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

No. F.DE.15(578)/PSB/2022/ 3433-3437 **Dated:** 24/05/22

ORDER

WHEREAS, **St. Andrews Scots Sr. Sec. School (School ID-1002275), I.P. Extn. (Patparganj), Delhi-110092** (hereinafter referred to as "**the School**"), run by the St. Andrews Scots 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 2019-20. Accordingly, this Order dispenses the proposal for enhancement of fee submitted by the School for the academic session **2019-20**.

AND WHEREAS, in order to examine the proposals submitted by the Schools for fee increase for justifiability or not, the DoE has deployed teams of Chartered Accountants at HQ level who has evaluated the fee increase proposals of the School carefully in accordance with the provisions of the DSEAR, 1973, and other Orders/ Circulars issued from time to time by the DoE for fee regulation.

AND WHEREAS, in the process of examination of fee hike proposal filed by the aforesaid School for the academic session 2019-20, necessary records and explanations were also called from the School through email. Further, the School was also provided an opportunity to be heard on 10.12.2019 to present its justifications/ clarifications on fee increase proposal including audited financial statements. Based on discussions, the School was further asked to submit necessary documents and clarification on various issues.

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. Incomplete and Unreliable Financial Information

1. As per Directorate's Order no. 15072-15871 dated 23 Mar 1999 *"All pre-primary schools being run by the registered society/ trust in Delhi as Branches of the recognized schools by the appropriate authority in or outside the school premises shall be deemed as one Institution for all Purposes"*. Further, the Hon'ble High Court of Delhi in the matter of Social Jurist vs. the Govt. of NCT of Delhi & others concluded *"We do not find any proper reason or rationale to keep Pre-school apart and segregated by those regular schools where Preschool facilities exist and admission starts from that stage."*

During the process of evaluation of fee hike proposal submitted by the school, it was identified that St. Andrews Scots Sr. Sec. School (operating from class KG till FY 2017-2018 and from class Nursery from FY 2018-2019) is admitting several students in classes 2 to 5. Based on the details regarding non-EWS students enrolled during FY 2016-2017 to FY 2018-2019, it was noted that the following number of students were admitted in classes 2 to 5:

Class	FY 2017-2018	FY 2018-2019
2	100	87
3	32	176
4	16	147
5	34	148

While the school did not provide sufficient information to evaluate how these students are being admitted, in most likelihood, it appears that the school admitted students directly from the primary-school under the same society – "St. Andrews Scots School" (adjacent Navniti Apartments, I.P. Extension), which, has not been reported by the school as its feeder school. Thus, the school has not complied with the directions of the order dated 23 Mar 1999 and has not reflected this school as its feeder school.

Based on above, St. Andrews Scots School (adjacent Navniti Apartments, I.P. Extension) has been considered as the feeder school. Accordingly, the conditions and requirements applicable to St. Andrews Scots Sr. Sec. School would apply in the same manner to "St. Andrews Scots School". However, the school did not submit details including financial information (financial statements) and fee (existing and proposed) for students enrolled in St. Andrews Scots School along with its proposal for enhancement of fee for FY 2019-2020. Thus, in absence of the requisite information and data regarding feeder school, completeness of financial statements and information therein submitted by the school could not be evaluated. Further, the fund position of the school could not be derived in absence of the aforementioned required information and the observations included in subsequent sections relate only to St. Andrews Scots Sr. Sec. School.

The school is hereby directed to submit complete details of the feeder school in respect of FY 2016-2017, FY 2017-2018 and FY 2018-2019 along with its subsequent fee hike proposal including the financial information, similar to the main school. Further, the school should ensure submission of complete information to the Directorate for appropriate evaluation of its fee increase proposal.

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

   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 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 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 Jun 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.

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 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.*"

Though the financial statements for FY 2016-2017 to FY 2018-2019 submitted by the school were signed by the Chartered Auditor with reference to its Auditor's Report of even date, the audit reports of the Chartered Accountant citing his opinion on the financial statements were not enclosed along with any of the financial statements (3 years). Also, the UDIN was not mentioned on the financial statements for FY 2018-2019 submitted by the school. Thus, it could not be verified if the Chartered Accountant generated UDIN in relation to the audit of the financial statements of the school for FY 2018-2019, which were dated 5 Oct 2019, as mandated by ICAI. Further, the Receipt and Payment Account and Notes to Accounts were also not enclosed along with the financial statements of FY 2018-2019. Also, it was noticed that the auditor did not mention the firm registration number and membership number of the Chartered Accountant, who certified the financial statements. Therefore, authenticity of the audit and that of the financial statements 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 had submitted incomplete and unauthentic final accounts, these financial statements have been taken on record by the Directorate and the same have been considered for evaluation of the fee increase proposal of the school for the academic session 2019-2020 assuming the same as unaudited/provisional financial statements.

