

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

No. F.DE.15(663)/PSB/2022/ 4035-4039

Dated: 03/06/22

ORDER

WHEREAS, **Poorna Prajna Public School (School Id-1720138), Vasant Kunj, New Delhi-110070**, (hereinafter referred to as "**the School**"), run by the Sri Admar Mutt Educational Council (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 13.11.2019 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(25) PSB/2018/912-916 dated 22.01.2019 issued for academic session 2017-18 were also discussed and school submissions were taken on record.

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

A. Financial observations

1. Direction no. 2 included in the Public Notice dated 04.05.1997 states *"it is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school becomes the sole property of the society"*.



Additionally, Hon'ble High Court of Delhi in its judgement dated 30.10.1998 in the case of Delhi Abibhavak Mahasangh concluded that "*The tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society.*" Also, Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/ 883-1982 dated 10.02.2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*"

Further, Rule 177 of DSER,1973 states "*income derived by an unaided private recognised school by way of fees shall be utilised in the first instance, for meeting the pay, allowances and other benefits admissible to the employees of the school. Provided that savings, if any, from the fees collected by such school may be utilised by its management committee for meeting capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely award of scholarships to students, establishment of any other recognised school, or assisting any other school or educational institution, not being a college, under the management of the same society or trust by which the first mentioned school is run*".

The abovementioned savings shall be arrived at after providing for the following, namely:

- a) Pension, gratuity and other specified retirement and other benefits admissible to the employees of the school;
- b) The needed expansion of the school or any expenditure of a developmental nature;
- c) The expansion of the school building or for the expansion or construction of any building or establishment of hostel or expansion of hostel accommodation;
- d) Co-curricular activities of the students;
- e) Reasonable reserve fund, not being less than ten percent, of such savings.

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

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

The Directorate in its order no. F.DE.15(25) PSB/2018/2019/912-916 dated 22.01.2019 issued for academic session 2017-18, it was noted that the school has utilised school funds of INR 4,47,65,875 for construction of building and laying roads in FY 2014-15 to FY 2016-17. It was also observed that an amount of INR 9,07,312 was payable to the Society as on 31.03.2017. Thus, in the aforesaid order the School was directed to recover INR 4,38,58,563 (INR 4,47,65,875 minus INR 9,07,312) from the society.

During the personal hearing, the school has explained the details of fund received for the construction of building. The School submitted that INR 1,75,00,000 was received from the Society

as interest free loan and INR 50,00,000 was received from the Delhi Kalyan Samiti as grant and remaining amount was utilised out of development fund. Further, on review of the audited financial statements for the FY 2018-19, it has noticed that the school has repaid the interest free loan of the Society which indicates that the school funds have been utilised for construction of building and in fact society never contributed any amount for construction of building.

A construction of building is the responsibility of the society. Therefore, INR 3,97,65,875 (net of grant of INR 50,00,000) was incurred by the School out of school funds is pending for recovery from the society. Accordingly, the total amount incurred INR 3,97,65,875 has been included in the calculation of fund availability to the school with the direction to recover this amount from the society within 30 days from the issue of this order.

2. Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "*Accounting for defined benefit plans is complex because actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses.*" Further, the Accounting Standard defines Plan Assets (the form of investments to be made against liability towards retirement benefits) as:

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

Para 57 of Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India, "*An enterprise should determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.*"

From the review of the record submitted by the school it has observed that the School has created total provision towards gratuity for INR 1,56,61,294 and towards leave encashment for INR 64,59,944 in its audited financial statements of FY 2018-19.

The Directorate in its order no. F.DE.15(25) PSB/2018/912-916 dated 22.01.2019, directed to School to make earmarked investments against provision for gratuity and leave encashment with LIC (or any other agency) within 30 days of the receipt of the aforesaid order. However, it has been noted that the school has earmarked equivalent amount in fixed deposits with bank towards retirement benefits as on 31.03.2019, which does not qualify as 'Plan Asset as per Accounting Standard 15. Therefore, the same has not been considered while deriving the fund position of the School. The School is again directed to make equivalent investments against retirement benefits in 'Plan Assets' in accordance with AS-15. Accordingly, the provision of INR 42,35,420 made by the school during FY 2018-19 against gratuity and leave encashment has not been considered as part of the total expenditure of the school.

