

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

No. F.DE.15(736)/PSB/2022/ 4533-4537

Dated: 13/06/22

ORDER

WHEREAS, **Arwachin International School (School ID- 1106262), Pocket-B, Dilshad Garden, Delhi - 110095** (hereinafter referred to as "**the School**"), run by the Arwachin Shiksha Samiti (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 15.11.2019 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. No. F.DE.15(275)/PSB/2019/1490-1494 dated 04 April 2019, issued for academic session 2017-18, was also discussed and submissions taken on record.

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

A. Incomplete and Unreliable Financial Information

1. As per Directorate's Order no. 15072-15871 dated 23 March 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 Arwachin International School (operating from class 1) was admitting most of the students directly from the pre-school – "Arwachin International School (Nursery)" based on the information provided by the school, which on that basis has been considered as feeder school of Arwachin International School. Accordingly, the conditions and requirements applicable to Arwachin International School would apply in the same manner to "Arwachin International School (Nursery)". However, the school did not submit details including financial information and fee (existing and proposed) for students enrolled in Arwachin International School (Nursery) 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 Arwachin International School.

The school is hereby directed to submit complete details of feeder school in respect of FY 2015-2016, 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 requested by the Directorate for appropriate and timely 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.

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

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.

On review of the audited final accounts for FY 2017-2018 and FY 2018-2019, it was noted that the through receipt and payment account was duly signed by the auditor and no reference thereon was drawn to the audit report of the auditor. Also, in its audit report, the auditor only gave his opinion on the true and fair view on:

- In the case of balance sheet of the school as at 31 Mar and
- In the case of Income and Expenditure account for the year ended on that date.



Thus, the auditor did not give his opinion on the receipt and payment account. The school did not provide reasonable justification for auditor's non-inclusion of receipt and payment account in his audit opinion.

Further, on review of the audited financial statements for FY 2017-2018 and FY 2018-2019 submitted by the school, it was noticed that the school did not submit the significant accounting policies and notes to the accounts and also the school did not submit the schedules annexed to the financial statements for FY 2017-2018. Further, it was noticed that the auditor certified the Balance Sheet, Income & Expenditure Account and Receipt & Payment Account without mentioning the firm registration number.

Also, it was noted while the auditor mentioned FRN and membership number on the audit report, he did not mention the same in the financial statements signed by him.

Accordingly, the school is directed to ensure the financial statements as per the requirements of Rule 180(1) are appropriately prepared and submitted in entirety to the Directorate (including all Schedule and Notes to Account). The school is also directed to ensure that the audit opinion is issued by the auditor on the complete set of financial statements i.e. Balance Sheet, Income & Expenditure Account and Receipt & Payment Account.

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

B. Financial Observations

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

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

Directorate's Order No. F.DE.15(275)/PSB/2019/1490-1494 dated 4 Apr 2019 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 noted that during FY

2014-2015 to FY 2016-2017 the school paid INR 2,41,722 as interest on loan and INR 13,27,500 as repayment of principal amount. The school was directed to recover above mentioned amount of INR 15,69,222 (INR 2,41,722 plus INR 13,27,500) from the society.

The school did not recover any amount that it was directed to recover from the society till date.

The school represented that, as per Rule 177 of DSER,1973 the school can purchase the vehicle from the development fund/general for the convenience of students for commuting to school. Since the school did not had the enough fund due to non-increase of fee, term loan was taken for purchase of vehicle. The interest was charged in the Income and Expenditure account and principal repayment was made out of development fund/general fund. The same be treated as utilization of same under Rule 177 of DSER,1973.

The explanation and representation of the school is not tenable based on the fact that the school did not implement the recommendations of 7th CPC till date, did not even get its complete liability towards retirement benefits (gratuity and leave encashment) of staff valued from an actuary in accordance with the requirements of Accounting Standard 15 till date and did not secure the funds against staff gratuity and leave encashment in investments such as group gratuity scheme and group leave encashment scheme of LIC/ other insurer, 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"*.

