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

No. F.DE.15(495)/PSB/2022/ 2869 - 2873 **Dated:** 12/05/22

ORDER

WHEREAS, **Shadley Public School, Press Colony, G-8 Area, Rajouri Garden, New Delhi-110064, School ID-1515105** (hereinafter referred to as "**the School**"), run by the Citizen Education 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 2018-19. Accordingly, this Order dispenses the proposal for enhancement of fee submitted by the School for the academic session **2018-19**.

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 2018-19, necessary records and explanations were also called from the School through email. Further, the School was also provided an opportunity to be heard on 21.11.2019 to present its justifications/ clarifications on fee increase proposal including audited financial statements. Based on discussions, the School was further asked to submit necessary documents and clarification on various issues. During the aforesaid hearing, compliances against Order No. F.DE.15(222)/PSB/2019/1190-1194 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:

- All Certificates with effect from 1 Feb 2019
- GST and Income Tax Audits with effect from 1 Apr 2019
- All Audit and Assurance Functions with effect from 1 Jul 2019

Therefore, generation of UDIN has been made mandatory for all audit and assurance functions like documents and reports certified/ issued by practising Chartered Accountants from 1 Jul 2019. The UDIN System has been developed by ICAI to facilitate its members for verification and certification of the documents and for securing documents and authenticity thereof by Regulators.

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

The Council of the Institute of Chartered Accountants of India, in terms of the decision taken at the 296th meeting held in June 2010 decided to extend the requirement to mention the firm registration number to all reports issued pursuant to any attestation engagement, including certificates, issued by the members as proprietor of/ partner in the said firm on or after 1 Oct 2010.

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 "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".

Also, para 45 of SA 700 states "*The auditor's report shall be signed. The report is signed by the auditor (i.e. the engagement partner) in his personal name. Where the firm is appointed as the auditor, the report is signed in the personal name of the auditor and in the name of the audit firm. The partner/proprietor signing the audit report also needs to mention the membership number assigned by the Institute of Chartered Accountants of India. They also include the registration number of the firm, wherever applicable, as allotted by ICAI, in the audit reports signed by them.*"

Further, para 47 of SA 700 states "*The auditor's report shall be dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements, including evidence that:*
(a) All the statements that comprise the financial statements, including the related notes, have been prepared; and

(b) Those with the recognized authority have asserted that they have taken responsibility for those financial statements."

On review of the financial statements for FY 2017-2018 and FY 2018-2019 submitted by the school, it was noticed that the school did not submit the Audit Report, Notes to Accounts and schedules annexed to the financial statements. Further, it was noticed that the auditor only certified the Balance Sheet, Income and Expenditure Account and Receipt and Payments Account without mentioning the firm registration number and his membership number. Also, the Balance Sheet, Income and Expenditure Account and Receipt and Payment Account for FY 2017-2018 and FY 2018-2019, which were stamped and signed by the Chartered Accountant and management of the school did not cite the date of signing of financial statements and UDIN, as mandated by ICAI.

Therefore, authenticity of the audit and that of the financial statements and financial information included therein could not be verified.

Accordingly, the school has not complied with the statutory requirement of submission of audited final accounts and has submitted unauthentic final accounts, which are not dated and complete. Thus, the financial statements for FY 2017-2018 and FY 2018-2019 could not be relied upon.

The school is directed to submit authentic financial statements to the Directorate, which must be complete (including Audit Report and Notes to Accounts) and comply with applicable Standards issued by the Institute of Chartered Accountants of India.

The school is further directed to ensure that the audit opinions issued on its future final accounts by practicing Chartered Accountant must comply with the requirements enunciated by their regulatory body i.e. The Institute of Chartered Accountants of India including mention of UDIN, FRN, membership no., date of signing.

2. 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 return and documents to be submitted by schools under rule 180 read with Appendix-II of the 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 financial statements for FY 2016-2017 to FY 2018-2019 submitted by the school, it was noted that the school did not prepare the financial statements as per the format prescribed in the order dated 16 April 2016 since the school failed to mention previous year's figures in Balance Sheet, Income and Expenditure Account and Receipt and Payment Account.

