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

No. F.DE.15 (526) / PSB / 2022 / 3058-3062 Dated: 17/05/22

ORDER

WHEREAS, **Little Fairy Public School (School Id-1411226), Ashok Vihar, Delhi-110052,** (hereinafter referred to as **"the School"**), run by the **Mohan Memorial Educational Society (Regd.) (hereinafter referred to as the "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 DSEAR, 1973 with the Directorate. Such statement is required to indicate estimated income of the school to be derived from fees, estimated current operational expenses towards salaries and allowances payable to employees etc. in terms of rule 177(1) of the DSEAR, 1973.

AND WHEREAS, as per section 18(5) of the DSEAR, 1973 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 objective 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 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 writ petition No. 4109/2013 in the matter of Justice for All versus 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 recognized unaided schools to whom land has been allotted by DDA/ land owning agencies.

AND WHEREAS, accordingly, the DoE vide order no. F.DE.15 (40)/PSB/2019/2698-2707 dated 27.03.2019, directing all the private unaided recognized schools, running on the land allotted by 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 **Little Fairy Public School (School Id-1411226), Ashok Vihar, Delhi-110052,** submitted the proposal for fee increase 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 that 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 very 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 of being heard on 06.11.2019 to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted. During the aforesaid hearing compliances against order no. F.DE-15/ (214)/PSB/2019/1165-1169 dated 29.03.2019 issued for academic session 2017-18 were also discussed and school submissions were taken on record.

AND WHEREAS, the reply of the school, documents uploaded on the web portal for fee increase together with subsequent documents/ clarifications submitted by the school were thoroughly evaluated by the team of Chartered Accountants. And based on evaluation of fee proposal of the school the key findings and status of compliance against order no. F.DE-15/ (214)/PSB/2019/1165-1169 dated 29.03.2019 issued for academic session 2017-18 are as under:

A. Financial Observations

1. As per Clause 14 of Directorate's of Education, Govt. of NCT of Delhi, Order No. F.DE./15 (56) /Act /2009 / 778 dated 11.02.2009 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's. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the income generated from the investment made out of this fund will be kept in a separately maintained Development Fund Account."

   Clause 24 of Order No. F.DE./15 (56) /Act / 2009 / 778 dated 11.02.2009 states "Every recognized unaided school covered by the Delhi School Education Act 1973, shall maintain the books of accounts on the accounting principles as applicable to non-business organization / not-for-profit organization as per Generally Accepted Accounting Principles(GAAP). Such schools shall prepare their financial statement consisting of Balance Sheet, P&L Account and Receipt & Payment account every year"

   Accordingly, 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 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 above provisions, the amount utilised out of development fund for purchase of relevant fixed assets should have been treated as deferred income fund. Further, an amount equivalent to depreciation charged on the fixed assets needs to be credited to Income & Expenditure Account as amount apportioned from deferred income fund.

   On review of the audited financial statements of the FY 2016-17 to 2018-19, it has been noted that the school started maintaining Development Fund Account from FY 2017-18 as per the instructions under order no. F. DE-15/ACT-I/WPC-4109/PART/13/816 dated 03.07.2017 issued to the school post evaluation of proposal for enhancement of fee for academic session 2016-17.

   However, as per the audited financial statements and information submitted by the school, it has been noted that the school is neither maintaining nor treating development fund utilisation account as deferred income fund and amount equivalent to depreciation charged is not apportioned from this account. It has also been noted that the school has maintained Depreciation Reserve Fund out of general funds of INR 1,80,426 and INR 1,11,379 for FY 2017-18 and FY 2018-19 respectively. The school is also not maintaining development fees received in the separate bank account.

In view of the above, the school is directed to pass the necessary rectification entries in its books of accounts relating to development fund and ensuring with the compliance with clause 14 of the DoE order dated 11.02.2009 and Para 99 of the GN-21 issued by the ICAI. Accordingly, development fund balance has not considered while deriving the fund position of the school.

2. As per Accounting Standard -15 'Employees Benefits' issued by The Institute of Chartered Accountant of India "*An entity should determine the present value of defined benefit obligations and their fair value of any plan asset so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determine at the balance sheet date*".

Further, Accounting Standard-15 "*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, according to para 7.14 of the Accounting Standard 15 "*Plan assets comprise:*

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

As per the financial statements for FY 2018-19 and records submitted by the school, it has been observed that the school has recognised liability towards gratuity of INR91,75,667 as per actuarial valuation report. However, the school has not made any investments in Plan Assets in this regard. Since, the school has not invested anything against gratuity in the 'Plan Assets' therefore, gratuity provision has not been considered while calculating the fund availability with the school.

Further, the school has not provisioned for Liability with respect to Leave encashment, which is also contravention of Accounting Standard-15. The school should provision for all the short-term and long-term employee benefits as per AS 15. Moreover, non-payment of leave encashment to staff is not in accordance with section 10 of DSEA, 1973. Accordingly, the school is directed to ensure compliance with DSEA, 1973 in respect of payment of retirement benefits to its employees.