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

Further, the auditor had signed the audit report and financial accounts for FY 2018-2019 on 5 Oct 2019. Thus, the school did not comply with the requirement of submission of audited final accounts in accordance with the timeline prescribed in Rule 180(1).

Accordingly, the school is directed to ensure the financial statements as per the requirements of Rule 180(1) are appropriately prepared (including Receipt and Payment Account and Notes to Accounts) and submitted to the Directorate as per the prescribed timeline. The school is further directed to ensure that the audit opinions are issued on its complete set of final accounts i.e. Balance Sheet, Income and Expenditure Account and Receipt and Payment Account by practicing Chartered Accountant and the same must comply with the requirements enunciated by their regulatory body i.e. The Institute of Chartered Accountants of India including mention of UDIN, FRN and membership no.

3. On examination of the financial statements for FY 2016-2017 to FY 2018-2019 submitted by the school, it was noted the financial statements were not appropriately authenticated by the representatives of the school, since only the Balance Sheet and Income and Expenditure Account were signed by the Principal and Manager/ Chairman. While all the pages of the financial statements were stamped and initialled by the Chartered Accountant, schedules annexed to the financial statements were not signed or initialled by any of the representatives of the school. Thus, the authenticity of the financial statements and financial information included therein cannot be confirmed.

   The school is directed to ensure that the entire set of financial statements (all pages, schedules including Schedules) must be signed or initialled (as appropriate) by two representatives of the school authorised in this regard as per Bye laws or other governing documents.

B. Financial Observations

1. 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:*

   - *award of the 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.*

(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."

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.*"

Also, the Hon'ble Supreme Court through its 2004 judgement in the case of Modern School Vs Union of India and Others mentioned "*Rule 177(1) shows that salaries, allowances and benefits to the employees shall constitute deduction from the income in the first instance. That after such deduction, surplus if any, shall be appropriated towards, pension, gratuity, reserves and other items of appropriations enumerated in rule 177(2) and after such appropriation the balance (savings) shall be utilized to meet capital expenditure of the same school or to set up another school under the same management. Therefore, rule 177 deals with application of income and not with accrual of income. Therefore, rule 177 shows that salaries and allowances shall come out from the fees whereas capital expenditure will be a charge on the savings. Therefore, capital expenditure cannot constitute a component of the financial fees structure as is submitted on behalf of the schools. It also shows that salaries and allowances are revenue expenses incurred during the current year and, therefore, they have to come out of the fees for the current year whereas capital expenditure/capital investments have to come from the savings, if any, calculated in the manner indicated above.*"

On review of the financial statements for FY 2016-2017 to FY 2018-2019, it was noticed that while the school was not charging development fee and had utilized school funds (i.e. fee collected from students) for procurement of various capital items such as furniture & fixture, CCTV camera, air conditioners, computer software, etc. amounting to INR 1,70,76,933 during FY 2016-2017 to FY 2018-2019 without complying the requirements prescribed in Rule 177 of DSER, 1973 i.e. without deriving savings.

Also, it was noted that the school had made payment towards purchase of vehicles (buses for transport service) amounting INR 2,15,23,271 during FY 2016-2017 to FY 2018-2019. Further, the school had repaid INR 8,91,383 towards principal amount of loan taken for purchase of bus in the previous years and INR 71,956 as interest thereon during FY 2016-2017 and FY 2017-2018. Also, the school is not following fund-based accounting and has not created fund account against transport service provided to students by the school. The income and expense towards transport service from the audited financial statements of the school for aforesaid period were evaluated and it was noted that the school was charging transport fee, which was not even adequate to cover revenue (operating) expenses for providing the transport service to students keep aside cost of new vehicles purchased, interest and loan repayment. Based on details provided by the school, calculations of deficit are enclosed below:

Particulars	FY 2016-2017	FY 2017-2018	FY 2018-2019	Total (INR)
Income				
Transport Fees (A)	2,85,41,250	2,91,17,920	3,19,83,250	8,96,42,420
Expenses				
Vehicle Running & Maintenance			1,02,22,411	
Insurance	2,80,63,799*	3,00,59,868*	20,56,070	9,03,64,280
Hiring of driver & conductor			1,99,62,132	
Total Expenses (B)	**2,80,63,799**	**3,00,59,868**	**3,22,40,613**	**9,03,64,280**
Surplus/ (Deficit) (C)=(A-B)	**4,77,451**	**(9,41,948)**	**(2,57,363)**	**(7,21,860)**

* No details/breakup of expenses incurred against transport service was provided by the school.