   The school is directed to ensure that the financial statements are prepared as per the requirements of aforementioned order of the Directorate.

B. Financial Observations

1. As per direction no. 2 included in the Public Notice dated 4 May 1997, "*it is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school becomes the sole property of the society*". Additionally, Hon'ble High Court of Delhi in its judgement dated 30 Oct

1998 in the case of Delhi Abibhavak Mahasangh concluded that "*The tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society.*" Also, Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/ 883-1982 dated 10 Feb 2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*"

Accordingly, based on the aforementioned public notice and High Court judgement, the cost relating to land and construction of the school building has to be met by the society, being the property of the society and school funds i.e. fee collected from students is not to be utilised for the same except in compliance with Rule 177 of DSER, 1973.

Directorate's order no F.DE.15 (222)/PSB/2019/1190-1194 dated 29 Mar 2019 issued to the school post evaluation of fee hike proposal for FY 2017-2018 noted that the audited financial statements of the school for FY 2014-2015 revealed that the school had incurred expenditure of INR 5,45,092 on construction of school building out of school funds without complying with the requirements of Rule 177. Accordingly, the school was directed to recover this amount from the society.

The school represented that the expenditure included repair and maintenance of building and toilets and no major construction was done.

Based on the fact that the school did not get its liability towards retirement benefits (gratuity and leave encashment) of staff valued from an actuary in accordance with the requirements of Accounting Standard 15 till date and did not make any investment in group gratuity scheme and group leave encashment scheme of LIC of other insurer to secure funds towards staff gratuity and leave encashment till date, 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*" before incurring expense on building.

Since the school has not recovered any amount from the Society till date. Thus, the above-mentioned expenditure of INR 5,45,092 incurred by the school on building during FY 2014-2015 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 is directed not to incur any expenditure on building unless it ensures compliance with Rule 177.

2. The position of 'Managing Director' is not prescribed in Recruitment Rules. Further, Managing Director is the staff of the society. Accordingly, the Managing Director is not entitled to any payment whatsoever from the school funds. However, from the records (Pay register for the month of March 19) submitted by the school and taken on record, it was noted that the school has paid salary to the Managing Director totalling to INR 20,43,396 (INR 1,70,283 per month) during FY 2018-2019. The school mentioned that the Managing Director of the School has been paid salary as he is performing work for the school.

   While the school did not provide details of salary paid to the Managing Director during FY 2017-2018, the school confirmed that remuneration was also paid to him during FY 2017-2018 from school funds. Since the position of the Managing Director is honorary, the amount totalling to INR 40,86,792 (INR 20,43,396 * 2 years) paid as remuneration to the Managing Director during FY 2017-2018 and 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 and with the direction to the school to recover this amount along with any salary paid in previous years from the Managing Director or the Society within 30 days from the date of this order.

Further, the school is directed not to pay any remuneration/ honorarium/ allowance to the Managing Director. In case, the school has paid any remuneration/ honorarium/ allowance to the Managing Director subsequently, the school is directed to recover that amount from the Managing Director or Society within 30 days from the date of this order.

3. 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:*
    - *assets held by a long-term employee benefit fund; and*
    - *qualifying insurance policies.*"

   Directorate's Order no. F.DE.15(222)/PSB/2019/1190-1194 dated 29 Mar 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school provided for gratuity and leave encashment on the basis of management estimates instead of actuarial valuation and the school was directed to get actuarial valuation for retirement benefits.

   The school represented that they are in the process of getting actuarial valuation and the same shall be submitted soon.

   The financial statements of the school for FY 2017-2018 reflected a total payable of INR 91,96,080 towards gratuity and INR 25,76,851 towards leave encashment as on 31 Mar 2018, which was based on management estimate and was not backed with actuarial valuation. Further, the school failed to provide schedules annexed with the financial statements of FY 2018-2019, therefore liability booked towards gratuity and leave encashment as on 31 Mar 2019 could not be verified. Further, the school did not make any investment in group gratuity scheme and group leave encashment scheme of LIC or other insurer.