B. Other Observations

1. Rule 176 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 11.02.2009 states "Earmarked levies will be calculated and collected on 'no-profit no loss' basis and spent only for the purpose for which they are being charged."

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

Also, earmarked levies collected from students are a form of restricted funds, which, according to Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of

India, are required to be credited to a separate fund account when the amount is received and reflected separately in the Balance Sheet.

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

From the information provided by the School and taken on record, it was noted that the school charges earmarked levy in the form of transport fee from students. However, the school has not maintained separate fund accounts for the above mentioned earmarked levies and the school was directed by this directorate through its order no. F.DE-15/(214)/PSB/2019/1165-1169 dated 29.03.2019 issued for academic session 2017-18 to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from students. The details of funds position for the three financial years as follows.
(Figures in INR)

Particulars	**Transport Fees**
For the year 2016-17	
Fee Collected during the year (A)	8,51,719
Expenses during the year (B)	9,57,086
I. Difference for the year (A-B)	**(1,05,367)**
For the year 2017-18	
Fee Collected during the year (A)	9,29,336
Expenses during the year (B)	10,90,291
II. Difference for the year (A-B)	**(1,60,955)**
For the year 2018-19	
Fee Collected during the year (A)	9,98,108
Expenses during the year (B)	10,81,063
III. Difference for the year (A-B)	**(82,955)**
Total (I+II+III)	**(3,49,277)**

The school has not allocated salaries pertaining to staff such as driver, conductor, etc. involved in providing transportation services. Further, the school has not apportioned depreciation on vehicles used for transportation of students in the expenses stated in table above for creating fund for replacement of vehicles, which should have been done to ensure that the cost of vehicles is apportioned to the students using the transport facility during the life of the vehicles.

In view of the above, the school is directed to comply with the legal positions laid down for charging, collecting, and accounting of earmarked levies and maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from the students. Further, the school should evaluate every year the income generated, and cost incurred against each earmarked levy and any surplus/deficit generated has to be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Moreover, the school should propose the revised fee structure for earmarked levies during subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on no-profit no-loss basis and not to include fee collected from all students as earmarked levies. It is also to be noted that similar observation was noted in order no. FDE15 (625) PSB/2018/30562-30566 dated 14.12.2018 issued for academic session 2017-18.

The school is also directed to disclose all the earmarked levies collected by the school along with its return under Rule 180 and in the proposal for fee increase submitted by the school in subsequent years.

The act of the school of charging unwarranted fee or any other amount/fee under head other than the prescribed head of fee and accumulation of surplus fund thereof tantamount to profiteering and commercialization of education as well as charging of capitation fee in other form.

2. Directorate of Education, Govt. of NCT Delhi order no. F.DE-15/ (214)/PSB/2019/1165-1169 dated 29.03.2019 issued for academic session 2017-18, it was noted that the school has not prepared Fixed Asset Register (FAR) properly. Therefore, direction was given to the school that the FAR should also include details such as supplier name, invoice number, manufacturer's serial number (as applicable), location of the assets, depreciation, identification number, etc. to facilitate identification of asset and documenting complete details of fixed assets at one place.

   However, the FAR submitted by the school only captures asset name, date of purchase and amount of the assets. Therefore, school is once again directed to prepare the Fixed Assets Register based on the above parameters.

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

   Basis the presentation made in the audited financial statements for FY 2016-17 to FY 2018-19 submitted by the school, it was noted that the school is reporting Fixed Assets at written down value, which is not in accordance with the disclosure requirements of the guidance note citied above. Accordingly, the school is directed to disclose fixed assets at gross value on the face of balance sheet on the assets side and the accumulated depreciation on the liability side of the Balance Sheet. The above being a presentation/ disclosure observation, no financial impact is warranted for deriving the fund position of the school.

4. Para 58(i) of the Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India states "*A school should charge depreciation according to the written down value method at rates recommended in Appendix I to the Guidance Note.*" Further, Directorate's Order No. F. DE-15/ACT-I/WPC-4109/PART/13/816 dated 3 July 2017 issued to the school post evaluation of its proposal for enhancement of fee for the academic year 2016-2017 directed the school to charge depreciation at the depreciation rates as per the above mentioned Guidance Note.

   From the financial statements of FY 2016-17 to FY 2018-19, it was noted that the school did not charge depreciation at the rates specified in Appendix I to the Guidance Note. Similar observation was also noted in order no. F.DE-15/ (214)/PSB/2019/1165-1169 dated 29.03.2019 issued for academic session 2017-18. The school is once again directed to adopt the depreciation rates as prescribed by the Guidance Note. The above being a procedural observation, no financial impact is warranted for deriving the fund position of the school.

