court of India in the matter of Modern School Vs Union of India and Others mentioned "*Rule 177(1) shows that salaries, allowances and benefits to the employees shall constitute deduction from the income in the first instance. That after such deduction, surplus if any, shall be appropriated towards, pension, gratuity, reserves and other items of appropriations enumerated in rule 177(2) and after such appropriation the balance (savings) shall be utilized to meet capital expenditure of the same school or to set up another school under the same management. Therefore, rule 177 deals with application of income and not with accrual of income. Therefore, rule 177 shows that salaries and allowances shall come out from the fees whereas capital expenditure will be a charge on the savings. Therefore, capital expenditure cannot constitute a component of the financial fees structure as is submitted on behalf of the schools. It also shows that salaries and allowances are revenue expenses incurred during the current year* *and, therefore, they have to come out of the fees for the current year whereas capital expenditure/capital investments have to come from the savings, if any, calculated in the manner indicated above.*"

Directorate's Order No. F.DE.15/(271)/PSB/2019/1460-1464 dated 29 Mar 2019 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 noted that the school had purchased a luxury car (Innova) by taking loan from ICICI Bank. During FY 2014-2015 and FY 2015-2016, the school paid INR 74,453 as interest on loan and INR 6,04,048 as repayment of principal amount. The school was directed to recover amount spent on purchase of car totalling to INR 6,78,501 (INR 74,453 plus INR 6,04,048) in said order.

During personal hearing the school mentioned that the vehicle is used for staff and students to attend various seminars, competitions, etc.

Based on the fact that the school did not even get its complete liability towards retirement benefits (gratuity and leave encashment) of staff valued from an actuary in accordance with the requirements of Accounting Standard 15 until 7 Jun 2018 i.e. the first time actuarial valuation for gratuity obtained by the school (actuarial valuation not obtained towards leave encashment till date) and did not completely secure the funds against staff gratuity and leave encashment liability in plan assets (such as group gratuity scheme and group leave encashment scheme of LIC of other insurer) till date. Thus, the school did not comply with the requirements of Rule 177 (1) i.e. "*Income derived by an unaided utilized school by way of fees shall be utilized in the first instance, for meeting the pay, allowances, and other benefits admissible to the employees of the school*".

Since the school has not recovered any amount from the Society till date, the amount paid by the school as interest on loan and repayment of principal totalling to INR 6,78,501 from the school funds is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the Society within 30 days from the date of this order. The school is further directed not to incur capital expenditure from school funds unless savings are derived after ensuring compliance of Rule 177.

5. Para 57 of Accounting Standard 15 – 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "*An enterprise should determine the present value of defined 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, according to para 7.14 of the Accounting Standard 15, "*Plan assets comprise:*

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

   Directorate's Order no. F.DE.15(271)/PSB/2019/1460-1464 dated 29 Mar 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school had taken the group gratuity scheme for LIC for staff but the school had not disclosed the statutory liability towards gratuity and leave encashment along with corresponding investment in its financial statements. Therefore, the school was directed to determine and provide for statutory liability towards gratuity and leave encashment as per actuarial valuation report and present the value of plan assets in the financial statements of the school.

The school submitted a certificate of balance in fund as on 31 Mar 2019 from LIC indicating the amount deposited by the school in plan assets towards gratuity of INR 91,11,232 as on 31 Mar 2019.

The school submitted copy of actuarial valuation report of its liability towards gratuity and leave encashment for FY 2018-2019 wherein the liability towards gratuity was determined as INR 4,64,88,229 and towards leave encashment as INR 1,21,74,963. On review of the audited financial statements of the school for FY 2018-2019, it was noted that the school did not create any provision towards gratuity and leave encashment. Further, instead of reporting plan-assets separately on the assets side of the Balance Sheet, the school reported the amount deposited with LIC as an expense in the Income and Expenditure account. Therefore, this has resulted in under-provisioning of gratuity and leave encashment liability and non-reporting of value of investments in plan-assets in its audited financial statements as under:

Particulars	Gratuity (In INR)	Leave Encashment (In INR)
Liability as per actuarial valuation report as on 31 Mar 2019 (A)	4,64,88,229	1,21,74,963
Provision as on 31 March 2019 (as per audited financial statements for FY 2018-2019) (B)	-	-
Under Provisioning of liability as on 31 March 2019 (A-B)	**4,64,88,229**	**1,21,74,963**
Fund Value of Group Gratuity Scheme as on 31 Mar 2019 including interest thereon (as per LIC's statement/ certificate) not reported in its audited financial statements by the school	91,11,232	-

Accordingly, the school had understated both the asset and liability towards retirement benefits in its audited financial statements.