   Since the school has not even obtained actuarial valuation as mandated by Accounting Standard 15 and did not deposit equivalent amount in plan-assets in the form of group gratuity and leave encashment policies of LIC or other insurer, no adjustment has been made towards gratuity and leave encashment appearing in the financial statements of the school while deriving the fund position of the school (enclosed in the later part of this order).

   The school is directed to get the liability of retirement benefits (gratuity and leave encashment) valued by an actuary and deposit the amount of liability so determined by the actuary in investments that qualify as plan-assets (such as group gratuity and group leave encashment policies with LIC or other insurers) as per Accounting Standard 15 within 30 days from the date of this order to protect statutory liabilities towards retirement benefits of school staff.

   Accordingly, the amount provided by the school towards gratuity and leave encashment during FY 2018-2019 has not been considered in the fund position of the school (enclosed in the later part of this order).

4. The Directorate of Education, in its Order No. DE.15/Act/Duggal.Com/ 203/99/23033-23980 dated 15 Dec 1999, indicated the heads of fee/ fund that recognised private unaided school can collect from the students/ parents, which include:

   - Registration Fee
   - Admission Fee
   - Caution Money
   - Tuition Fee
   - Annual Charges
   - Earmarked Levies
   - Development Fee

   Further, clause no. 9 of the aforementioned order states *"No fee, fund or any other charge by whatever name called, shall be levied or realised unless it is determined by the Managing Committee in accordance with the directions contained in this order ……"*

   The aforementioned order was also upheld by the Hon'ble Supreme Court in the case of Modern School vs Union of India & Others.

   Clause 17 of Order No. F.DE/15(56)/Act/2009/778 dated 11 Feb 2009 issued by this Directorate states *"No admission Fee of more than two hundred rupees per student, at the time of admission shall be charged. Admission Fee shall not be charged again from any student who is once given admission as long as he remains on the rolls of the school."*

   Further, Directorate's order no F.DE.15 (222)/PSB/2019/1190-94 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 is collecting one-time co-scholastic charges of INR 11,400 from new students at the time of admission. No private recognised school can collect fee other than those prescribed in aforementioned order dated 15 Dec 1999. Further, collecting one-time charge from students at the time of admission of students takes the form of admission fee, which can be collected only upto an amount of INR 200. Thus, collection of one-time fee from students at the time of admission indicates that the school is engaging in profiteering and commercialisation of education in contravention of the aforementioned clauses.

   The school represented that instead of collecting the fees at the time of admission the same will be collected on monthly basis only in future.

   Collection of one-time charges is in contravention of the provision of DSEA&R, 1973, therefore, the school is directed not to collect one-time charges from students at the time admission other than admission fee. Since there is no defined usage of co-scholastic charges collected by the school, which is treated alike Annual Charges and is used for meeting expenses that are to be met out of Annual Charges, therefore, the school is directed not to collect 'co-scholastic charges' from students with immediate effect.

   For the purpose of evaluation of the fee hike proposal for FY 2018-2019, as co-scholastic charges was already collected from the students, the same has been included as part of the income while deriving the fund position of the school (enclosed in the later part of this order).

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.

C. Other Observations

1. Clause 19 of Order No. F.DE./15(56)/Act/2009/778 dated 11 Feb 2009 states "*The tuition fee shall be so determined as to cover the standard cost of establishment including provisions for DA, bonus, etc., and all terminal, benefits as also the expenditure of revenue nature concerning the curricular activities.*"

   Further, clause 21 of the aforesaid order states "*No annual charges shall be levied unless they are determined by the Managing Committee to cover all revenue expenditure, not included in the tuition fee and 'overheads' and expenses on play-grounds, sports equipment, cultural and other co-curricular activities as distinct from the curricular activities of the school.*"

   Rule 176 - 'Collections for specific purposes to be spent for that purpose' of the DSER, 1973 states "*Income derived from collections for specific purposes shall be spent only for such purpose.*"

   Para no. 22 of Order No. F.DE./15(56)/ Act/2009/778 dated 11 Feb 2009 states "*Earmarked levies will be calculated and collected on 'no-profit no loss' basis and spent only for the purpose for which they are being charged.*"

