

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

No. F.DE.15(821)/PSB/2022 / 5279-5283

Dated: 30/06/22

ORDER

WHEREAS, **Maharaja Agarsain Public School, Phase-IV, Ashok Vihar, New Delhi-110052 (School ID: 1411187)**, (hereinafter referred to as "**the School**"), run by the Agarwal Welfare Society Ashok Vihar (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 this Directorate **Maharaja Agarsain Public School, Phase-IV, Ashok Vihar, New Delhi-110052 (School ID: 1411187)** had submitted the proposal for fee increase for the academic session **2019-20**. Accordingly, this order is dispensed off 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 10.10.2019 to present its justifications/ clarifications on fee increase proposal including audited financial statements. Based on discussions, the School was further asked to submit necessary documents and clarification on various issues. During the aforesaid hearing, compliances against Order No. F.DE.15(416)/PSB/2018/30078-30083 dated 30.11.2018, 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. Financial observations

1. As per direction no. 2 included in the Public Notice dated 04.05.1997, *“it is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school becomes the sole property of the society”*. Additionally, Hon’ble High Court of Delhi in its judgement dated 30.10.1998 in the case of Delhi Abibhavak Mahasangh concluded that *“The tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society.”* Also, Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/ 883-1982 dated 10.02.2005 issued by this Directorate states *“Capital expenditure cannot constitute a component of the financial fee structure.”*

Moreover, Rule 177 of DSER, 1973 states that *“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 management committee for meeting capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely award of scholarships to students, establishment of any other recognised school, or assisting any other school or educational institution, not being a college, under the management of the same society or trust by which the first mentioned school is run. And the aforesaid savings shall be arrived at after providing for the following, namely:*

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

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

The Directorate in its Order no. F.DE.15(416)/PSB/2018/30078-30083 dated 30.11.2018 issued for academic session 2017-18, directed to the School to make necessary adjustments entries to rectify its general reserve fund, wherein the School had incurred INR 1,84,18,778 in FY 2014-15 in respect of “WIP of Building” which was not in accordance with the aforementioned provisions. However, no compliance is made for the directions made and no adjustments have been done.

On review of audited financial statements for FY 2017-18 and FY 2018-19, it has been noted that the School has further incurred expenditure on “WIP of building” amounting to INR 1,58,44,768 in FY 2017-18 and INR 3,39,00,320 in FY 2018-19. Out of the above, the school has created receivable from Society of INR 2,22,81,820 for “WIP of building”. Further, as per the audited financial

statements of FY 2018-19, the school has a recoverable balance of INR 1,46,55,020 from the Society after adjustment of the above-mentioned adjustment of the building working in progress.

The school was well aware of the implementation of the recommendation of the 7th CPC and its statutory liability towards gratuity and leave encashment. However, the school, instead of paying salary to its staff in accordance with the recommendation of 7th CPC preferred to incur expenditure on construction of the building which would otherwise is the responsibility of the Society in the expectation of to get the fee hike from the Director of Education. From the above observations, it can be easily inferred that first, the school has exhausted all its funds on the creation of society's wealth i.e., on the construction of the school building, which is not in accordance with the above-mentioned provisions and then the School has submitted the proposal for the fee increase to the Directorate of Education and claimed that it does not have sufficient funds to implement the recommendation of 7th CPC and meet other operational expenditures of the School.

Therefore, the capital expenditure incurred by the school on the construction of school building amounting to INR 6,05,37,066 (including adjusted Building WIP for FY 2014-15 of INR 1,84,18,778 plus additions made in FY 2017-18 INR 1,58,44,768 plus additions made in FY 2018-19 INR 3,39,00,320 minus credit made against society's account of INR 2,22,81,820 plus INR 1,46,55,020 recoverable from the society) is hereby added to the fund position of the school considering the same as funds available with the school with the direction to the school to recover this amount from the society within 30 days from the date of issue of this order.

2. Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "*Accounting for defined benefit plans is complex because actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses.*"

Further, the Accounting Standard defines Plan Assets (the form of investments to be made against liability towards retirement benefits) as:

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

Further, Para 60 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states "*A defined benefit scheme is a scheme under which amounts to be paid as retirement benefits are determined usually by reference to employee's earnings and/or years of service*".