Further, the school in its financial statements of the school for FY 2018-2019 reported the following significant Accounting Policies:

"1) Basis of Accounting

The Financial Statements have been drawn up under the historical cost convention. These statements have been prepared in accordance with the generally accepted accounting principles and the applicable mandatory accounting standards by The Institute of Chartered Accountants of India (ICAI) to the extent applicable.

7) Employee Benefits

The Society provides benefits to its employees in the form of Salary, Contribution towards provident fund, gratuity and leave encashment are recognized as an expense in the income and expenditure account except Leave Encashment and gratuity are recognized as an expense in the profit & loss account on paid basis."

In addition, the Notes on Accounts annexed to the financial statements stated "8. There is no contingent liability as stated by the management except staff benefits mentioned above."

While in the accounting policy relating to basis of accounting, the school mentioned that the financial statements are prepared in accordance with mandatory Accounting Standard issued by ICAI, it contradicted the requirement of Accounting Standard 15 with the accounting policy on Employee Benefits and note cited above. It is mandatory for an entity to recognise provision for retirement benefits in accordance with actuarial valuation as per the requirements of Accounting Standard 15 and the same is not to be considered as a contingent liability. It was also noticed that the Auditor did not highlight non-compliance with the Accounting Standard, nor did he qualify his audit opinion.

Based on the statement/certificate from LIC, fund value of plan assets in the form of group gratuity as on 2 May 2019 totalled to INR 91,11,232, which has been considered as value of the investment and correspondingly the same amount has been adjusted as provision of gratuity while deriving the fund position of the school (enclosed in the later part of this order).

Since the school did not submit any evidence of deposit of any additional amount during FY 2019-2020, the amount budgeted by the school as provision for gratuity and leave encashment have not been considered as part of the budgeted expenses for FY 2019-2020 while deriving the fund position of the school (enclosed in the later part of this order).

The school is directed to keep on depositing funds in the gratuity and leave encashment policies with LIC in subsequent years to ensure that the value of the plan-assets matches the actuarial valuation. Further, the school is directed to accurately disclose the provisions of gratuity and leave encashment along with corresponding investments in plan-assets in its financial statements in accordance with the requirements of Accounting Standard 15. Also, the school must ensure that its accounting policies are in sync with Accounting Standards.

6. As per Directorate's Order No. F.DE-15/ACT-I/WPC-4109/PART/13/7905-7913 dated 16 April 2016, *"The Director hereby specify that the format of the return and documents to be submitted by schools under rule 180 read with Appendix –II of Delhi School Education Rules, 1973 shall be as per format specified by the Institute of Chartered Accountants of India, established under Chartered Accountants Act, 1949 (38 of 1949) in Guidance Note on Accounting by Schools (2005) or as amended from time to time by this Institute."*

   Para 25 of the Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states "*(i)Revenue from sales or service transactions should be* recognised *when the requirements as to performance set out in paragraphs (ii) and (iii) below are satisfied, provided that at the time of performance it is not unreasonable to expect ultimate collection. If at the time of raising of any claim it is unreasonable to expect ultimate collection, revenue recognition should be postponed.*

   (ii) ....

   (iii) *In a transaction involving the rendering of services, performance should be measured either under the completed service contract method or under the proportionate completion method, whichever relates the revenue to the work accomplished. Such performance should be regarded as being achieved when no significant uncertainty exists regarding the amount of the consideration that will be derived from rendering the service".*

The school, in its significant accounting policies annexed to its financial statements mentioned "***Basis of Accounting***: *The Financial Statements have been drawn up under the historical cost convention. These statements have been prepared in accordance with the generally accepted accounting principles and the applicable mandatory accounting standards by The Institute of Chartered Accountants of India (ICAI) to the extent applicable. Fees received by society are booked on the receipt basis of accounting, whereas expenses are booked on the basis of accrual basis of accounting.*"

The accounting policy adopted by the school of recording fee on receipt basis and is contradictory to Generally Accepted Accounting Principles (GAAP) and Accounting Standard 9. GAAP does not allow entities to use the cash basis of accounting because it violates the matching principle, time period principle, and doesn't reflect the actual performance or financial status of the entity. However, it was noted that Balance Sheets include fee receivable on the assets side and advance fee on the liability side. Thus, it is not clear what is the exact basis of accounting for fee, since the financial statements and the accounting policy annexed to the financial statements are not in sync with each other.

