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

No. F.DE.15(549)/PSB/2022 | 3237-3241 **Dated:** 19/5/22

ORDER

WHEREAS, **St. Giri Senior Secondary School, School ID-1413254,** (hereinafter referred to as "School"), run by the Goswami Vidhyapeeth Society (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 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 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 07.10.2019 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/ (181)/PSB/ 2019/1090-1094 dated 14.03.2019, 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 findings 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 the school funds i.e., fee collected from students should not to be utilised for the same.

The Directorate in its Order no. F.DE.15(287)/PSB/2019/1535-1539 dated 04.04.2019 issued to the school post evaluation of proposal for enhancement of fee for FY 2017-18, directed the School to recover INR 15,70,430 and INR 36,68,747 from the society for construction of school building during the FY 2014-15 and 2015-16. However, the same is pending for recovery.

Representation submitted by the school against order dated 04.04.2019 were taken on record, the school submitted that "*year on year wear and tear of the school needs regular upgradation of its infrastructure to maintain safety and security of the students studying in the school. It is the obligation of the Managing committee of the school for maintenance/up-gradation/renovation/expansion/development of the school which is safe and secure for the students.*

Also, before calculating the savings as per Rule 177 of DSER, 1973, the fee can be utilised for the required expansion of the school, expenditure of a developmental nature, expansion of the school building, expansion or construction of any building for the establishment of hostel or expansion of hostel accommodation as provided in clauses (b) and (c) of Rule 177(2)."

The School further, submitted that it could not implement the recommendation of the 7th CPC due to shortage of funds and could not deposit equivalent amount of its liability of retirement benefit in plan assets. The explanation provided by the school cannot be considered. The School was well aware about the implementation of the recommendation of the 7th CPC and investment fund in plan assets. The school instead of paying salary to its staff in accordance with the recommendation of 7th CPC preferred to incur expenditure of capital nature which would otherwise was the responsibility of the society and submitted the proposal of fee hike. Thus, the above explanation of the School is not correct and cannot be considered in light of the aforesaid provisions.

Accordingly, INR 52,39,177 spent by the school on construction of school building has been included in the calculation of fund availability of 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. 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.*"

On review of audited financial statements from FY 2016-17 to FY 2018-19 and documents submitted by the school post personal hearing, it has been noted that school incurred capital expenditure on purchase of buses by taking loan from Cholamandalam Finance Limited. The School purchased these buses without complying with the requirement of Rule 177 of the DSER 1973. The detail of school funds used by the school towards purchase of these bus is tabulated below.

S. No	Particulars	DL-9281	DL-7882	DL-3289	DL-3377	DL-3321
1	Purchase Cost	14,10,000	17,10,000	17,50,000	17,50,000	17,50,000
2	Loan Taken	13,59,500	16,25,000	16,62,500	16,62,500	16,62,500
3	Down payment= (1-2)	50,500	85,000	87,500	87,500	87,500
4	Loan repayment starting date	28-06-2016	01-05-2018	25-03-2018	25-03-2018	25-03-2018
5	Loan outstanding as on 31.03.19	45,897	12,71,090	11,69,234	11,69,234	11,69,234
6	Loan Paid till 31.03.2019	13,13,603	3,53,910	4,93,266	4,93,266	4,93,266
7	Instalment paid till 31.03.19	15,76,988	5,07,828	7,66,899	7,66,899	7,66,899
8	Interest paid till 31.03.19= (7-6)	2,63,385	1,53,918	2,73,633	2,73,633	2,73,633
9	**School funds used for purchase of bus till 31.03.19 = (3+6+8)**	**16,27,488**	**5,92,828**	**8,54,399**	**8,54,399**	**8,54,399**

The income generated from transport facility of last three years have also been taken in consideration, it was noted that School has incurred deficit in last three financial year on transport facility and transport income is not sufficient to meet expenditure of transport facilities. (Refer Other Observation No.1). Thus, the School has extended the financial burden on purchase of buses on all students whether they have utilizing the transport facilities or not. This indicates the School funds which could have been utilized for payment of 7th CPC, have been used for repayment of loan and interest cost on purchase of bus.