An appropriate charge to the income and expenditure account for a year should be made through a provision for the accruing liability. The accruing liability should be calculated according to actuarial valuation. However, if a school employs only a few persons, say less than twenty, it may calculate the accrued liability by reference to any other rational method. The ensuing amount of provision for liability should then be invested in "*plan assets*" as per AS-15 issued by ICAI.

On review of documents submitted by the school post personal hearing, it has been noted that the school has not got its actuarial valuation report towards its liability for gratuity and leave encashment.



However, the school has recorded provision for retirement benefits in the books of the accounts on the basis of management estimate. The total liability towards retirement benefit was INR 1,53,01,099 as on 31.03.2019 as per the audited financial statements of the school against which the school has invested INR 1,44,85,287 with LIC.

Therefore, the actual amount of INR 1,44,85,287 invested by the school in plan assets of within the meaning of AS-15 has been considered while deriving the fund position of the school with direction to the school to get its liability for retirement benefits valued by an actuarial professional and make equivalent provision in the financial statements. The school is also directed to invest an equivalent amount in plan assets within 30 days from the date of issue of this order.

3. Clause 2 of Order No. DE 15/ Act/ Duggal.Com /203 /99 /23033-23980 dated 15.12.1999 states *"No admission fee of more than 200/- per student, at the time of the admission shall be charged. Admission fee shall not be charged again from any student who is once given admission as long as he remains on the rolls of the school."*

Also, Directorate of Education, in its Order No. DE.15/Act/Duggal.Com/ 203/99/23033-23980 dated 15.12.1999, indicated the heads of fee/ fund that recognised private unaided school can collect from the students/ parents, which include:

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

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

Further, as per Section 13 of Right to Education Act, 2009, the school should not charge capitation fee from the students at the time of admission. Further, the Supreme Court in its Judgement dated 02.05.2016 in the matter of Modern Dental College and Research Centre Vs. State of Madhya Pradesh [Medical Council of India] held that education is a noble profession. *"Every demand of capitation fee by educational institutions is unethical & illegal. It emphasised that the commercialization and exploitation is not permissible in the education sector and institutions must run on 'no-profit-no-loss' basis"*.

Hon'ble Supreme Court categorically held that *"Though education is now treated as an 'occupation' and, thus, has become a fundamental right guaranteed under Article 19(1) (g) of the Constitution, at the same time shackles are put in so far as this particular occupation is concerned, which is termed as noble. Therefore, profiteering and commercialization are not permitted, and no capitation fee can be charged. The admission of students has to be on merit and not at the whims and fancies of the educational institutions,"*

On review of documents submitted by the school post personal hearing, it has been noted that the fee structure of the School for FY 2017-18 and FY 2018-19 has been charging INR 10,000 per student

as admission fee from students opting for CBSE i-curriculum. The aforesaid collection of admission fees is tantamount to charging of capitation fee which is not in compliance of above-mentioned provisions. The charging of unwarranted fee or charging of any other amount/fee thereof prima-facie is considered as collection of capitation fee in other manner and form.

Hence, the School is directed not to charge such capitation fee in any form and to refund/adjust the admission fee taken from the students as compliance of the above shall be verified at the time of evaluation of proposal for enhancement of fee for next financial year.

Also, on the review of the fee structure submitted by the school it has been noted that the fee structure of the School is inclusive of 'Pupil fund' as fee being collected from all the students. As per the provisions of above-mentioned order, school is not allowed to collect such fee.

Since, the Pupil Fund fee has not been defined for recognised private unaided school and the purposes for which the school has utilised the same is covered under 'Annual Charges' collected by the school from students. Therefore, the school is directed not to charge separate fee in the name of 'Pupil Fee' from the students with immediate effect and submit the compliance report within 30 days from the date of issue of this order.