Since there is no surplus available from transport fee, purchase of buses, being additional burden met out of school funds (fee collected from students), should not have been paid from school funds. Earmarked levies in the form of transport fee are to be charged on no-profit no-loss basis and the school has not been able to recover the cost of buses from the surplus of transport fee collected from students indicating that the school has shifted the burden of capital cost and interest thereon from all students of the school, who are not even availing the transport service.

Based on financial statements of the school, details of amount paid by the school towards purchase of capital items is enclosed below:

Particulars	FY 2016-2017	FY 2017-2018	FY 2018-2019	Total (INR)
Payments made towards purchase of capital items (others than vehicles) (A)	23,99,713	70,48,620	76,28,600	1,70,76,933
Payments made towards purchase of vehicles:				
Cost of vehicles purchased during the year (B)	1,59,93,359	8,36,250	46,93,662	2,15,23,271
Repayment of loan from HDFC bank taken for purchase of bus in the previous years (C)	6,15,349	2,76,034	-	8,91,383
Interest on loan from HDFC bank taken for purchase of bus in the previous years (D)	64,655	7,301	-	71,956
Total amount paid (E)=(B)+(C)+(D)	**1,66,73,363**	**11,19,585**	**46,93,662**	**2,24,86,610**
Proceeds from sale of buses during the year (F)	9,62,000	1,00,000	1,25,000	11,87,000

Particulars	FY 2016-2017	FY 2017-2018	FY 2018-2019	Total (INR)
Payments made towards purchase of vehicles from school funds (G)=(E)-(F)	1,57,11,363	10,19,585	45,68,662	21,299,610
Net payments made towards purchase of capital items (H)=(A)+(G)	1,81,11,076	80,68,205	1,21,97,262	3,83,76,543
Amount received from the society during the year, which is reflected as interest free loan (I)	-	1,50,00,000	1,53,00,000	3,03,00,000
Net Amount to be recovered from Society (J)= (H)-(I)	**1,81,11,076**	**(69,31,795)**	**(31,02,738)**	**80,76,543**

Based on the fact that the school did not implement the recommendations of 7th CPC till date, did not even 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 and did not secure funds against staff gratuity and leave encashment in plan assets such as group gratuity and group leave encashment schemes of LIC of other insurer till date, while the school incurred capital expenditure on purchase different assets. Therefore, 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*".

Accordingly, the above mentioned capital expenditure incurred during FY 2016-2017 to FY 2018-2019 totalling to INR 3,83,76,543 out of school funds without ensuring savings as per Rule 177 is liable to be recovered from the society. Since the school has already received funds from the Society amounting to INR 3,03,00,000 during FY 2017-2018 and FY 2018-2019, but the same are reflected as unsecured loan in the financial statements of the school. Thus, the amount already received from the Society during FY 2017-2018 and FY 2018-2019 has been adjusted from the total amount quantified above and net amount of INR 80,76,543 (INR 3,83,76,543 minus INR 3,03,00,000) should be recovered by the school from the Society within 30 days from the date of this order.

Since the amount already received from the society has been adjusted from the amount to be recovered from the Society, the school is directed to adjust the amount reported in its financial statements as interest free loan from society to the tune of INR 3,03,00,000 and the same should not be presented as loan payable to the Society.

Further, the school has proposed INR 1,25,00,000 towards capital expenditure during FY 2019-2020. The school is directed not to incur any capital expenditure without ensuring savings in accordance with Rule of 177 of DSER, 1973 and in case, the school has incurred any capital expenditure without ensuring compliance of Rule 177 subsequent to FY 2018-2019, the school is directed be recover the amount so spent from the Society within 30 days from the date of this order. Also, the school is directed to incur capital expenses only out of savings derived in accordance with Rule 177.