Further, from the details submitted by the school, it was noted that the school has purchased more vehicles (mini-buses) during FY 2017-2018 for providing transport facility. The school did not submit the fixed assets schedule along with its financial statements for FY 2017-2018. Thus, the total amount of expenditure incurred by the school for procuring these buses could not be verified, however, the Receipt and Payment Account for FY 2017-2018 indicated that the school took a secured loan for INR 20 lakhs from Sundaram Finance, which seems to have been taken for part funding the purchase cost of the mini-buses. However, the amount of down payment made by the school from school funds could not be derived in absence of requisite information.

The Balance Sheet as on 31 Mar 2019 indicated a closing balance of secured loan of INR 9,43,755 indicating that the school utilised school funds to the tune of INR 10,56,245 (INR 20,00,000 minus INR 9,43,755) for repayment of vehicle loan. Further, while the school reported interest expense separately in the Income and Expenditure Account for FY 2017-2018 of INR 91,087, it did not disclose it separately in the Income and Expenditure Account for FY 2018-2019 in absence of which the amount of interest on vehicle loan paid out of school funds during FY 2018-2019 could not identified.

While 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 financial statements of the school for FY 2016-2017 to FY 2018-2019 were evaluated and estimated calculation of deficit/surplus based on documents and information on record, is enclosed below:

Particulars	FY 2016-2017	FY 2017-2018	FY 2018-2019
Income			
Transport Fees (A)	67,44,325	70,35,898	74,93,195

Particulars	FY 2016-2017	FY 2017-2018	FY 2018-2019
Expenses			
Transport expenses in respect of vehicle owned by the school [^]	10,46,418	9,52,193	17,25,963
Vehicles hire charges	49,29,870	65,64,325	54,95,433
Total Expenses (B)	59,76,288	75,16,518	72,21,396
Surplus/(Deficit) (C)=(A-B)	7,68,037	(4,80,620)	2,71,799

[^] These are lumpsum expenses reported by the school in the Income and Expenditure Accounts, break up of which was not provided by the school. Thus, it could not be ascertained if these include salaries of driver & helpers, insurance vehicle running & maintenance and interest cost on loan taken for purchase of vehicles.

Since the school did not submit break up of transport expenses, completeness of expenses relating to transportation could not be ascertained. Thus, reliance has not been placed on the surplus indicated in table above.

The school explained that additional vehicles were purchased to meet the transport needs of the students, which was required for effective operation of the school.

Accordingly, the amount already quantified above of INR 27,16,554 (INR 15,69,222 plus INR 10,56,245 plus INR 91,087) towards principal repayment and interest together with the amount of school funds utilised for down payment for purchase of vehicles and interest on secured loan not included in this figure must be quantified and recovered from the society within 30 days from the date of this order. In case, the school has utilised school for principal repayment or interest payment subsequent to FY 2018-2019 that also must be recovered from the society within 30 days from the date of this order.

Further, earmarked levies in the form of transport fee are to be charged on no-profit no-loss basis and the school should be able to recover the cost of buses from the transport fee collected from students failing which the school shifts the burden of capital cost of buses to all the students of the school, who are not even availing the transport service. The principal amount and interest paid on the bus loans, being additional burden met out of school funds (fee collected from students), should not have been paid from school funds.

The school is further directed to ensure that transport vehicles are procured only from the transport fund and not from school funds unless savings are derived in accordance with Rule 177.

2. Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states "Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation 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."

Directorate's order no F.DE.15 (275)/PSB/2019/1490-1494 dated 4 Apr 2019 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 noted that the school had utilised development fees for repair of building, furniture and computer during FY 2015-2016 and

FY 2016-2017. Therefore, the school was directed to make adjustment in development fund and general fund account. Based on the presentation made in the financial statements of the school for FY 2017-2018 and FY 2018-2019, it was noted that the school did not make any adjustment in the Development Fund account and did not rectify the discrepancy highlighted in afore-said order.