   Sub-rule 3 of Rule 177 of DSER, 1973 states "*Funds collected for specific purposes, like sports, co-curricular activities, subscriptions for excursions or subscriptions for magazines, and annual charges, by whatever name called, shall be spent solely for the exclusive benefit of the students of the concerned school and shall not be included in the savings referred to in sub-rule (2).*" Further, Sub-rule 4 of the said rule states "*The collections referred to in sub-rule (3) shall be administered in the same manner as the monies standing to the credit of the Pupils Fund as administered.*"

   Also, the Hon'ble Supreme Court through its 2004 judgement in the case of Modern School Vs Union of India and Others directed all recognised unaided schools of Delhi to maintain the accounts on the principles of accounting applicable to non-business organizations/not-for-profit organizations. Earmarked levies collected from students are a form of restricted funds since these can be utilised only for the purposes for which these have been collected, and according to Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India, the financial statements should reflect income, expenses, assets and liabilities in respect of such funds separately.

   Further, the aforementioned Guidance Note lays down the concept of fund based accounting for restricted funds, whereby upon incurrence of expenditure, the same is charged to the Income and Expenditure Account ('Restricted Funds' column) and a corresponding amount is transferred from the concerned restricted fund account to the credit of the Income and Expenditure Account ('Restricted Funds' column).

   From the information provided by the school and taken on record, it was noted that the school charges earmarked levies in the form of Cal Lab fees, Computer fees and Lab fees from students. However, the school has not maintained separate fund accounts for any of these earmarked levies separately and the school has been generating surplus from earmarked levies, which has been utilised for meeting other expenses of the school or has been incurring losses (deficit) that has been met from other fees/income, which was also mentioned in Directorate's order no F.DE.15 (222)/PSB/2019/1190-1194 dated 29 Mar 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018. Further, Directorate's order no F.DE.15 (222)/PSB/2019/1190-1194 dated 29 Mar 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 mentioned that the school has failed to disclose the transport fees collected, as the same is managed by the society. During FY 2018-2019, it was noted that the school has failed to disclose transport fees collected and corresponding expense incurred in respect of the same. Further, the school failed to provide the details of fees collected towards transport during FY 2017-2018 and FY 2018-2019. Details of calculation of surplus/deficit, based on breakup of expenditure provided by the school for FY 2017-2018 is given below:

Earmarked Fee	**Income (INR)**	**Expenses (INR)**	**Surplus/(Deficit) (INR)**
	A	**B**	**C=A-B**
Bus fee	-*	-*	-
Cal Lab Fees	20,92,380	15,93,610	4,98,770
Computer Charges	6,22,940	6,91,139	(68,199)
Lab fees	4,42,695	4,12,608	30,087

*Details of Income and expenses against the Bus Fees (Transport Facility) were not provided by the school.

Based on the aforementioned, earmarked levies are to be collected only from the user students availing the service/facility. In other words, if any service/facility has been extended to all the students at the school, a separate charge should not be levied for the service/facility as the same would get covered either under tuition fee (expenses on curricular activities) or annual charges (expenses other than those covered under tuition fee). The school is charging Cal Lab fee from the students of all classes. Thus, the fee charged from all students loses its character of earmarked levy, being a non-user-based fees. Thus, based on the nature of the Cal Lab fees and details provided by the school in relation to expenses incurred against the same, the school should not charge such fee as earmarked fee with immediate effect and should incur the expenses relating to these from tuition fee and annual charges, as applicable collected from the students.

The school is hereby directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from students. Unintentional surplus/deficit, if any, generated from earmarked levies has to be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies during subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on no-profit no-loss basis. The school is directed to stop collecting Cal Lab fee with immediate effect, which is mandatorily collected from all the students. The school must also ensure that earmarked levies are optional in nature and not mandatory. Further, the school must ensure that all the fees are accounted in the financial statements. The school is directed to submit details of bus fee and expenses incurred against the same from FY 2014-2015 till date along with its subsequent fee increase proposal and the same will be examined along with evaluation of subsequent fee increase proposal of the school.