4. Section 19 (1) of the DSEA, 1973 states "*for the purpose of any public examination every recognised higher secondary school shall be affiliated to one or more of the Boards or Councils conducting such examination and shall fulfil the conditions specified by the Board or Council in this behalf.*"

Further, Rule 18 (1) of DSEAR, 1973 states "*The courses of study for primary and middle stages shall be such as may be specified by the Director in consultation with the Committee and the text books for such courses of study shall be such as may be recommended by the Director in consultation with the Committee:*"

*Provided that in **suitable cases**, a school may be permitted by the Director to draw its own courses of instruction for the primary or middle stage subject to such courses being approved by the Director in consultation with the committee.*

Rule 18(2) of DSER, 1973 states "*The course of study and text books for the secondary stage and senior secondary stage shall be such as may be specified or recommended by the Affiliating Board*".

And clause no. 17 of the land allotment letter issued by DDA states "*The school shall not increase the rates of tuition fee without prior sanction of the Directorate of Education, Delhi Admn. and shall follow provisions of Delhi School Education Act/ Rules, 1973 and other instructions issued from time to time.*"

The documents submitted by the school post personal hearing were taken on record, the examination of the documents submitted by the school revealed that the school is affiliated to CBSE and registered Cambridge International Assessment Education. The school further explained that it has applied for NOC with the concerned district Deputy Director, for running both the courses which is still for the approval. Despite the matter is pending with concerned district Deputy Director, the school has started both the courses simultaneously and has also started charging differential fee from the students. It has been further noted that the school has been charging this fee without disclosing the same in its full statement of fee filled under section 17(3) of the DSER, 1973. Accordingly, the school

has been violating the provisions of DSEAR, 1973. Accordingly, the school management is directed to refund/ adjust, the excess fee charged from the students without disclosing the same in the statement of fee and without obtaining the prior approval from the Director (Education) before increase in fee.

In this connection the concerned District Deputy Director Education, may also be directed to look in the affairs of school and determine learning facilities provided by the school, number of qualified staff such proposed education and submit the status report to the Director (Education) for decision. The compliance with this direction shall be verified while evaluating the fee increase proposal of the school for the next session. The differential fee charged by the school for the students are as under.

Standard	Fee per annum under CBSE	Fee per annum under Cambridge Assessment International Education
Pre (Mont) to I	40,694	96,844
II	40,389	96,844
III to V	41,469	96,844
VI-VIII	42,517	1,25,260
IX	44,701	1,62,580

5. As per the Directorate's Order no. F.DE.15(416)/PSB/2018/30078-30083 dated 30.11.2018 issued to the school post evaluation of proposal for enhancement of fee for FY 2017-18, it was noted that under reconciliation statement of the school fees collected as PTA, Insurance and scout & guide but the same were not reflecting in the audited financial statements. Also, reconciliation statement provided by the school compared to audited financial statements had a difference of INR 30,94,147 which was unexplained by the school.

On review of documents submitted by the school post personal hearing for evaluation of proposal for enhancement of fee for FY 2018-19 and FY 2019-20, it has been noted that school provided a fee reconciliation statement for FY 2017-18 and FY 2018-19 having difference in receivable balance as per reconciliation statement and as per audited financial statements of INR 4,44,258 and INR (4,71,135) respectively.

Hence, the school is directed to provide complete reconciliation of fee for FY 2017-18 and FY 2018-19 within 30 days from the date of issue of this order.

B. Other observations

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

Clause 22 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11.02.2009 states that *Earmarked levies shall be charged from the user student only. Earmarked levies for the services rendered shall be charged in respect of facilities involving expenditure beyond the expenditure on the earmarked levies already being charged for the purpose. They will be calculated and collected on 'no profit no loss' basis and spent only for the purpose for which they are being charged. All transactions relating to the earmarked levies shall be an integral part of the school accounts*



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

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

Further, the aforementioned Guidance Note lays down the concept of fund-based accounting for restricted funds, whereby upon 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 has been noted that the school charges earmarked levies in the form of Transport fee, Activity fee, smart class fee, Computer & Science lab fee and Refreshment 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 2016-17, FY 2017-18 and FY 2018-19 are given below:

(Amount in INR)