Accordingly, the total amount of INR 47,83,513 towards repayment of loan and interest cost is hereby added to the fund position of the School considering the same as fund available with the School, with the direction to School to recover this amount from the Society within 30 days from the date of issue of this order. The School is further directed to ensure that capital assets are not procured from school funds unless savings are derived in accordance with Rule 177 of DSER, 1973 and the school funds should not be utilised for repayment of the above loan.

Further, budgeted amount of INR 12,75,000 for repayment of bus loan including interest has been excluded from the budgeted expenditure of the FY 2019-20 while calculating the fund position of the School.

3. 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"*.

On review of the records submitted by the School, it has been noted that the School has got the actuarial valuation for the retirement benefits and the total liability for gratuity was INR 2,37,37,734 as on 31.03.2019. However, the School has reported INR 60,01,483 in its audited financial statements of FY 2018-19. Therefore, the School has under reported its gratuity liability by INR 1,77,36,251 in audited financial statements.

Further, the School has not made any investment in plan asses against these liability as per the requirement of AS-15 issued by ICAI. Since, the School has not invested any amount in 'Plan Assets' in accordance with AS-15. Therefore, amount of INR 1,10,00,269 proposed by the school during the FY 2019-20 has not be considered in the total expenditure of the School. The School is hereby directed School to create appropriate provisioning for retirement benefit in its books of accounts and investment the equivalent in plan assets within 30 days from the date of issue of this order.

4. As per Clause 14 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11.02.2009, "*Development Fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture fixtures and equipment's. 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*".

On review of audited financial statements for FY 2018-19, it has been noted that School has treated development fee as revenue receipts and capital receipt partially which is not in compliance with above mentioned provisions. For which the School has not provided any explanation.

The School in FY 2018-19 has utilised development fund for purchase of library books for INR 5,000 which is not in compliance with above mentioned provisions. Similar observation was noted in Directorate's Order No. F.DE.15 (287)/PSB/2019/1535-1539 dated 04.04.2019 issued post evaluation of fee hike proposal for FY 2017-18, wherein the School had purchased the library books for INR 6,28,585 from FY 2014-15 to 2016-17. In the aforesaid order the School was directed to comply with clause 14 of the order dated 11.02.2009. The School is hereby directed to comply with clause 14 of the order dated 11.02.2009 and ensure that development is utilized only for purchase, upgrade and replacement of furniture, fixture, and replacement of assets.

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 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 review of the information provided by the school, it has been noted that the school charges earmarked levies in the form of 'Transport fee' and 'Smart Class fee' from the students. However, the School has not maintained separate fund accounts for these earmarked levies. The School has generated from deficit from transport fee which has been met from other fee/income and has generated surplus which has been used for meeting other expenses of the school. The surplus/ deficit generated by the school from earmarked levies is provided below.

Particulars	Smart Class	Transport Charges^
For the year 2016-17		
Fee Collected during the year (A)	15,27,490	56,31,787
Expenses during the year (B)	3,31,982	69,28,454
1) Difference for the year (A-B)	**11,95,508**	**(12,96,667)**
For the year 2017-18		
Fee Collected during the year (A)	13,10,810	68,09,238
Expenses during the year (B)	11,23,922	77,69,428
2) Difference for the year (A-B)	**1,86,888**	**(9,60,190)**
For the year 2018-19		
Fee Collected during the year (A)	17,19,140	75,23,480
Expenses during the year (B)	21,99,842	84,43,704
3) Difference for the year (A-B)	**(4,80,702)**	**(9,20,224)**
Surplus/(Deficit)= 1+2+3	**9,01,694**	**(31,77,081)**

^ 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.

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).

Since, the School is not following fund base accounting in accordance with the provision cited above. The total fee (including earmarked fee) has been included in income and expenditure and have been considered in calculation of fund availability of the School.

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.

The School is directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from the 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 the 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 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."*

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

Based on the presentation made in the audited financial statements of FY 2018-19, it has been noted that the School has reported fixed assets purchased from development fund at historical cost. However, fixed assets purchased from general fund has been reported at written down value (WDV) in the audited financial statements.