Further, it was also noted in above mentioned directorate's order dated 4 Apr 2019 that the school had utilised development fund for purchased of fixed assets totalling to INR 34,70,007 during FY 2016-2017. Such fixed assets were neither reflected on the face of the balance sheet nor disclosed in the fixed assets schedule annexed with the audited financial statements for FY 2016-2017. The school was directed to recover the cost of fixed assets of INR 34,70,007 from the society.

Based on the aforementioned order, development fund can be utilised only towards purchase, upgradation and replacement of furniture, fixture and equipment, which was also upheld by the Hon'ble Supreme Court in its 2004 judgement in the case of Modern School Vs Union of India and Others.

Therefore, any capital expenditure incurred by the school, which increases the useful life of the asset, it must be capitalised in accordance with para 7 of Accounting Standard 10 (Revised 2016) titled 'Property, Plant and Equipment' issued by the Institute of Chartered Accountants of India (applicable from FY 2017-2018 onwards), which states "*The cost of an item of property, plant and equipment should be recognised as an asset if, and only if:*

- (a) *it is probable that future economic benefits associated with the item will flow to the enterprise; and*
- (b) *the cost of the item can be measured reliably."*

The school represented that the fixed assets purchased from development fund amounted to INR 34,70,007 were duly recorded in the books of accounts. It is also submitted that the fixed assets were recorded in the fixed assets register of the school.

Since the school did not submit any evidence of purchase of assets and did not include such assets in its financial statements, the school is directed to recover the amount of INR 34,70,700 from the society within 30 days from the date of this order. Further, the school is directed again to follow DOE instruction regarding development fund by making necessary rectification entries and ensure that development fund is utilised only towards purchase, upgradation and replacement of furniture, fixture and equipment.

3. Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states "*Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up gradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund, will be kept in a separately maintained Development Fund Account."*

Para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states "*Where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which is depreciated as per the*



recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year.” Further, Para 102 of the aforementioned Guidance Note states “In respect of funds, schools should disclose the following in the schedules/notes to accounts:

- (a) In respect of each major fund, opening balance, additions during the period, deductions/utilisation during the period and balance at the end;
- (b) Assets, such as investments, and liabilities belonging to each fund separately;
- (c) Restrictions, if any, on the utilisation of each fund balance;
- (d) Restrictions, if any, on the utilisation of specific assets.”

Para 50 of Accounting Standard (AS) 10 “Property, Plant and Equipment” issued by the Institute of Chartered Accountants of India states “The depreciation charge for each period should be recognised in the statement of profit and loss unless it is included in the carrying amount of another asset.”

Further, para 52 of AS 10 states “The depreciable amount of an asset should be allocated on a systematic basis over its useful life.”

On review of financial statements for FY 2018-2019 submitted by the school, it was noted that the school has started preparing separate fixed assets schedules for assets purchased against development fund and those purchased against school funds. However, the school did not make any adjustment of opening balance in the fixed assets schedule related to assets procured from development funds annexed with the audited financial statements for FY 2018-2019.

Further, on review of the audited financial statements of the school for FY 2018-2019, it was noted that the school did not charge depreciation on fixed assets purchased from development fund in its Income and Expenditure Account, which is not in accordance with the requirements of Accounting Standard 10 that makes it mandatory for entity to recognize depreciation in the statement of profit and loss.

Based on the ruling of the Hon’ble Supreme Court in the matter of Modern School Vs Union of India & Others, Directorate issued directions to the school in relation to development fund and depreciation reserve under clause 14 of Directorate’s Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009, which is cited above. The school has not charged depreciation on fixed assets purchased out of development funds in its Income and Expenditure Account during FY 2018-2019 and therefore the school has not complied with the direction that Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts. Accordingly, based on the above non-compliance, the school directed to immediately stop collecting development fee from students.