3. Rule 175 of DSER, 1973 State "*all income received by the School is required to be reflected in the accounts with regard to the School Fund or the Recognised Unaided School Fund, as the case may be, clearly exhibiting the income accruing under each head, i.e., fees, fines, income from building rent, interest, development fee, etc.*"

The DoE in its order No. F.DE.15(25) PSB/2018/912-916 dated 22.01.2019, issued for academic session 2017-18, it was noted that the School premises has been rented out to the Canara Bank and rental income was received by the Society till FY 2015-16. Therefore, the School was directed to recover INR 37,90,944 from the Society which is still pending for recovery.

From review of the record submitted by the School, it has been noted that the school has collected a rental income of INR 16,93,692 in FY 2018-19. However, no effort was made by the School to recover the previous rental income from the Society as directed in previous order. Therefore, the School is again directed to the School to recover INR 37,90,944 from the Society within 30 days from the issue of this order.

4. Section 2(m) of DSEA, 1973 states "Manager" in relation to a School, means the person, by whatever name called who is entrusted, either on the date on which this Act comes into force, or as the case may be, under a scheme of management made under section 5, with the management of the affairs of that School.

The Directorate's in its Order No. DE /15/Act/Duggal.Com/203/99/23033/23980 dated 15.12.1999 states "*the management is restrained from transferring any amount from the recognized unaided school fund to the Society or turs or any other institution.*" The Hon'ble Supreme Court also through its judgement on review petition in 2009 restricted transfer of fund to the Society.

Based on the above, the Manager of a School is not entitled to any payment whatsoever from the School funds. On review of the audited financial statement of FY 2018-19, it has been noted that the School has paid INR 4,26,000 as conveyance charges to the Manager during the year. Further, it is also noted that the School has also reimbursed the travelling expenses of INR 2,96,586 of Chairman and Vice-Chairman of the Society which in not in accordance of the above-mentioned provisions.

Therefore, INR 7,22,586 (INR 426000 plus INR 2,96,586) has been included while deriving the fund position of the School with the direction to recover this amount from the Manager/Society within 30 days from the date of this Order. The School is further directed not to make any subsequent payment to the Manger in the form of salary and otherwise.

5. Direction no. 2 included in the Public Notice dated 04.05.1997, "*Not to charge building fund and development charges when building is complete or otherwise as 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*".

Order no. F.DE.15/ACT-I/WPC-4109/PART/13/74 dated 23.12.2016 issued to the school post evaluation of fee increase proposal for the financial year 2016-17 noted that the school has collected donations from parents and public amounting to INR 17,16,000 in the FY 2014-15 in contravention of section 13 of the Right to children to Free and Compulsory Education Act,2009.

Further, the school vide order no. F.DE.15(25) PSB/2018/2019/912-916 dated 22.01.2019 issued for academic session 2017-18 directed to submit the complete details of the persons from whom donations were collected and identifying the parents of students studying in the school along with compliance report.



During the personal hearing, the school was asked to submit the complete details of the persons from whom donations were collected together with the amount of donation and identifying the parents of students. However, the school has not provided any details in this regard. Therefore, the school is once again directed to provide the required details within 30 days from the date of issue of this order. Non-compliance to this direction would be reviewed seriously u/s 24 of DSEA' 1973 and strict action would be taken against the School without providing further opportunity.

6. Rule 177 of DSER,1973 states *"(1) Income derived by an unaided recognised school by way of fees shall be utilised in the first instance, for meeting the pay, allowances, and other benefits admissible to the employees of the school. Provided that savings, if any from the fees collected by such school may be utilised by its managing committee for meeting for meeting the capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely:*

1. *award of the scholarships to students,*
2. *establishment of any other recognised school, or*
3. *assisting any other school or educational institution, not being a college, under the management of the same society or trust by which the first mentioned school is run.*

(2) The savings referred to in sub-rule (1) shall be arrived at after providing for the following, namely :-

- (a) pension, gratuity and other specified retirement and other benefits admissible to the employees of the school,*
- (b) the needed expansion of the school or any expenditure of a development nature,*
- (c) the expansion of the school building or for the expansion or construction of any building or establishment of hostel or expansion or construction of any building or establishment of hostel or expansion of hostel accommodation,*
- (d) co-curricular activities of the students,*
- (e) reasonable reserve fund, not being less than ten percent, of such savings."*

The Directorate in its order no. F.DE.15(25) PSB/2018/2019/912-916 dated 22.01.2019 issued for academic session 2017-18, was directed to the school to recover INR 1,27,000 from the Society as this amount has been utilised for providing scholarship to the students during the FY 2016-17 without complying the requirements of the Rule 177 of DSER, 1973. However, this amount is pending for recovery from the Society. Accordingly, the School is again directed to recover INR 1,27,000 from the Society within 30 days from the date of issue of this order and this amount has been considered as surplus while deriving the fund position of the School.