Similar, observation was noted in Directorate's Order No. F.DE.15 (287)/PSB/2019/1535-1539 dated 04.04.2019 issued post evaluation of fee increase proposal for FY 2017-18. Additionally, the School has written of the development fund unitization account (deferred income) in the proportion of depreciation charged to income & Expenditure account. Therefore, the School is again directed to maintain depreciation reserve fund equivalent to depreciation charged in the revenue account and make necessary rectification entries relating to development fund, fixed assets, deferred income and depreciation reserve to comply with the accounting treatment indicated in the Guidance Note-21 cited above.

3. 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.*"

As per notes to Appendix I- 'Rates of depreciation' of Guidance note, "*The rates contained in this Appendix should be viewed as the minimum rates and, therefore, a school should not charge depreciation at rates lower than those specified in this Appendix in relation to assets purchased after the date of the applicability of the Guidance Note. However, if on the basis of a bona fide technological evaluation, higher rates of depreciation are justified, the same may be provided with proper disclosures by way of a note forming part of accounts*"

On review of the audited financial statements for the FY 2017-18 and FY 2018-19, it has been noted that School charge rate of depreciation as prescribed in the Income Tax Act, 1961 and not as per Appendix I of the Guidance note as mentioned above. A rate higher than what is mentioned in Appendix-I of guidance note can also be charged by the school subject to bona fide technological evaluation however school has charged rate of depreciation less than mentioned in guidance note.

Similar observation was noted in Directorate's Order No. F.DE.15(287)/PSB/2019/1535-1539 dated 04.04.2019 issued post evaluation of fee increase proposal for FY 2017-18. Hence, The School is again directed to follow rates of depreciation as mentioned in Appendix-I of Guidance note. The same shall be verified at the time of evaluation of proposal for enhancement of fee for subsequent year. This being a procedural finding, no financial impact is warranted in the fund position of the School.

4. On review of the documents submitted by the School post personal hearing, it has been noted that the School has not submitted fixed asset register for verification. The School should prepare a FAR, which should include details such as asset description, purchase date, supplier name, invoice number, manufacturer's serial number, location, purchase cost, other costs incurred, depreciation, asset identification number, etc. to facilitate identification of asset and documenting complete details of assets at one place.

Hence, the School is directed to comply with the directions, by preparing 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 as the same shall be verified at the time of evaluation of fee hike proposal for subsequent year. This being a procedural finding, no financial impact is warranted in the fund position of the School.

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

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

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

On account of number of complaints received by the Institute of Chartered Accountants of India (ICAI) regarding signatures of Chartered Accountants (CAs) are being forged by non-CAs and corresponding findings by ICAI that financial documents/certificates attested by third person misrepresenting themselves as Chartered Accountants (CA) are misleading the Authorities and Stakeholders, ICAI, at its 379th Council Meeting, made generation of Unique Document Identification Number (UDIN) mandatory for every signature of Full time 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 16 July 2019. Further, the audit report issued by the auditor is not in accordance in the format prescribed under SA 700 since it fails to draw reference to applicable accounting standards or Generally Accepted Accounting Principles and does not give opinion on the true and fair view of state of affairs of the school, surplus/deficit during the year and cashflows during the year. Therefore, authenticity of the audit and that of the financial statements for FY 2018-2019 submitted by the School could not be verified.

While the School has not complied with the statutory requirement of submission of audited final accounts and has submitted unauthentic final accounts, these financial statements for FY 2018-2019 have been taken on record by the Directorate and the same have been considered for evaluation of the fee increase proposal of the School for the academic session 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 compliance report. In case, UDIN was not generated by the auditor, the School is directed to seek explanation from the auditor for not complying with the requirements notified by ICAI and get the said audit report and financial statements verified from the Institute of Chartered Accountants of India for its authenticity and validity.