The partial application of cash basis of accounting for recording fee and deviation, if any from the requirements of Accounting Standard 9 were not highlighted by the Auditor in its audit report and the same was not qualified. Thus, the audit opinion of the Auditor cannot be relied upon in relation to income from fee.

Additionally, incomes (fee collected from students) reported in the Income and Expenditure Account for FY 2018-2019 were recomputed to evaluate the accuracy of incomes reported based on the approved fee structure of the school and details of number of students enrolled (non-EWS) provided by the school. Basis the computation prepared, differences were noted in the fee collection reported by the school during FY 2018-2019 in its Income & Expenditure Account and amount of fee arrived/computed as per details provided by the school. Following differences were derived based on the computation of FY 2018-2019:

Particulars	Income reported in Income & Expenditure Account (A)	Fee computed on the based-on details no. of students provided by the school (B)	Derived Difference (C)=(A-B)	Derived % Difference (D)=(C/B* 100)
Tuition fee	8,00,84,215	7,79,74,920	21,09,295	2.71%
Development fee	1,16,73,440	1,11,28,020	5,45,420	4.90%
Annual fee	87,83,500	83,85,000	3,98,500	4.75%

Difference noted above could not be reconciled and exact reason for such difference could not be derived.

Accordingly, as per the principles contained in the Guidance Note and Accounting Standard 9 - 'Revenue Recognition' in respect of recognition of income, the school should recognise gross income in its Income and Expenditure account and corresponding Income (Fees) receivable should be reflected on the assets side of the Balance Sheet. Therefore, accounting treatment done by the school should be appropriately reflected by the school in its financial statements and correct disclosure in accounting policies.

Further, the school should perform a detailed reconciliation of the amount collected from students and income to be recognised based on the fee structure and number of students enrolled by the school. Compliance of the same would be checked at the time of evaluation of subsequent fee increase proposal.

Since the reconciliation is to be prepared and provided by the school, no adjustment has been made in the fund position of the school (enclosed is the later part of the order).

C. Other Observations

1. Direction no. 3 of the public notice dated 4 May 1997 published in the Times of India states "*No security/ deposit/ caution money be taken from the students at the time of admission and if at all it is considered necessary, it should be taken once and at the nominal rate of INR 500 per student in any case, and it should be returned to the students at the time of leaving the school along with the interest at the bank rate.*"

   Clause 18 of Order no F.DE/15(56)/Act/2009/778 dated 11 Feb 2009 states "*No caution money/security deposit of more than five hundred rupees per student shall be charged. The caution money, thus collected shall be kept deposited in a scheduled bank in the name of the concerned school and shall be returned to the student at the time of his/her leaving the school along with the bank interest thereon irrespective of whether or not he/she requests for refund.*"

   Directorate's order no. F.DE.15/(271)/PSB/2019/1460-1464 dated 29 Mar 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school had not refunded interest on caution money along with caution money to exiting students and was directed to include interest earned on caution money in the refund amount.

   From the submissions of the school, it was noted that the school has not yet started paying interest along with caution money refund to students. During the personal hearing, school mentioned that the school is not refunding interest along with caution money to students at the time of leaving the school.

   Therefore, the school is directed to ensure compliance with the aforementioned directions including refund of caution money along with interest to exiting students.

2. 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.

   As per Order No. F.DE-15/ACT-I/WPC-4109/PART/13/7905-7913 dated 16 April 2016, "*The Director hereby specify that the format of the return and documents to be submitted by schools under rule 180 read with Appendix –II of Delhi School Education Rules, 1973 shall be as per format specified by the Institute of Chartered Accountants of India, established under Chartered Accountants Act, 1949 (38 of 1949) in Guidance Note on Accounting by Schools (2005) or as amended from time to time by this Institute.*"

   On review of the audited final accounts for FY 2017-2018 and FY 2018-2019, it was noted that the Receipt and Payment Accounts were duly signed by the auditor with reference thereon to the audit report of even date. However, in its audit report, the auditor only gave his opinion on the true and fair view on:

- In the case of balance sheet of the state of affairs as at 31 March and
- In the case of Income and Expenditure account of the Deficit for the accounting year.