On review of financial statements of the school for FY 2018-2019 submitted by the school, it was noted that the school has started maintenance of “Assets Purchase Fund” Account and transferred an amount equivalent to the purchase cost of the fixed assets purchased from development fund to “Assets Purchase Fund” Account. It was also noted during FY 2018-2019 that though the school did not charge depreciation in Income and Expenditure Account, it transferred an amount equivalent to the depreciation on assets (purchased from development funds) from the “Assets Purchase Fund”



to the "Depreciation Reserve Fund" Account to create depreciation reserve, which is incorrect accounting practice and not in accordance with Guidance Note and Directorate's order.

Further, on review of fixed assets schedule annexed with the audited financial statements for FY 2018-2019 submitted by the school, it was noted that while the fixed assets schedule relating to assets procured from general fund (school fund) annexed to the financial statements included break up of opening gross block of fixed assets, additions, deletions, closing gross 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, the fixed assets schedule relating to assets purchased from development fund did not include details of historic cost and accumulated depreciation rather only opening written down value, depreciation during the year and closing written down value of assets.

Thus, the accounting treatment and presentation of the development fund, assets purchase fund and depreciation reserve fund in the financial statements of the school were not in accordance with the accounting treatment and disclosure requirement prescribed in the guidance note cited above.

The school is directed to follow DOE instruction regarding development fund and depreciation reserve and ensure that development fund is maintained in a separate bank account, utilised only towards purchase of furniture, fixture and equipment and depreciation reserve is maintained equivalent to the amount of depreciation charged in the revenue accounts. Also, the school is directed to adhere to accounting and disclosure requirements of Guidance Note 21 and ensure compliance with Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009.

The school is further directed to ensure that the fixed assets schedule should include complete details regarding opening gross block of fixed assets, additions, deletions, closing gross 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. The school is further directed to transfer an amount equivalent to the depreciation from "Assets Purchase Fund" account to Income and Expenditure Account as income to comply with the accounting and disclosure requirements of the guidance note.

4. As per the land allotment letter issued by the Delhi Development Authority to the Society in respect of the land allotted for the school states "*The school shall not increase the rates of tuition fee without the prior sanction of the Directorate of Education Delhi Admin. and shall follow the provisions of Delhi School Education Act/Rules, 1973 and the instructions issued from time to time*"

Directorate's order no. F.DE.15 (40)/PSB/2019/2698-2707 dated 27 Mar 2019 regarding fee increase proposals for FY 2018-2019 and FY 2019-2020 states "*In case, the schools have already charged any increased fee prior to issue of this order, the same shall be liable to be adjusted by the schools in terms of the sanction of the Director of Education on the proposal.*"

Further, Directorate's order no. F.DE-15/WPC-4109/Part/13/7914-7923 dated 16 Apr 2016 regarding fee increase proposals for FY 2016-2017 stated "*In case, the schools have already charged any increased fee prior to issue of this order, the same shall be liable to be adjusted by the schools in terms of the sanction of the Director of Education on the proposal.*"



On review of fee structure and sample of fee receipts submitted by the school for the FY 2017-2018 to FY 2019-2020, the school had collected increased fee from students of class UKG, III, IV, VII and IX in FY 2018-2019 and class I,IV, V, VIII and X in FY 2019-2020 without prior approval of the Directorate. The similar issue was also mentioned in Directorate Order No. F.DE.15 (275)/PSB/2019/1490-1494 dated 4 April 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018.

The school represented that there was no increase in the fee as compared with that charged in the FY 2016-2017. The school has charged the fees on progressive basis i.e. student who was paying fees in 6th class continued to pay same fees in 7th Class. The school further explained that it did not decrease the fee collected from students in previous year after they were promoted to next class and has submitted the proposals for fee increase to DOE accordingly.

The contention of the school is incorrect, as it has revised its fee structure for particular classes without prior approval of the Directorate. The school did not provide the total amount of increased fees collected from students during FY 2016-2017 to FY 2019-2020. Therefore, exact amount of excess fee collected by school could not be derived on account of non-submission of requisite information by the school. Thus, the amount of adjustment/refund to students could not be determined.