2. 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 shall be collected only if the school is maintaining 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."*

   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 return and documents to be submitted by schools under rule 180 read with Appendix-II of the 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 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states "*Where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year.*"

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

   Para 58(i) of the Guidance Note on Accounting by Schools 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.*

   Further, Para 102 of the aforementioned Guidance Note states "*In respect of funds, schools should disclose the following in the schedules/notes to accounts: (a) In respect of each major fund, opening balance, additions during the period, deductions/utilisation during the period and balance at the end;(b) Assets, such as investments, and liabilities belonging to each fund separately;(c) Restrictions, if any, on the utilisation of each fund balance;(d) Restrictions, if any, on the utilisation of specific assets.*"

   Directorate's order no F.DE.15 (222)/PSB/2019/1190-94 dated 29 Mar 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that during FY 2014-2015 to FY 2016-2017 the school utilised development fund towards revenue expenditure and the school was directed to make necessary adjustments in general reserve and development fund account. However, the school failed to rectify the same.

   Further, basis the presentation made in the financial statements for FY 2018-2019 submitted by the school, it was noted that though the school has shown depreciation on assets purchased from development fund as income in the Income and Expenditure account, but the school has deducted the same from the "Fund for fixed assets" account as per the accounting treatment prescribed in the guidance note cited above. Thus, the school has not done the accounting and reporting of development fund, depreciation and depreciation reserve in accordance with the requirements of Para 99 of Guidance Note 21.

Further, the depreciation transferred to the income and expenditure account was INR 3,75,680 however the depreciation as per fixed asset schedule is INR 3,83,049. Also, the WDV of assets purchased from development fund was shown at the face of balance sheet as INR 23,40,469 and in the FA schedule the same was INR 23,33,100.

Basis the presentation made in financial statements for FY 2017-2018 and FY 2018-2019 submitted by the school, it was noted that the school has reflected fixed assets purchased from development fund and from school funds at written down value on the face of balance sheet. The fixed assets schedule for assets purchased from development fund and other fund annexed to the financial statements did not include the details of gross block at the beginning, addition and deletion made during the year, closing balance of gross block, opening balance of accumulate depreciation, depreciation charged during the year, closing balance of accumulated depreciation and written down value of fixed at the end of year. Accordingly, the fixed assets and depreciation were not appropriately disclosed in the financial statements by the school.

Also, the school has charged depreciation on fixed assets as per the rates specified in the Income Tax Act, 1961 instead of the rates specified in the guidance note.

The school is directed to follow DOE instruction regarding development fund. Also, the school should transfer amount equivalent to the depreciation from development fund utilised account to Income and Expenditure Account as income to comply with the accounting and disclosure requirements of the guidance note. Further, the school must comply with accounting and disclosure requirements of Guidance Note and report fixed assets at historic value on the asset side of the Balance Sheet and depreciation reserve equivalent to the accumulated depreciation as per fixed assets schedule on the liability side of the Balance Sheet. Also, the school must adopt the depreciation rates prescribed in the Balance Sheet.

3. 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.*"

   Further, 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.*"

   Further, Clause 4 Order no .DE/15(150)/Act/2010/4854-69 dated 9 Sep 2010 states "*After the expiry of thirty days, the un-refunded caution money belonging to the ex-students shall be reflected as income for the next financial year & it shall not be shown as liability. Further the income shall also be taken into account while projecting fee structure for ensuing academic year*"

   Directorate's order no F.DE.15 (222)/PSB/2019/1190-94 dated 29 Mar 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school has reflected loan from students of INR 2,45,900 as unsecured loan as on 31 Mar 2019. The school was directed to refund the same to the students from whom this has been collected.

During personal hearing the school mentioned they are in the process of refunding the same. Further, from the information provided by the school, it was noted that the school was not refunding interest along with caution money to students.

Therefore, the school is directed to communicate with students and refund the amount taken as loan from them. Also, the school is directed to refund the caution money together with interest thereon.

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	942	980	1013
No. of EWS Students	60	90	116
% of EWS students to total students	6.37%	9.18%	11.45%

   While the school in its response mentioned that it takes admission under EWS category on the basis of list of admissions provided by the Directorate, it 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.