Particulars	Smart Class	Transport Charges [^]	Computer & Science Lab [*]	Refreshment Fee	Activity Fee
For the year 2016-17					
Fee Collected during the year (A)	56,09,104	12,23,067	80,46,132	9,60,925	46,35,645
Expenses during the year (B)	12,54,600	10,53,231	-	3,25,637	21,73,107
Difference for the year (A-B)	43,54,504	1,69,836	80,46,132	6,35,288	24,62,538
For the year 2017-18					

Particulars	Smart Class	Transport Charges [^]	Computer & Science Lab*	Refreshment Fee	Activity Fee
Fee Collected during the year (A)	64,62,720	13,70,115	80,07,706	5,81,400	54,79,213
Expenses during the year (B)	6,70,183	13,50,295	-	1,09,030	-
Difference for the year (A-B)	57,92,537	19,820	80,07,706	4,72,370	54,79,213
For the year 2018-19					
Fee Collected during the year (A)	63,31,178	17,67,695	79,31,359	-	61,27,773
Expenses during the year (B)	13,77,975	18,55,936	-	-	-
Difference for the year (A-B)	49,53,203	-88,241	79,31,359	-	61,27,773
Total (Surplus)	1,51,00,244	1,01,415	2,39,85,197	11,07,658	1,40,69,524

[^]The school did 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.

*School has charged Computer & Science lab fee from FY 2016-17 to FY 2018-19 however, expenses incurred for has not been specifically provided by the school to be shown in above mentioned table.

From the above table, the 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). The charging of unwarranted fee or charging of any other amount/fee under different heads other than prescribed and accumulation of surplus fund thereof prima-facie is considered as collection of capitation fee in other manner and form. From the record submitted by the school, it was noted the school has been collecting Activity fee, Smart class fee and computer lab fee from all the students which loses the character of earmarked levies. Therefore, the school may be directed to stop the collection in the name of such fee with immediate effect.

Since, the school is not following fund base accounting in accordance with the provision cited above. The total fee (including earmarked fee) have been included in income and expenditure and have been considered in calculation of fund availability with the school and 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 has to be utilised 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 structure for earmarked levies during the 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.

2. Para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states "Where the fund is meant for meeting capital expenditure upon incurrance of the expenditure the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter the concerned restricted fund account is treated as deferred income to the extent of the cost of the asset and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year." Further, Para 102 of the abovementioned 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/utilization 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 utilization of each fund balanced)*
 - d) *Restrictions, if any, on the utilization of specific assets."*

Based on the presentation made in the audited financial statements of FY 2018-19, it has been noted that the school has maintained development fund utilization accounts. However instead of crediting deferred income in income & Expenditure account to the extent of the cost of the asset in proportion to the depreciation charged every year as required under para 99 of guidance note mentioned above transferred amount an amount equivalent to the depreciation charged on fixed assets purchased out of the development fund is transferred from the Assets purchase fund to the Development fund which results to the addition of the Development fund. Thus, the school is directed to comply with the provisions of Guidance Note -21. Since, the above is mere procedural findings and has no financial impact, no adjustment has been done while deriving the fund position of the school.

3. On review of submission of documents made by the school post personal hearing, it has been noted that school has not submitted Fixed Asset Register (FAR) along with its submission. An ideal Fixed asset register should include details such as supplier name, invoice number, manufacturer's serial number, location, purchase cost, other costs incurred, depreciation, identification number, etc. to facilitate identification of asset and documenting complete details of assets at one place.

Hence, the school is directed to prepare, update and submit the FAR with relevant details mentioned above according to the process for periodic physical verification of assets and document the results of physical verification of assets. This being a procedural finding, no financial impact is warranted in the fund position of the school.

4. On review of submission of documents made post personal hearing, it has been noted that the school had no process in relation to calling of quotations from vendor, approval process, gate inward control and payment, only oral communication is done with the prospective suppliers and no documentation was done for the same. The school was not preparing any comparative statement for evaluating the quotations received from vendors and was not getting the same approved from the purchase committee. Also, the school does not have a process of maintaining gate inward and outward register and stamping the invoice at entry gate.

The fact that most of the services procured by the school from related parties suggests that related party transactions are prominent in the school and no procurement process is being followed.