Based on above, the school is hereby directed to calculate the excess fee/charges collected from students during FY 2016-2017 to FY 2019-2020 and immediately refund/adjust the excess fee collected and submit the evidence of refund/adjustment to the Directorate within 30 days from the date of this order. Further, the school is directed not to increase any fee/charge of any class without approval from the Directorate.

5. Para 57 of Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "*An enterprise should determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.*" Further, according to para 7.14 of the Accounting Standard 15, "*Plan assets comprise:*

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

The financial statements of the school for FY 2018-2019 reflected a total provision of INR 1,11,91,809 towards gratuity and INR 57,06,635 towards leave encashment as on 31 Mar 2019, which was based on management estimate and was not backed with actuarial valuation. Further, during personal hearing, the school mentioned that it is in the process of getting actuarial valuation for retirement benefits.

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

C. Other Observations

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

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

Directorate's order no. F.DE.15/(275)/PSB/2019/1490-1494 dated 4 Apr 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school had not refunded interest on caution money along with caution money to exiting students and was directed to include interest earned on caution money in the refund amount.

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

Therefore, the school is directed again to ensure compliance with the aforementioned directions by refunding caution money along with interest to exiting students.

2. 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 incurrance 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 fees from students. However, the school does not maintain 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) that has been met from other fees/income. The same was also highlighted in the Directorate's Order No. F.DE.15/(275)/PSB/2019/1490-1494 dated 4 Apr 2019 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018. Also, the school did not include transport fee in the proposal for fee increase for FY 2019-2020 submitted to the Directorate. Details of calculation of surplus/deficit, based on breakup of expenditure provided by the school for FY 2017-2018 and FY 2018-2019 is given below:

Financial Year	Income (INR)	Expenses^ (INR)	Surplus/(Deficit) (INR)
	A	B	C=A-B
2017-2018	70,35,898	75,16,518	(4,80,620)
2018-2019	74,93,195	72,21,396	2,71,799

^ These are lumpsum expenses reported by the school in the Income and Expenditure Accounts, break up of which was not provided by the school. Thus, it could not be ascertained if these include salaries of driver & helpers, insurance vehicle running & maintenance and interest cost on loan taken for purchase of vehicles.

The school represented that the school is operating on the concept of no profit or no loss basis. However, due to several factors, there may be marginally excess of income over expenditure.

The school is again 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. Also, the school is directed to disclose all earmarked levies collected from students in the proposal and fee structure submitted to the Directorate.

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

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

On review of audited financial statements for FY 2018-2019, it was noted that depreciation was not charged as an expense to Income and Expenditure Account, the same was reflected in the fixed assets schedule and was charged by the school as per rates specified in the Income Tax Act, 1961 instead of depreciation rates specified in Appendix I to the Guidance Note cited above.

The school is directed to charge depreciation on fixed assets at the rates prescribed by the Guidance Note and report the same as expense in the Income and Expenditure Account. Compliance of the same shall be validated during evaluation of subsequent fee increase proposal as may be submitted by the school.

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

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

Particulars	FY 2016-2017	FY 2017-2018	FY 2018-2019
Total No. of Students	1,249	1,243	1,283
No. of EWS students	89	145	135
% of EWS students to total students	7.13%	11.66%	10.52%

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.

And whereas, after going through the representations made by the school during hearing held on 15 Nov 2019 at 2:00 PM 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 necessary information and data in respect of the feeder school for any of the required financial years (FY 2015-2016, 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 2019-2020 could not be determined.
- ii. The school submitted incomplete financial statements for FY 2016-2017 to FY 2018-2019 as the same did not include Schedules annexed to the financial statements and Notes to Accounts.

Whereas, in the light of above evaluation, which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, certain financial observations that were identified and certain procedural findings were also noted, 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 61,86,561 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 may be directed to recover INR 61,86,561 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 **Arwachin International School (School ID- 1106262), Pocket-B, Dilshad Garden, Delhi - 110095** 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
Arwachin International School
School ID- 1106262
Pocket-B, Dilshad Garden
Delhi - 110095

No. F.DE.15(736)/PSB/2022/4533-4537

Dated: 13/06/22

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 (North 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