2. While reviewing the financial statements of the school for FY 2016-2017 to FY 2018-2019, it was noticed that the school has been incurring excessive expenditure under the heads administrative & general expenses and repairs & maintenance during all these financial years. Based on the details provided by the school, the category-wise expenditure reported by the school is as under:

Particulars	2016-2017	2017-2018	2018-2019
Salary of teaching & non-teaching staff & PF contribution & other charges (A)	7,33,24,066	8,16,02,787	8,21,71,148
Transport Expenses (B)	2,81,28,454	3,00,67,169	3,22,40,613
Administrative, activity and repairs & maintenance expenses (C)	8,22,29,730	8,51,01,332	10,00,64,147
Total (D)= (A)+(B)+(C)	**18,36,82,250**	**19,67,71,288**	**21,44,75,908**
Percentage of Administrative, activity and repairs & maintenance expenses to Total Expense (E)= (C)/(D)*100	45%	43%	47%

On further review, it was noted that the school has incurred INR 4,80,34,715 (INR 1,69,77,359 in FY 2016-2017, 1,41,27,657 in FY 2017-2018 and INR 1,69,29,699 in FY 2018-2019) as examination expenses. On review of the ledger accounts and supporting invoices submitted by the school, it was noted that this expense head mostly includes costs towards printing of question papers and answer sheets. Further, expenses towards stationery items are also booked under examination expenses. From the details submitted by the school, examination cost per student is calculated and the same seems to be excessive. The details are enclosed below:

Particulars	FY 2016-2017	FY 2017-2018	FY 2018-2019
Examination Expenditure (A)	1,69,77,359	1,41,27,657	1,69,29,699
Total number of students (B)	2,984	3,064	3,529
Cost per student (C)=(A)/(B)	**5,689**	**4,611**	**4,797**

Additionally, the school has incurred following costs in relation to printing and stationery, assignment and arts and crafts, which also include expenditure on similar items as included in examination expenditure:

Account Heads	FY 2016-2017	FY 2017-2018	FY 2018-2019
Printing and Stationery	37,75,056	40,13,438	44,57,664
Assignment expense	17,96,211	18,10,812	20,70,571
Arts & Crafts	31,77,504	33,91,546	37,58,187
Total (A)	**87,48,771**	**92,15,796**	**1,02,86,422**
Total number of students (B)	2,984	3,064	3,529
Cost per student (C)=(A)/(B)	**2,932**	**3,008**	**2,915**

Considering the excessive and inflated expense reported by the school in relation to sheets and stationery for students, which is around INR 8,000 per child each per year (multi-fold compared to expenses incurred by other schools), expense reported by the school under the head examination expenses of INR 4,63,68,665 (INR 4,80,34,715 less INR 16,66,050 (INR 5,55,350 paid to CBSE towards online registration/ LOC for FY 2018-2019 X 3 years) spent during the FY 2016-2017 to FY 2018-2019 indicates possible diversion of school funds and is thus liable to be recovered from society.

Similarly, the school has incurred excessive expenditure on repairs and maintenance from around 1.2 crores in FY 2016-2017 to more than INR 1.5 crores in FY 2018-2019 as per details mentioned below:

Particulars	FY 2016-2017	FY 2017-2018	FY 2018-2019
Repair & Maintenance- Building	44,94,711	56,93,874	62,03,350
Repair & Maintenance- Water Harvesting	-	-	7,79,600
Repair & Maintenance- Furniture & Fixtures	19,05,172	21,46,312	23,40,531
Repair & Maintenance- Others	55,05,725	56,60,471	59,71,299
Total	**1,19,05,608**	**1,35,00,657**	**1,52,94,780**

The school has spent heavy amount on repair and maintenance of building, water harvesting and furniture & fixtures during all the 3 financial years (FY 2016-2017 to FY 2018-2019). Additionally, the school incurred INR 1,71,37,495 on Repair and Maintenance-Others (total for three years) for which details were not submitted by the school. Hence, in the absence of adequate details and the quantum of expense reported as repair cost, INR 1,71,37,495 incurred on Repairs and Maintenance-Others is liable to be recovered from the society as it indicates possible diversion of school funds.

Further, it was noted that the school reported excessive expense on garden & ground, which totalled to INR 1,14,52,065 (INR 32,59,397 in FY 2016-2017, INR 36,96,154 in FY 2017-2018 and INR 44,96,514 in FY 2018-2019) for which no details were provided by the school along with its justification for such excessive expense (more than INR 3 lakhs per month) on garden and ground. Hence, this amount of INR 1,14,52,065 is liable to be recovered from society.