7. Clause 3 of the public notice dated 04.05.1997 published in the Times of India states *"No security/ deposit/ caution money be taken from the students at the time of admission and if at all it is considered necessary it should be taken once and at the nominal rate of INR 500 per student in any case and it should be returned to the students at the time of leaving the school along with the interest at the bank rate."*

Further Clause 18 of Order no F.DE/15(56)/Act/2009/778 dated 11.02.2009 states *"No caution money/security deposit of more than five hundred rupees per student shall be charged. The caution money thus collected shall be kept deposited in a scheduled bank in the name of the concerned*

school and shall be returned to the student at the time of his/her leaving the school along with the bank interest thereon irrespective of whether or not he/she requests for refund.”

On review of the financial statements, it has been noted that the school has been collecting caution money from the students. But only principal amount is being refunded to the students at the time of his/ her leaving from the school which is not in accordance with the clause 18 of the order dated 11.2.2009 and clause 3 of the Public Noted dated 04.05.1997. The school is hereby directed to comply with the above-mentioned provisions with respect to caution money collected from the student. Further, the amount refundable of INR 10,38,000 as on 31.03.2018 as reported in the audited Financial Statements has been considered while deriving the fund position of the school.

B. Other observations

1. Rule 176 - ‘Collections for specific purposes to be spent for that purpose’ of the DSER, 1973 states *“Income derived from collections for specific purposes shall be spent only for such purpose.”*

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

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

Also, earmarked levies collected from students are a form of restricted funds, which, according to Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India, are required to be credited to a separate fund account when the amount is received and reflected separately in the Balance Sheet.

Further, the 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).

Form the information provided by the school and taken on record, it has noted that the school charges earmarked levies in the form of Transport Fees, Insurance Fee and ICT Fees. However, the school has not maintained separate fund accounts for transport fee and insurance fee while it is maintained fund accounting for ICT Fees and the school has been generating surplus from earmarked levy, which has been utilised for meeting other expenses of the school or generated loss which is met out of the other income of the school. The details of funds position for the three financial years as follows.

(Figures in INR)

Particulars	Transport Fees	ICT Fees	Insurance Fee
For the year 2016-17			



Fee Collected during the year (A)	48,42,725	45,56,000	-
Expenses during the year (B)	50,05,000	27,59,037	-
Difference for the year (A-B)	(1,62,275)	17,96,963	-
For the year 2017-18			
Fee Collected during the year (A)	47,88,770	50,04,720	24,131
Expenses during the year (B)	50,27,160	31,31,480	-
Difference for the year (A-B)	(2,38,390)	18,73,240	24,131
For the year 2018-19			
Fee Collected during the year (A)	43,74,050	45,32,200	2,38,920
Expenses during the year (B)	49,99,524	39,12,701	2,31,945
Difference for the year (A-B)	(6,25,474)	6,19,499	6,975
Total	(10,26,139)	45,89,702	31,106

Note- The School has started maintaining separate fund accounts for all earmarked levies from the FY 2018-19.

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

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

The act of the school of charging unwarranted fee or any other amount/fee under head other than the prescribed head of fee and accumulation of surplus fund thereof tantamount to profiteering and commercialization of education as well as charging of capitation fee in other form. Further, the school is also directed to determine its fee structure in accordance with provisions of DSEAR, 1973.

2. Clause 14 of DoE's Order No. F.DE./15 (56) /Act /2009 / 778 dated 11.02.2009 states "Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up gradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund, will be kept in a separately maintained Development Fund Account."

Further, as per 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 incurrance 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.