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 2018-2019 amounting to INR 5,84,39,024 out of which cash outflow in the year 2018-2019 is estimated to be INR 5,30,84,787. This results in net surplus of INR 53,54,237. The details are as follows:

Particulars	Amount (INR)
Cash and Bank Balance as on 31 Mar 2018 (as per audited financial statements of FY 2017-2018)	17,57,357
Investments (Fixed Deposits) as on 31 Mar 2018 (as per audited financial statements of FY 2017-2018)	29,06,220
Total Liquid Funds Available with the School as on 31 Mar 2018	**46,63,577**
Add: Fees/Incomes for FY 2018-2019 (as per financial statements of FY 2018-2019) [Refer Note 1]	5,27,11,774
Add: Amount recoverable from Society towards addition in building [Refer Financial Discrepancy No. 1]	5,45,092
Add: Amount recoverable from Society towards salary paid to Managing Director [Refer Financial Discrepancy No. 2]	40,86,792

Particulars	Amount (INR)
Gross Estimated Available Funds for FY 2018-2019	**6,20,07,235**
Less: FDR held jointly with CBSE (as per financial statements of FY 2018-2019)	5,50,000
Less: Staff retirement benefits [Refer Financial Discrepancy No. 3]	-
Less: Loan from Students [Refer Other Discrepancy No. 3]	2,45,900
Less: Development Fund balance as on 31 Mar 2019 (as per financial statements of FY 2018-2019)	26,10,937
Less: Caution Money (as per financial statements for FY 2017-2018)	1,61,374
Net Estimated Available Funds for FY 2018-2019	**5,84,39,024**
Less: Expenses for FY 2018-2019 (as per financial statements of FY 2018-2019) [Refer Note 1]	5,30,84,787
Estimated Surplus as on 31 Mar 2019	**53,54,237**

Notes:

1. The school submitted its financial statements for FY 2018-2019. Based on the financial statements for FY 2018-2019, all fee and incomes (other than provision for leave encashment written off and income transferred equivalent to depreciation on development fund assets) have been considered, while expenses after making the following adjustments have been considered:

Expense Head	Amount (Actual)	Amount (Allowed)	Amount (Disallowed)	Remarks
Depreciation	11,25,342	-	11,25,342	Depreciation, being a non-cash expense does not have any impact on the fund position of the school.
Salary Reserve	49,23,465	-	49,23,465	The school has not created any FDR in the joint name of the school and Deputy Director of Education. Accordingly, the same has not been considered in table above.
Total	**60,48,807**	-	**60,48,807**	

ii. In the view of the above evaluation, it is evident that the School has sufficient fund to carry out its operations at the existing fee structure. 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.*"

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, certain financial observations that were identified (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings were also noted (appropriate instructions against which have been given in this order), the funds available with the school to carry out its operations for the academic session 2018-2019 and payment of salaries as per the recommendations of 7th CPC are sufficient. Accordingly, the fee increase proposal of the school may be rejected.

AND WHEREAS, it has been noted that the School has paid INR 46,31,884 towards addition to building and payment to Managing Director, 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 46,31,884 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, the 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 the school has sufficient funds for meeting its financial implication for the academic session 2018-19. Therefore, Director (Education) has rejected the proposal submitted by the school to increase the fee for the academic session 2018-19.

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

Accordingly, it is hereby conveyed that the proposal for enhancement of fee for session 2018-2019 of **Shadley Public School (School ID-1515105), Press Colony, G-8 Area, Rajouri Garden, New Delhi-110064** has been rejected by the Director of Education.

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

1. Not to increase any fee/charges during FY 2018-19. In case, the school has already charged increased fee during FY 2018-19, the school should make necessary adjustments from future fee/refund the amount of excess fee collected, if any, as per the convenience of the parents.

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

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

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

This 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
Shadley Public School
School ID-1515105
Press Colony, G-8 Area,
Rajouri Garden
New Delhi -110064

No. F.DE.15(495)/PSB/2022/ 2869-2873

Dated: 12/05/22

Copy to:

1. P.S. to Principal Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. DDE (West-A) 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