Thus, the amount relating to excessive expense reported by the school during FY 2016-2017 to FY 2018-2019 of INR 7,49,58,225 (INR 4,63,68,665 against examination expenses plus INR 1,71,37,495 towards Repair cost plus INR 1,14,52,065 regarding garden and ground) is hereby directed to be recovered from the Society within 30 days from the date of this order. The school is further instructed to rationalise its expenses and not incur excessive expenses.

Additionally, the school proposed INR 1,76,53,000 towards examination expenses, INR 58,32,000 towards repair and maintenance-others and INR 48,56,000 towards garden and ground as part of budgeted expenses during FY 2019-2020. The school is directed not to incur any excessive expenses on the basis of same rationale as mentioned above and in case, the school has incurred such excessive expenses subsequent to FY 2018-2019, the school is directed be recover the amount so spent from the 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.*"

   On review of the financial statements submitted by the school, it was noted that the school has not made any provision towards retirement benefits (gratuity and leave encashment). Further, it was noticed that the school has not obtained actuarial valuation for determining its liability towards staff retirement benefits and has not made any investments in plan assets (i.e. group gratuity and group leave encashment policies of LIC or other insurer) to earmark and secure funds for statutory liabilities towards staff. Also, since the school did not submit the Auditor's Report and Significant Accounting Policies cum Notes to Accounts along with its financial statements, it could not be assessed if the opinion issued by the Auditor on the financial statements was qualified or not.

The school is directed to ensure compliance of Accounting Standard 15 by obtaining an actuarial valuation for measuring its liability towards staff retirement benefits (both gratuity and leave encashment) and to make provision for retirement benefits in its books of account accordingly. Also, the school is directed to deposit amount in investments such as group gratuity scheme and group leave encashment scheme of LIC or other insurer in order to secure funds towards staff retirement benefits equivalent to the amount of liability as determined by the actuary.

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 transport fee, activity fee, computer fee, PHE Fee and science Fee from students. However, the school has not maintained separate fund accounts for these earmarked levies 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), which has been met from other fees/income. Details of calculation of surplus/deficit, based on breakup of expenditure provided by the school for FY 2018-2019 is given below:

Earmarked Fee	**Income (INR)**	**Expenses (INR)**	**Surplus/(Deficit) (INR)**
	A	**B**	**C=A-B**
Transport Fees^	3,19,83,250	3,22,40,613	(2,57,363)
Activity Fees*	54,79,260	-	54,79,260
Computer Fee*	10,90,200	-	10,90,200
PHE Fee*	4,58,500	-	4,58,500
Science Fee*	11,89,200	-	11,89,200

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

* No details/breakup of expenses incurred against these earmarked levies were provided by the school.

Based on 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 of 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). On review of proposal submitted by the school, it was noted that the school is collecting activity fee from all its students. 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 activity fees, the school should not charge such fee as earmarked fee with immediate effect and should incur the expenses relating to these from tuition fee or annual charges, as applicable.

The school is 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 must 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 and not to include fee collected from all students as earmarked levies. The school is directed to stop collecting Activity fee with immediate effect, which is mandatorily collected from all the students by the school. The school must also ensure that earmarked levies are optional in nature and not mandatory.

2. Incomes (fee collected from students) reported in the Income and Expenditure Account for FY 2018-2019 were recomputed to evaluate the accuracy of incomes reported based on the approved fee structure of the school and details of number of students enrolled (non-EWS) provided by the school. Basis the computation prepared, differences were noted in the fee collection reported by the school during FY 2016-2017 to 2018-2019 in its Income & Expenditure Account/ Receipt and Payment and amount of fee arrived/computed as per details provided by the school.

   Following differences were derived based on the computation of FY 2016-2017 to 2018-2019:

   I) Annual Charges:

Financial Year	Income reported in Income & Expenditure Account (A)	Fee computed based on details of no. of students provided by the school (B)	Derived Difference (C)= (A-B)	Derived % Difference (D)=(C)/(B)
2016-2017	1,93,51,250	1,81,67,500	11,83,750	6.52%
2017-2018	1,96,81,900	1,86,42,000	10,39,900	5.58%
2018-2019	2,08,44,175	2,14,37,000	(5,92,825)	(2.77%)

   II) Activity Fees:

Financial Year	Income reported in Income & Expenditure Account (A)	Fee computed based on details of no. of students provided by the school (B)	Derived Difference (C)= (A-B)	Derived % Difference (D)=(C)/(B)
2016-2017	40,41,050	46,47,000	(605,950)	(13.04%)
2017-2018	52,40,600	47,17,000	5,23,600	11.10%

   The school should perform a detailed reconciliation of the amount collected from students and income to be recognised based on the fee structure and number of students enrolled by the school.