It has been noted that the school incurred expenditure on construction of building of INR 18,05,952, Volleyball Court of INR2,97,500, purchase of library books of INR 1,13,225, and Repair and Maintenance of capital assets of INR 33,49,785 during FY 2016-2017 to 2018-19 out of the development fund which is not in accordance with clause 14 of the order dated 11.02.2009. According to clause 14, the development fund / fee can only be utilised for purchase, upgrade and replacement of furniture, fixtures and equipment and not for purchase of library books, construction of building and road etc. Details of development fund utilized by the School is given below:

(Amount in INR)

Particulars	2016-17	2017-18	2018-19	Total
Repair and Maintenance	19,55,494	13,94,291	-	33,49,785
Construction of road*	18,05,952	-	-	18,05,952
Library Books	81,753	31,472	-	1,13,225
Volleyball Court	-	-	2,97,500	2,97,500

*for financial impact refer to financial observation no.1.

In view of the above, the school is directed to pass the necessary rectification entries in its books of accounts relating to development fund and ensuring with the compliance with clause 14 of the order dated 11.02.2009 and Para 99 of the GN-21 issued by the Institute of Chartered Accountants of India.

3. Para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India specify the accounting treatment for specific funds. The GN-21 states "Where the fund is meant for meeting capital expenditure, upon incurrance 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."

Form the presentation made in the audited financial statements for FY 2016-2017 and 2017-18 submitted by the school, it has been noted that the school transferred an amount equivalent to the purchase cost of the assets from development fund to general reserve and further, the school transferred an amount equivalent to purchase cost of the assets from depreciation reserve fund to general reserve without any detailed rationale for transferring the cost of assets twice to the general reserve. Also, it has been noted that the school has created depreciation reserve by transferring an amount equal to depreciation from development fund. Moreover, in FY 2018-19 in case of fixed assets purchased out of development it has been observed that there is difference between the fixed assets shown at the face of balance sheet and fixed assets (net block) shown in the schedule of fixed assets. School failed to provide any justification for the same. The school is directed to rectify the presentation of fixed assets purchased out of development fund. Further, it is also noted that fixed assets have been shown in the financial statements at WDV instead of gross value and at the same

time presenting depreciation reserve fund on the face of balance sheet. It implies that the school is charging depreciation twice in the financial statements. Accordingly, school is directed to correct its presentation of fixed assets and depreciation reserve fund and the same shall be verified at the time of evaluation of fee proposal of the school for next academic session.

4. 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."

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

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

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

6. Appendix II to Rule 180(1) of DSER, 1973, the school is required to submit final accounts i.e., receipts and payment account, income and expenditure account and balance sheet of the preceding year duly audited by a Chartered Accountant by 31st July.

On account of number of complaints received by the Institute of Chartered Accountants of India (ICAI) regarding signatures of Chartered Accountants (CAs) are being forged by non-CAs and corresponding findings by ICAI that financial documents/certificates attested by third person misrepresenting themselves as Chartered Accountants (CA) are misleading the Authorities and Stakeholders, ICAI, at its 379th Council Meeting, made generation of Unique Document Identification Number (UDIN) mandatory for every signature of Full time Practicing Chartered Accountants in phased manner for the following services:

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

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

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



addition to other requirements relating to the auditor's signature prescribed in the relevant law or regulation and the Standards on Auditing."

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

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

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

The financial statements for FY 2018-2019 submitted by the School along with Audit Report signed by Chartered Accountant did not cite UDIN, as mandated by ICAI. Further, the Chartered Accountant failed to mention the date of signing on the audit report, balance sheet and income and expenditure account. However, notes to accounts enclosed with the financial statements were signed on 20.07.2019. Further, the audit report issued by the auditor is not in accordance in the format prescribed under SA 700 since it fails to draw reference to applicable accounting standards or Generally Accepted Accounting Principles and does not give opinion on the true and fair view of state of affairs of the school, surplus/deficit during the year and cashflows during the year. Therefore, authenticity of the audit and that of the financial statements for FY 2018-2019 submitted by the School could not be verified.

While the School has not complied with the statutory requirement of submission of audited final accounts and has submitted unauthentic final accounts, these financial statements for FY 2018-2019 have been taken on record by the Directorate and the same have been considered for evaluation of the fee increase proposal of the School for the academic session 2018-2019 assuming the same as unauthentic financial statements.