Thus, the auditor did not give his opinion on the receipt and payment account. The school did not provide reasonable justification for auditor's non-inclusion of receipt and payment account in his audit opinion. Thus, the school did not comply with the requirement of submission of audited final accounts in accordance with the Rule 180(1).

Further, Para 1 of Standard on Auditing (SA) 700 (Revised) – 'Forming an Opinion and Reporting on Financial Statements' notified by the Institute of Chartered Accountants of India states "*This Standard on Auditing (SA) deals with the auditor's responsibility to form an opinion on the financial statements. It also deals with the form and content of the auditor's report issued as a result of an audit of financial statements.*"

It was noted that the auditor gave reference to tax audit report u/s 10B. Since the submission of the financial statements were made to the Directorate and not Income Tax Department, use of Form 10B (prescribed under the Income Tax Act) is inappropriate since the school is expected to prepare financial statements under the Generally Accepted Accounting Principles (GAAP). Thus, the auditor should have used the format of audit report as prescribed under SA 700.

Further, the audit report in form 10B submitted by the school was in the name of the society. However, the amount of income mentioned in form 10B was equal to the amount of income indicated in the Income and Expenditure Account indicating that the society has not segregated its affairs with that of the school.

During personal hearing, the school mentioned that the society does not have any other school and thus, single set of final accounts are prepared.

The explanation given by the school is not appropriate as the affairs including income and expenses of the society must be kept segregated from that of the school even in case the society does not have any other school under its management.

Also, the format of financial statements (Balance Sheet, Income and Expenditure Account, Receipt and Payment Account and Schedules) was not in accordance with that included in the Guidance Note cited above as previous year's figures were not included in the financial statements for comparison.

Accordingly, the school is directed to ensure the financial statements, separately for the school, as per the requirements of Rule 180(1) and Guidance Note are appropriately prepared and submitted to the Directorate. The school is also directed to ensure that the audit opinion is issued by the auditor on the complete set of financial statements i.e. Balance Sheet, Income & Expenditure Account and Receipt & Payment Account as per the format prescribed under SA 700.

3. Para 58(i) of the Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states "*A school should charge depreciation according to the written down value method at rates recommended in Appendix I to the Guidance Note.*"

   As per Order No. F.DE-15/ACT-I/WPC-4109/PART/13/7905-7913 dated 16 April 2016, "*The Director hereby specify that the format of the return and documents to be submitted by schools under rule 180 read with Appendix –II of Delhi School Education Rules, 1973 shall be as per format* *specified by the Institute of Chartered Accountants of India, established under Chartered Accountants Act, 1949 (38 of 1949) in Guidance Note on Accounting by Schools (2005) or as amended from time to time by this Institute."*

On review of audited financial statements for FY 2017-2018 and FY 2018-2019, it was noted that depreciation is being charged by the school as per rates specified in the Income Tax Act, 1961 instead of depreciation rates specified in Appendix I to the Guidance Note cited above.

The school is directed to charge depreciation on fixed assets at the rates prescribed by the Guidance Note. Compliance of the same shall be validated during evaluation of subsequent fee increase proposal as may be submitted by the school. The above being a presentation/ disclosure finding, no financial impact is warranted for deriving the fund position of the school.

4. As per the land allotment letter issued by the Delhi Development Authority to the Society in respect of the land allotted for the school, it shall ensure that percentage of freeship from the tuition fees, as laid down under rules by the Delhi Admin. from time to time, is strictly complied. The school shall ensure admission to the students belonging to weaker sections to the extent of 25% and grant freeship to them.

   From the breakup of students provided by the school, it had admitted students under Economically Weaker Section (EWS) Category as under

Particulars	FY 2016-2017	FY 2017-2018	FY 2018-2019
Total No. of Students	3,558	3,529	3,489
No. of EWS students	487	540	586
% of EWS students to total students	13.68%	15.30%	16.80%

   The school has not complied with the requirements of land allotment and should thus take comprehensive measures (including enhancement of EWS seats) to abide by the conditions of the land allotment letter issued by the Delhi Development Authority.

5. 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.