   Since the reconciliation is to be prepared and provided by the school, the same shall be examined at the time of evaluation of subsequent fee increase proposal.

3. As per the land allotment letter issued by the Delhi Development Authority to the Society in respect of the land allotted for the school, the society will have to reserve 20% of the permissible seats for poor meritorious students.

   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	2,984	3,064	3,529
No. of EWS students	189	196	231
% of EWS students to Total Students	6%	6%	7%

During the personal hearing, the school mentioned that it takes admission under EWS category on the basis of list of admissions provided by the Directorate.

However, it was noted that the school had not disclosed its feeder school "St. Andrews Scots School" and is not admitting EWS students in the feeder school (Refer Discrepancy No. of section A - Incomplete and Unreliable Financial Information). Hence, the school has not complied with the requirements of land allotment and should thus take comprehensive measures (including enhancement of EWS seats) to abide by the conditions of the land allotment letter issued by the Delhi Development Authority.

4. As per Order No. F.DE-15/ACT-I/WPC-4109/Part/13/7905-7913 dated 16 Apr 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 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."*

   Basis the presentation made in the financial statements for FY 2018-2019 submitted by the school, it was noted that the school is reporting fixed assets at written down value on the face of the Balance Sheet and in the Fixed Assets Schedule annexed with the financial statements, which is not in accordance with the disclosure requirements included in the guidance note citied above.

   Further, rates of depreciation used by the school are not in line with the rates of depreciation specified in Appendix I of Guidance Note 21.

   Accordingly, the school is directed to disclose all fixed assets at gross (historic) value on the face of Balance Sheet on the assets side and accumulated depreciation as depreciation reserve on the liability side of the Balance Sheet. Further, the fixed assets schedule annexed to the financial statements must include detailed breakup of opening block of assets, additions, deletions, closing block of fixed assets, opening depreciation reserve, depreciation during the year, adjustment (if any), closing balance of depreciation reserve and net (WDV) opening and closing block of fixed assets. Also, the school is instructed to adopt the rates of depreciation as specified in Appendix I of Guidance Note.

And whereas, after going through the representations made by the school during hearing held on 10 Dec 2019 at 10:00 a.m. as well as financial statements/budget and other information of the school (other than that of the feeder school) available with the Directorate, it emerges that:

i. The school has failed to submit financial statements and other financial information and data in respect of the feeder school for any of the required financial years (FY 2016-2017, FY 2017-2018 and FY 2018-2019). Accordingly, on account of incomplete financial information available with the Directorate, correct fund position of the school for FY 2018-2019 could not be determined.

ii. The school submitted incomplete financial statements, as the same did not include Auditor's Reports, Receipt and Payment Accounts and Notes to Accounts.

iii. The financial statements of the school are unreliable and unauthentic as the same were signed by only one representative of the school and UDIN (applicable only for financial statements of FY 2018-2019), FRN and membership number of the Auditor were also not quoted.

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 irregularities were identified and certain procedural findings were also noted (appropriate instructions against which have been given in this order), the incomplete financial statements of the school cannot be relied upon and the correct fund position of the school for FY 2019-2020 cannot be determined accurately. Accordingly, the fee increase proposal of the school may be rejected.

AND WHEREAS, it has been noted that the School has paid INR 8,30,34,768 towards repayment of loan, other expenses, 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 8,30,34,768 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 2019-20. Therefore, Director (Education) has rejected the proposal submitted by the school to increase the fee for the academic session 2019-20.

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

Accordingly, it is hereby conveyed that the proposal for enhancement of fee for session 2019-2020 of **St. Andrews Scots Sr. Sec. School (School ID-1002275), I.P. Extn. (Patparganj), New Delhi-110092** 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 2019-20. In case, the School has already charged increased fee during FY 2019-20, the School should make necessary adjustments from future fee/refund the amount of excess fee collected, if any, as per the convenience of the parents.

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

1973. Therefore, the Society running the School must ensure payment to teachers/ staffs accordingly.

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

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

This 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
St. Andrews Scots Sr. Sec. School
School ID-1002275
I.P. Extn. (Patparganj), New Delhi-110092

No. F.DE.15(578)/PSB/2022/3433-3437 Dated: 24/05/22

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 (East) 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