The School is directed to confirm from the auditor whether UDIN was generated in respect of the audit opinion issued by the auditor on the financial statements of the School for FY 2018-2019. If it was generated, the same should be mentioned by the School in its compliance report. In case, UDIN was not generated by the auditor, the School is directed to seek explanation from the auditor for not complying with the requirements notified by ICAI and get the said audit report and financial statements verified from the Institute of Chartered Accountants of India for its authenticity and validity.

The School is further directed to ensure that the audit opinions issued on its future final accounts by practicing Chartered Accountant comply with the requirements enunciated by their regulatory body i.e. The Institute of Chartered Accountants of India including compliance with SA 700 and generation of UDIN.



After detailed examination of all the material on record and considering the clarification submitted by the school, it was finally evaluated/ concluded that:

- i. The total available funds for the year 2018-19 amounting to INR 17,73,57,489 out of which cash outflow in the year 2018-19 is estimated to be INR 11,10,00,506. This results in net surplus amounting to INR 6,63,56,982. The details are as follows:

Particulars	Amount (in INR)
Cash and Bank balances as on 31.03.18 as per Audited Financial Statements for the FY 2017-18	98,98,737
Investments as on 31.03.18 as per Audited Financial Statements for the FY 2017-18	4,34,43,822
Liquid Fund as on 31.03.2018	5,33,42,559
Add: recovery from the Society towards additions to building in contravention of Clause 2 of Public notice dated May 4th, 1997 (refer financial observation no.1)	3,97,65,875
Add: Rental income to be recovered from the Society (refer financial observation no.3)	37,90,944
Add: Conveyance charges paid to Manager of the school during the FY 2018-19 (refer financial observation no.4)	4,26,000
Add: Travelling expenses paid to Chairman and management committee members (refer financial observation no.4)	2,96,586
Add: Scholarship paid in contravention of Rule 177 of DSER' 1973 (refer to financial observation no.6)	1,27,000
Add: Fees for FY 2018-19 as per Audited Financial Statements (refer note no.1 below)	7,75,50,576
Add: Other income for FY 2018-19 as per audited Financial Statements (refer note no.1 below)	71,50,473
Total Available Funds for FY 2018-19	18,24,50,013
Less: FDR with joint name of School Manager and CBSE/DOE as on 31.03.2018	2,84,825
Less: Refund of Re admission fee collected from the students.	45,000
Less: Caution Money Fund as on 31.03.2018	10,38,000
Less: Development Fund as on 31.03.2018	37,24,699
Less: Staff Retirement Benefits-Gratuity and leave encashment (refer financial observation no.2)	
Less: Depreciation reserve fund (refer note no.2 below)	
Net Available Funds for FY 2018-19	17,73,57,489
Actual Expenses for the FY 2018-19 (refer note no.3 below)	7,94,57,051
Less: Arrears of salary from January 2016 to March 2019 on account of implementation of 7th CPC with effect from Jan 2016 to Mar 2019 (as submitted by the School) (refer note no.4 below)	3,15,43,455
Net Surplus	6,63,56,982

Note 1: Fee and income as per audited financial statements FY 2018-19 has been considered.

Note 2: As per the Duggal Committee report, there are four categories of fees that can be charged by a private unaided School. The first category of fee comprised of "Registration fee and all one Time Charges" levied at the time of admissions such as admission and caution money. The second category of fee comprises 'Tuition Fee' which is to be fixed to cover the standard cost of the establishment and to cover the expenditure of revenue nature for the improvement of curricular facilities like library, laboratories, science, and computer fee up to class X and examination fee. The third category of the fee should consist of 'Annual Charges' to cover all expenditure not included in the second category and the fourth category consist of all 'Earmarked Levies' for the services rendered by the school and be recovered only from the 'User' students. These charges are transport fee, swimming pool charges, Horse riding, tennis, midday meals etc. This recommendation has been considered by the Directorate while issuing order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and order No. F.DE./15(56)/Act/2009/778 dated 11.02.2009.