Accordingly, the school is directed to follow proper procurement process and maintain proper documentation in relation to procurements and purchases done by the school. Compliance of the above shall be verified at the time of evaluation of proposal for fee enhancement for subsequent year.

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

On review of documents submitted post personal hearing, it has been noted that school has not refunded interest along with refund of caution money to the students at the time of their exit from the school.

Accordingly, the amount to be refunded to students as per audited financial statements as on 31.03.2019 of INR 17,69,000 has been considered while deriving the fund position of the school with the direction to ensure compliance with the aforementioned directions by refunding interest along with caution money to exiting students and to treat unrefunded caution money belonging to ex-students as income in the next financial year as per provisions of orders mentioned above.

6. As per Order No. F.DE.15(416)/PSB/2018/30078-30083 dated 30.11.2018 issued to the school post evaluation of proposal for enhancement of fee for FY 2017-18, it was noted that school was not complying with the DOE Order No.F.DE.15/Act-I/08155/2013/5506-5518 dated 04.06.2012 and condition mentioned at S. No. 17 in the land allotment letter which provides for 25% reservation to children belonging to EWS category.

As per school, the details of EWS students and total students from FY 2014-15 to FY 2016-17 and from FY 2018-19 to FY 2019-20 are as follows:

Particulars	FY 2014-15	FY 2015-16	FY 2016-17	FY 2018-19	FY 2019-20
Total Students	3,596	3,484	3,509	3,518	3,535
EWS Students	487	511	547	611	610
% of EWS students	14%	15%	15%	17%	17%

As per table above, it is ascertained that school still has not complied with the directions of the Directorate to comply with the land allotment condition of minimum 25% reservation to EWS category students. The DDE (District) may look into this matter and school is directed to comply with the directions as the same shall be verified at the time of evaluation of proposal for fee enhancement for subsequent year.

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

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

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

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

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

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

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

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



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

The financial statements for FY 2018-2019 submitted by the School along with Audit Report signed by Chartered Accountant did not cite UDIN, as mandated by ICAI. Further, the Chartered Accountant failed to mention the date of signing on the audit report, balance sheet and income and expenditure account. However, notes to accounts enclosed with the financial statements were signed on 26.10.2019. Further, the audit report issued by the auditor is not in accordance the format prescribed under SA 700 since it fails to draw reference to applicable accounting standards or Generally Accepted Accounting Principles and does not give opinion on the true and fair view of state of affairs of the School, surplus/deficit during the year and cashflows during the year. Therefore, authenticity of the audit and that of the financial statements for FY 2018-2019 submitted by the School could not be verified.

While the School has not complied with the statutory requirement of submission of audited final accounts and has submitted unauthentic final accounts, these financial statements for FY 2018-2019 have been taken on record by the Directorate and the same have been considered for evaluation of the fee increase proposal of the School for the academic session 2019-20 assuming the same as unauthentic financial statements.

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

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

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

- i. The total funds available for the Academic session 2019-20 amounting to INR **26,54,94,809** out of which cash outflow is estimated to be INR **21,98,65,398**. This results in estimated surplus of INR **4,56,28,799**. The details are as follows:



Particulars	Amount (in INR)
Cash and Bank balances as on 31.03.19 as per Audited Financial Statements	1,36,13,624
Investments in fixed deposits as on 31.03.19 as per Audited Financial Statements	6,87,26,638
Investment with LIC for retirement benefits as on 31.03.19 as per audited financial statements	1,44,85,287
Liquid fund as on 31.03.19	9,68,25,549
Add: Recovery from the society for construction of building made from school funds including amount recoverable from the society (Refer Financial Observation No. 1)	6,05,37,066
Add: Fees for FY 2018-19 as per Audited Financial Statements (Refer Note 1 below)	16,72,09,727
Add: Other income for FY 2018-19 as per audited Financial Statements (Refer Note 1 below)	75,73,132
Total available funds for FY 2019-20	33,21,45,474
Less: FDR on joint name with DOE (as per school's submission)	82,701
Less: FDR on joint name with Secretary, CBSE (as per school's submission)	9,74,091
Less: FDR with Reg. General (fee refunded) as per JADC (as per school's submission)	3,49,92,612
Less: Caution money as on 31.03.2019 (as per audited financial statements for FY 2018-19) (Refer Other Observation no. 5)	17,69,000
Less: Development Fee (Refer Note 3 below)	1,43,47,586
Less: Investment made with LIC against provision made for retirement benefits (Refer Financial Observation No. 2)	1,44,85,287
Estimated Available Funds for FY 2019-20	26,54,94,197
Less: Budgeted expenses for the session 2019-20 (Refer Note 2 below)	19,80,80,782
Less: Arrears of salary on implementation of 7th CPC (Refer Note 4 below)	2,17,84,616
Estimated Surplus	4,56,28,799