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

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

i. The total funds available for the Academic session 2019-20 amounting to INR **7,66,14,837** out of which cash outflow is INR **8,40,54,568**. This results in net deficit of INR **74,39,731**. The details are as follows:

Particulars	Amount (in INR)
Cash and Bank balances as on 31.03.19 as per Audited Financial Statement	5,42,815
Investments as on 31.03.19 as per Audited Financial Statements	56,31,360
Liquid fund as on 31.03.19	**61,74,175**
Add: Recovery from the society for construction of building out of school funds (Refer Financial Observation No. 1)	52,39,177
Add: Recovery from the society for purchase of buses in contravention of rule 177 of DSER, 1973 (Refer Financial Observation No. 2)	47,83,513
Add: Fees for FY 2018-19 as per Audited Financial Statements (Refer Note 1 below)	6,03,58,409
Add: Other income for FY 2018-19 as per audited Financial Statements (Refer Note 1 below)	4,36,855
Total available funds for FY 2019-20	**7,69,92,129**
Less: FDR on joint name with DOE	3,70,344
Less: Development fund as on 31/03/2019	6,948
Less: Investment made with LIC against for retirement benefits (Refer Financial Observation No. 2)	-
Net Available Funds for FY 2019-20	**7,66,14,837**
Less: Budgeted expenses for the session 2019-20 (Refer Note 2 below)	6,37,26,330
Less: Arrears of salary for 7th CPC	2,03,28,238
Net Deficit	**74,39,731**

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

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 the following:

Particulars	Amount Disallowed	Remarks
Salary arrears 2018-19 (7th CPC)	1,24,35,600	Separately included in the above table.
Salaries & Allowances	1,8999,939	The school has proposed higher salary in its budgeted expenditure for which the school has not provided any proper justification. Therefore, excess amount proposed by the school considering the normal increase in salary has not been considered.
Watch & Ward Expenses	24,40,489	Reasonable explanation or supporting documents not provided by the school for such increase in expenditure. Thus, expenditure is restricted to 110% of that incurred in FY 2018-19.
Printing & Stationery	3,08,122	
Electricity & Water Charges	70,596	

Particulars	Amount Disallowed	Remarks
Other Assets	5,00,000	Reasonable explanation or supporting documents not provided by the school for such increase in expenditure.
Purchase of Bus	8,00,000	Refer Financial discrepancies No.2
Interest on loan	4,75,000	Refer Financial discrepancies No.2
Gratuity	1,10,00,269	Refer Financial discrepancies No.3
Total	**4,70,30,015**	

ii. In view of the above examination, it is evident that the school does not has adequate funds for meeting all the operational expense for the financial year 2019-20. In this regard, the directions issued by the Directorate of Education vide circular no. 1978 dated 16 Apr 2010 states:

> *"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 along with certain financial and other observations that the sufficient funds are not available with the School to carry out its operations for the academic session 2018-19. Accordingly, the fee increase proposal of the school may be accepted.

AND WHEREAS, it has been noted that the School has paid INR 1,00,22,690 towards repayment of loan for purchase of buses and construction of building, which is not in accordance with clause 2 of public notice dated 04.05.1997 and Rule 177 of DSER, 1973. Thus, the School is directed to recover INR 1,00,22,690 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, it is relevant to mention that Covid-19 pandemic had a widespread 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 is not passed to the teachers and staff in most of the cases as was observed by the Justice Anil Dev Singh Committee (JADSC) 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 13% to be effective from 01 July 2022.

AND WHEREAS, recommendation of the team of Chartered Accountants along with relevant materials were put before the Director (Education) for consideration and who after considering all the material on the record, and after considering the provisions of 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, 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 status 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 **St. Giri Senior Secondary School, Sector-3, Rohini, New Delhi-110085 (School ID: 1413254)** has been accepted by the Director of Education and the school is hereby allowed to increase the fee by 13% with effect from 01 July 2022.

Further, the management of said school is hereby directed under section 24(3) of DSEA 1973 to comply with the following directions:

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 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
St. Giri Senior Secondary School
School ID: 1413254
Sector-3, Rohini,
New Delhi-110085

No. F.DE.15(549)/PSB/2022/3237-3241 Dated: 19/5/22

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