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 year 2019-2020 amounting to INR 12,83,51,827 out of which cash outflow in the year 2019-2020 is estimated to be INR 17,50,63,993. This results in net deficit of INR 4,67,12,166. The details are as follows:

Particulars	Amount (INR)
Cash and Bank Balance as on 31 Mar 2019 (as per audited financial statements of FY 2018-2019)	9,84,445
Investments (Fixed Deposits) as on 31 Mar 2019 (as per audited financial statements of FY 2018-2019)	22,30,189
Bank overdraft Balance as on 31 Mar 2019 (as per audited financial statements of FY 2018-2019)	(20,64,278)

Particulars	Amount (INR)
Investment against retirement benefits (gratuity) with LIC [Refer Financial Observations No. 5]	91,11,232
Total Funds Available with the School as on 31 Mar 2019	**1,02,61,589**
Add: Fees/Incomes for FY 2019-2020 (based on income reported in audited financial statements of FY 2018-2019) [Refer Note 1]	11,38,25,355
Add: Amount recoverable from Society/ Manager for salary paid to him during FY 2014-2015 to FY 2018-2019 [Refer Financial Observations No. 2]	87,91,000
Add: Recovery from Society of expenses recorded against computer teaching during FY 2017-2018 and FY 2018-2019 genuineness of which is doubtful [Refer Financial Observations No. 3]	72,76,500
Add: Amount recoverable from society against principal and interest paid on loan taken from ICICI bank for purchase of car [Refer Financial Observations No. 4]	6,78,501
Gross Estimated Available Funds for FY 2019-2020	**14,08,32,945**
Less: FDR held jointly with CBSE and DoE (as per audited financial statements of FY 2018-2019)	16,96,386
Less: Caution Money balance as on 31 Mar 2019 (as per audited financial statements of FY 2018-2019)	16,73,500
Less: Staff retirement benefits – Gratuity [Refer Financial Observations No. 5]	91,11,232
Less: Depreciation Reserve [Refer Note 2]	-
Net Estimated Available Funds for FY 2019-2020	**12,83,51,827**
Less: Budgeted Expenses for FY 2019-2020 (as per budget submitted by the school along with its fee increase proposal) [Refer Note 3]	11,99,90,691
Less: Arrears of salary as per 7th CPC for the period Apr 2018 to Mar 2019 [Refer Note 4]	2,54,82,972
Less: Arrears of salary as per 7th CPC till Mar 2018 [Refer Note 5]	2,95,90,330
Estimated Deficit	**4,67,12,166**

Notes:

1. All fees (with adjustment of 15% to tuition fees on account of increase allowed by Directorate vide its order F.DE.15/(271)/PSB/2019/1460-1464 dated 29 Mar 2019) and incomes as per audited financial statements of FY 2018-2019 have been considered (other than non-cash income such as amount written off, short & excess and unclaimed security (caution money) written off) with the assumption that the amount of income during FY 2018-2019 will at least accrue during FY 2019-2020.

2. On evaluation of depreciation reserve presented in the audited financial statements for FY 2018-2019 by the school, it was noted that the school had created depreciation reserve on fixed assets purchased (while development fee has been treated as revenue receipt) and presented the same as depreciation reserve on liabilities side of the Balance Sheet of the school. Since the school has not complied with the requirements of clause 14 of Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 being development fee treated as revenue receipt, no adjustment has been made towards development fund balance while deriving the fund position of the school (Refer Financial Discrepancy No. 1), depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue accounts as per clause 14 of Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009) is more of an accounting head for appropriate accounting treatment of depreciation

in the books of account of the school in accordance with Guidance Note 21 issued by the Institute of Chartered Accountants of India. Thus, there is no financial impact of depreciation reserve on the fund position of the school. Accordingly, it is not considered in table above.

3. Per the Budget Estimate for FY 2019-2020 submitted by the school along with proposal for fee increase, the school had estimated the total expenditure during FY 2019-2020 of INR 21,89,27,073 (including arrears towards 7th CPC of INR 7,67,73,201), which in some instances was found to be unreasonable/ excessive. Based on the explanations and details provided by the school during personal hearing, most of the expenses heads as budgeted were considered. Further, during review of budgeted expenses, certain discrepancies were noted in expenses budgeted by the school, which were adjusted from the budgeted expenses:

Expense Heads	Actuals FY 2018-2019	Budget FY 2019-2020	Amount Allowed	Amount Disallowed	Remarks
Salaries - Teaching Staff	7,20,39,302	11,96,91,873	10,87,16,212	1,09,75,661	The school did not provide adequate details for computation of salary as per 7th CPC for the FY 2019-2020. The increase budgeted by the school seems unreasonably high. In absence of detailed computation, an amount equivalent to 130% of the salary expense for FY 2018-2019 has been considered towards the impact of 7th CPC and balance increase of INR 92,65,661 has not been allowed. Further, INR 17,10,000 towards salary of Manager has not been allowed [Refer Financial Observation No. 2]
Salaries – Non-teaching Staff	1,29,03,938				
Gratuity	22,14,500	40,00,000	-	40,00,000	Refer Financial Observation No. 5
Leave Encashment	17,11,577	12,00,000	-	12,00,000	
7th CPC Arrear (Jan 2016 to Mar 2019)	-	7,67,73,201	5,50,73,302	2,16,99,899	Refer Note 4 and 5
Computer Teaching Fee	38,11,500	59,87,520	-	59,87,520	Refer Financial observation No. 3
Total	**9,26,80,817**	**20,76,52,594**	**16,37,89,514**	**4,38,63,080**	

4. The school did not provide adequate details for computation of salary as per 7th CPC for the FY 2018-2019, which the school budgeted as INR 3,12,49,617 an increase of 37% on the actual salary expense for FY 2018-2019. Considering the increase proposed under 7th CPC compared with 6th CPC, the percent increase budgeted by the school seems unreasonably high. In absence of detailed computation, an amount equivalent to 30% of the actual salary paid by the school during FY 2018-2019 i.e. INR 2,54,82,972 has been considered as the impact of 7th CPC for FY 2018-2019.

5. The school had proposed salary arrears of INR 3,82,48,026 (Jan 2016 to Dec 2017) in the budget for FY 2017-2018 and salary arrear of INR 72,75,558 (INR 4,55,23,584 minus INR 3,82,48,026) for the period Jan to Mar 2018 proposed in budget for 2019-2020, which was 55% of the salary paid in FY 2016-2017. It was noted that this substantial increase was due to partial implementation of the recommendation of 6th CPC as the school was paying DA @ 113% instead of 125% of the basic pay. Therefore, arrears of salary till March 2018 has been restricted to 30% of the actual salary paid by the school in FY 2016-2017 which comes to be INR 2,95,90,330 and excess amount of INR 86,57,696 has not been considered in the evaluation of fee increase proposal.

ii. In view of the above examination, it is evident that the school does not has adequate funds for meeting all the budgeted expenses for the financial year 2019-2020. In this regard, the directions issued by the Directorate of Education vide circular no. 1978 dated 16 Apr 2010 states:

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

AND WHEREAS, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants along with certain financial and other observations that the sufficient funds are not available with the school to carry out its operations for the academic session 2019-20. Accordingly, the fee increase proposal of the school may be accepted.

AND WHEREAS, it has been noted that the School has paid INR 1,67,46,001 towards payment to manager, loan repayment for purchase of Car, 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 1,67,46,001 from the society. The receipt of the above amount along with the copy of the bank statement showing the receipt of above-mentioned amount should be submitted with DoE, in compliance of the same, within thirty days from the date of issuance of this order. Non-compliance of this shall be taken up as per DSEA&R, 1973.

AND WHEREAS, it is relevant to mention that Covid-19 pandemic had a widespread impact on the entire society as well as on general economy. Further, charging of any arrears on account of fee for several months from the parents is not advisable not only because of additional sudden burden fall upon the parents/students but also as per the past experience, the benefit of such collected arrears is not passed to the teachers and staff in most of the cases as was observed by the Justice Anil Dev Singh Committee (JADSC) during the implementation of the 6th CPC. Further, it has to be seen that after Covid, which has affected the society at large, financial sudden burden to some extent may be avoided. Keeping this in view, and exercising the powers conferred under Rule 43 of DSER, 1973, the Director (Education) has accepted the proposal submitted by the school and allowed an increase in fee by 15% to be effective from 01 July 2022.

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

AND WHEREAS, the school is directed, henceforth to take necessary corrective steps on the financial and other observations noted during the above evaluation process and submit the compliance status 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 2019-2020 of **Oxford Senior Secondary School (School ID- 1618241), E Block, Vikas Puri, New Delhi - 110018** has been accepted by the Director of Education and the school is hereby allowed to increase fee by 15% with effect from 01 July 2022.

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

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

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

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

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

This order 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
Oxford Senior Secondary School
School ID- 1618241
E- Block, Vikas Puri
New Delhi - 110018

No. F.DE.15(759)/PSB/2022/4836-4840 Dated: 22/06/22

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 (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