5. As per Section 18(5) of the DSEA, 1973, "*the management 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".

Further, Rule 180 of DSER, 1973 states " (1) every unaided recognised private schools shall submit the returns and documents in accordance with Appendix-1, (2) Every return or documents referred to in sub-rule (1), shall be submitted to the Director by the 31st day of July of each year.(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 any officers authorised by the Comptroller and Auditor General of India"

And Section 24 (2) of DSA, 1973 states *"The Director may arrange special inspection of any school on such aspects of its working as may, from time to time, be considered necessary by him".*

Whereas Appendix-II to Rule 180 specify that "final accounts i.e. receipts, and payment account, income and expenditure and balance sheet of the preceding year should be duly audited by Chartered Accountant.

And It has been noticed that Financial Documents/ Certificates Attested by third person misrepresenting themselves as CA Members are misleading the Authorities and Stakeholders. ICAI is also receiving number of complaints of signatures of CAs being forged by non CAs.

To curb such malpractices, the Professional Development Committee of ICAI has come out with an innovative concept of UDIN i.e. Unique Document Identification Number which is being implemented in phased manner. It will secure the certificates attested/certified by practicing CAs. This will also enable the Regulators/Banks/Third parties to check the authenticity of the documents.

Accordingly, the Council in the 379th meeting of ICAI held on 17.12.2018 and 18.12.2018, made mandatory for all practicing member to obtain 18 digits UDIN before issuing any audits reports/ certification etc. in the following manner:

- All Certification done by Practising CAs w.e.f. 01.02.2019.
- All GST & Tax Audit Reports w.e.f. 01.04.2019.
- All other attest functions w.e.f. 01.07.2019.

However, on examination of the financial statements submitted by the school for evaluation of fee increase proposal of FY 2019-20, it been has observed that the financial statements of the school were certified by the Chartered Accountant without mentioning the UDIN as required by the council. This being the procedural observation therefore, the school management are directed to ensure this compliance from the auditor of the school.

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

i. The total funds available for the year 2019-20 amounting to INR. **2,01,69,096** out of which cash outflow in the year 2019-20 is estimated to be INR. **2,26,34,212**. This results in net deficit of INR. **24,65,117**. The details are as follows:

Particulars	Amount (in INR.)
Cash and Bank balances as on 31.03.19 as per Audited Financial Statements of FY 2018-19	58,292
Liquid Fund as on 31.03.2019	**58,292**
Add: Fees as per Audited Financial Statements FY 2018-19 **[we have assumed that the amount received in FY 2018-19 will at least accrue in FY 2019-20, refer Note-1 below]**	1,78,03,426
Add: Other income as per Audited Financial Statements FY 2018-19 **[we have assumed that the amount received in FY 2018-19 will at least accrue in FY 2019-20, Refer Note-1 below]**	5,45,184
Add: Estimated fee increase on account of 15% increase in tuition fee approved by DoE vide order no. F/D/E-15(218) PSB/2019/1280-1284 dated 29.03.2019	17,62,194
Total Available Funds for FY 2019-20	**2,01,69,096**
Less: Development Balance as on 31.03.2019 **(Refer Financial Observation No. 1)**	-
Less: Staff retirement benefits- Gratuity & Leave Encashment **(Refer Financial Observation No. 2)**	-
Net Available Funds for FY 2019-20	**2,01,69,096**
Less: Budgeted expenses as per the Budgeted Financial Statement for the Financial Year 2019-20 after making adjustment **[Refer Note-2 below]**	2,26,34,212
Estimated Deficit	**(24,65,117)**

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

Note 2: As per the information/documents submitted by the school, it was noted that the school has not implemented the recommendation of 7th CPC and further calculation details towards salary arrears payable on account of implementation of 7th CPC from January 2016 to March 2019 has not been provided by the school and therefore the same has not been considered while deriving the fund position.

ii. The School does not have sufficient funds to carry on the operation of the School for the academic session 2019-20 at 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 observations, that funds are not 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 accepted.

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 funds are not available with the school for meeting financial implication for the academic session 2019-20.

AND WHEREAS, it is relevant to mention that Covid-19 pandemic had a wide spread impact on the entire society as well as on general economy. Further, charging of any arrears on account of fee for several months from the parents is not advisable not only because of additional sudden burden fall upon the parents/students but also as per the past experience, the benefit of such collected arrears are not passed to the teachers and staff in most of the cases as was observed by the Justice Anil Dev Singh Committee during the implementation of the 6th CPC. Keeping this in view, and exercising the powers conferred under Rule 43 of DSER, 1973, the Director (Education) has accepted the proposal submitted by the school and allowed an increase in fee by 12.5% to be effective from 01 July 2022.

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 the academic session 2019-20 of **Little Fairy Public School (School Id-1411226), Ashok Vihar, Delhi-110052,** has been accepted by the Director (Education) and the school is allowed to increase the fee by 12.5% to be effective from 01 July 2022

1. To increase the fee only by the prescribed percentage from the specified date.

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 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
Little Fairy Public School (School Id 1411226)
Ashok Vihar, Delhi-110052

No. F.DE.15 (526) / PSB / 2022 / 3058-3062 Dated: 17/05/22
Copy to:

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