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

Further, Clause 7 of order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and clause 14 of the order no F.DE./15(56)/Act/2009/778 dated 11.02.2009, "development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixture and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund will be kept in a separately maintained Development Fund Account". Thus, the above direction provides for:

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

Thus, the creation of the depreciation reserve fund is a pre-condition for charging of development fee, as per above provisions and the decision of Hon'ble Supreme court in the case of Modern School Vs Union of India & Ors.: 2004(5) SCC 583. Even the Clause 7 of the above direction does not require to maintain any investments against depreciation reserve fund. Also, as per para 99 of Guidance Note-21 'Accounting by School' issued by the Institute of Chartered Accountants of India states "Where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year."

Accordingly, the depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue account) is mere of an accounting head for the appropriate accounting treatment of depreciation in the books of account of the school in accordance with Guidance Note -21 issued by the Institute of Chartered Accountants of India. Thus, there is no financial impact of depreciation reserve on the fund position of the School. Accordingly, the depreciation reserve



fund of INR 35,06,526 as reported by the School in the audited financial statements for the FY 2017-18 has not been considered while deriving the fund position of the School.

Note 3: All expenditure as per audited financial statement of FY 2018-19 has been considered except the following:

Particulars	Amount in INR	Remarks
Provision for Gratuity	29,91,713	Refer Financial observations no.2
Provision for Leave Encashment	12,43,707	
Depreciation	23,11,750	Depreciation being non-cash expense.

Note 4: The Directorate vide order No. DE.15 (318)/PDB/2016/18117, dated 25.08.2017, the Managing Committee of all the private unaided recognized Schools were directed to implement the Central Civil Revised Pay Rules 2016 in respect of the regular employees of the corresponding status in their Schools with effect from 01.01.2016 as adopted by the Government of NCT of Delhi vide its circulars No. 30-3(17)/(12)/VII Pay Comm./Coord./2016/110006-11016 dated 19.08.2016 and No. 30-3(17)/(12)/VII Pay Comm./Coord./2016/12659-12689 dated 14.10.2016. Further, vide order No. F.DE.15/ (318)/PSB/2019/11925-30 dated 09.10.2019, the managing committee of all Private Unaided Schools once again directed to implement the recommendation of 7th CPC with effect 01.01.2016 within 15 days from the date of issue of aforesaid order.

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

As per submission made by the School, INR **3,15,43,455** (INR 1,19,00,000 plus INR 1,96,43,455) has been considered as 7th CPC arrears while deriving the fund position of the School with the direction to the School to implement the recommendations of 7th CPC in full within 30 days from the date of issue of this order. A strict action against the School would be initiated u/s 24(3) of DSEA, 1973 for non-compliance with the direction cited above.

- ii. In view of the above examination, it is evident that the school has sufficient funds to carry on the operation of the school for the academic session 2018-19 on the existing fees structure. In this regard, the Directorate of Education has already issued directions to the schools vide order dated 16.04.2010 that,

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

AND WHEREAS, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that along with certain financial and other discrepancies, that the sufficient funds are available with the school to carry out its operations for the academic session 2018-19 therefore, the fee increase proposal of the school may be rejected.

AND WHEREAS, it is also noticed that the School has incurred INR 4,42,79,405 for addition to building, Manager remuneration, rental income received by the Society, 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 4,42,79,405 from the society. The amount of above receipt along with copy of bank statement showing the receipt of above-mentioned amount should be submitted with DoE, in compliance of the same, within 30 days from the date of issuance of this order. Non-compliance of this shall be taken up as per DSEA & R, 1973.

AND WHEREAS, recommendation of the team of Chartered Accountants along with relevant materials were put before the Director (Education) for consideration and who after considering all the material on the record, and after considering the provisions of sections 17 (3), 18(5), 24(1) of the DSEA, 1973 read with rules 172, 173, 175 and 177 of the DSER, 1973 has found that the funds are available with the School for meeting its financial implication for the academic session 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 of fee increase for academic session 2018-19 of **Poorna Prajna Public School (School Id-1720138), Vasant Kunj, New Delhi-110070**, has been rejected by the Director (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)

**Dy. Director of Education
(Private School Branch)**

Directorate of Education, GNCT of Delhi

To:

**The Manager/ HoS
Poorna Prajna Public School
School Id-1720138,
Vasant Kunj,
New Delhi-110070**

No. F.DE.15(663)/PSB/2022/

Dated:

Copy to:

1. P.S. to Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. DDE (South 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)

**Dy. Director of Education
(Private School Branch)**

Directorate of Education, GNCT of Delhi