Note 1: Fee and income as per audited financial statements of FY 2018-19 has been considered assuming that the income accruing in FY 2018-19 will at least accrue to school in FY 2019-20 except income from writing off unclaimed security of INR 3,62,403 and payable written off INR 2,49,901 being income of non-recurring nature.

Note 2: All budgeted expenditure proposed by the school has been considered in the above table (including impact of salaries payable as per 7th CPC) except otherwise provided in financial observations mentioned above.

Note 3: Over several years, the school has accumulated development fund and has reflected the closing balance of INR 7,05,11,449 in its audited financial statements for FY 2018-19. Accordingly, the accumulated reserve of development fund created by the school by collecting development fee more than its requirement for purchase, upgradation and replacement of furniture, fixtures and

equipment has been considered as free reserves available with the school for meeting financial implication of 7th CPC to be implemented by the school. However, development fund equivalent to amount collected in FY 2018-19 from students has been considered for deriving the fund position of the school considering sufficient according to spending pattern of the school in past.

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

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

It has been noted that School Management has not yet implemented the recommendations of 7th CPC with effect from 01.01.2016 on the ground of insufficient funds with the school.

While as per Directorate’s Order no. F.DE.15(416)/PSB/2018/30078-30083 dated 30.11.2018 issued post evaluation of fee increase proposal of the school for the FY 2017-18, wherein school was directed to implement the recommendations of 7th CPC but the school has not complied with the direction mentioned in the previous year’s order. Accordingly, the impact of salary arrears which is still pending for payment for the period 01.01.16 to 31.03.19 and impact on salaries for FY 2019-20 on implementation of 7th CPC has been considered while deriving the fund position of the school with the direction to the school to implement the recommendations of 7th CPC in full within 30 days from the date of issue of this order. A strict action against the school would be initiated u/s 24(3) of DSEA, 1973 for non-compliance with the direction cited above

- ii. The school has sufficient funds to carry on the operation of the school for the academic session 2019-20 on the existing fees structure. In this regard, Directorate of Education has already issued directions to the schools vide order dated 16.04.2010 that,

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

AND WHEREAS, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that along with certain financial and other irregularities, that the sufficient funds are available with the school to carry out its operations for the academic session 2019-20. Accordingly, the fee increase proposal of the school may be rejected.

AND WHEREAS, it is also noticed that the School has incurred INR 6,05,37,066 for building out of the school fund which is not in accordance with clause 2 of public notice dated 04.05.1997, Rule 177 of DSER, 1973 and court judgements. Thus, the school is directed to recover INR 6,05,37,066 from the society. The amount of above receipt along with copy of bank statement showing the receipt of above-mentioned amount should be submitted with DoE, in compliance of the same, within 30 days from the date of issuance of this order. Non-compliance of this shall be taken up as per DSEA & R, 1973.

AND WHEREAS, recommendation of the team of Chartered Accountants along with relevant materials were put before the Director of 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 financial obligations 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 may be 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 2019-20 of **Maharaja Agarsain Public School, Phase-IV, Ashok Vihar, New Delhi-110052 (School ID: 1411187)** has been rejected by the Director of Education.

Further, the management of said school is hereby directed under section 24(3) of DSEAR 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 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
Maharaja Agarsain Public School (School ID: 1411187)
Phase-IV, Ashok Vihar,
New Delhi-110052

No. F.DE.15(821)/PSB/2022/5279-5283

Dated: 30/06/22

Copy to:

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