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

No. F.DE.15(696) / PSB / 2022 / 4260-4264 **Dated: 07/06/22**

ORDER

WHEREAS, **Guru Harkrishan Public School (School ID- 1720151), Vasant Vihar, New Delhi-110057,** (hereinafter referred to as "**the School**"), run by the Delhi Sikh Gurudwara Managing Committee (hereinafter referred to as "**Society**"), is a private unaided School recognized by the Directorate of Education, Govt. of NCT of Delhi (hereinafter referred to as **"DoE")**, under the provisions of Delhi School Education Act & Rules, 1973 (hereinafter referred to as **"DSEAR, 1973")**. The School is statutorily bound to comply with the provisions of the DSEAR, 1973 and RTE Act, 2009, as well as the directions/guidelines issued by the DoE from time to time.

AND WHEREAS, every School is required to file a full statement of fees every year before the ensuing academic session under section 17(3) of the DSEA, 1973 to the DoE. Such full statement of fee is required to indicate estimated income of the School to be derived from the fees and estimated operational expenses to be incurred during the ensuing year towards salaries and allowances payable to employees etc in terms of Rule 177(1) of the DSER, 1973.

AND WHEREAS, as per Section 18(5) read with Sections 17(3), 24 (1) and Rule 180 (3) of the above DSEAR, 1973, responsibility has been conferred upon to the DoE to examine the audited financial statements, books of accounts and other records maintained by the School at least once in each financial year. Sections 18(5) and 24(1) and Rule 180 (3) of DSEAR, 1973 have been reproduced as under:

Section 18(5): *'the managing committee of every recognised private School shall file every year with the Director such duly audited financial and other returns as may be prescribed, and every such return shall be audited by such authority as may be prescribed'*

Section 24(1): *'every recognised School shall be inspected at least once in each financial year in such manner as may be prescribed'*

Rule 180 (3): *'the account and other records maintained by an unaided private School shall be subject to examination by the auditors and inspecting officers authorised by the Director in this behalf and also by officers authorised by the Comptroller and Auditor-General of India.'*

AND WHEREAS, besides the above, the Hon'ble Supreme Court in the judgment dated 27.04.2004 held in Civil Appeal No. 2699 of 2001 titled Modern School Vs. Union of India and others has conclusively decided that under Sections 17(3), 18(4) read along with Rules 172, 173, 175 and 177, the DoE has the authority to regulate the fee and other charges, with the objectives of preventing profiteering and commercialization of education.

AND WHEREAS, it was also directed by the Hon'ble Supreme Court, that the DoE in the aforesaid matter titled Modern School Vs. Union of India and Others in paras 27 and 28 in case of private unaided recognized Schools situated on the land allotted by DDA at concessional rates that:

"27 (c) It shall be the duty of the Director of Education to ascertain whether terms of allotment of land by the Government to the Schools have been complied with...

28. We are directing the Director of Education to look into the letters of allotment issued by the Government and ascertain whether they (terms and conditions of land allotment) have been complied with by the Schools... ....

.....If in a given case, Director finds non-compliance of above terms, the Director shall take appropriate steps in this regard."

AND WHEREAS, the Hon'ble High Court of Delhi vide its judgement dated 19.01.2016 in the Writ Petition No. 4109/2013 in the matter of Justice for All vs. Govt. of NCT of Delhi and Others, has reiterated the aforesaid directions of the Hon'ble Supreme Court and has directed the DoE to ensure compliance of terms, if any, in the letter of allotment regarding the increase of the fee by private unaided recognized Schools to whom land has been allotted by the DDA/ land owning agencies.

AND WHEREAS, accordingly, the DoE vide order No. F.DE.15 (40)/PSB/2019/2698-2707 dated 27.03.2019, directed to all the private unaided recognized Schools, running on the land allotted by the DDA/other land owning agencies on concessional rates or otherwise, with the condition to seek prior approval of DoE for increase in fee, to submit their proposals, if any, for prior sanction, for increase in fee for the session 2018-19 and 2019-20.

AND WHEREAS, in pursuance to order dated 27.03.2019 of the DoE, the School submitted its proposal for enhancement of fee for the academic session 2019-20. Accordingly, this Order dispenses the proposal for enhancement of fee submitted by the School for the academic session **2019-20.**

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

AND WHEREAS, in the process of examination of fee hike proposal filed by the aforesaid School for the academic session 2019-20, necessary records and explanations were also called from the School through email. Further, the School was also provided an opportunity to be heard on 12.12.2019 to present its justifications/ clarifications on fee increase proposal including audited financial statements. Based on discussions, the School was further asked to submit necessary documents and clarification on various issues.

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

A. Financial observations

1. Section 17(3) of the DSEA, 1973 states *"the manager of every school, shall before the commencement of each session, file with the Director a full statement of the fees to be levied by such school during the ensuing academic session, and except with the prior approval of the Director, no such school shall charge, during that academic session, anu fee in excess of the fee specified b its manager in the said statement".*

Further, the Delhi High Court in its order dated 19.01.2016 states "*every recognized unaided school whom land was allotted by DDA shall not increase the rate of fees without the prior sanction of DoE*". Further, as per the directions of Supreme Court in ***Modern School vs. Union of India & Ors.*** (supra), a Circular dated 16.04.2010 has been issued reiterating as under:

a) It is reiterated that annual fee-hike is not mandatory.
b) School shall not introduce any new head of account or collect any fee thereof other than those permitted. Fee/funds collected from the parents/students shall be utilized strictly in accordance with rules 176 and 177 of the Delhi School Education Rules, 1973
c) If any school has collected fee in excess of that determined as per procedure prescribed here-above, the school shall refund/adjust the same against subsequent instalments of fee payable by students.

For determination of fee the Directorate through its order 11.02.2009 and 16.04.2010 has issued details guidelines to be followed for determination of fee (including elementary level) under various heads. In the aforesaid order it has been clearly mentioned that the rate of tuition fee shall be determined to cover the standard cost of establishment including provisions for DA, bonus, all terminal benefits and also the expenditure of revenue nature concerning such curricular activities, etc.

However, on review of the audited financial statements from FY 2016-17 to FY 2018-19, it has been noted that the School has been collecting various fees including Student welfare fund and Abacus fee which was not part of the fee structure submitted by the school to the Directorate. As the school is running on "no profit no loss" basis, the school in the guise of autonomy cannot adopt unfair practice while determining the fee structure of the school. The school cannot collect any fee which was part of fee structure determined by the school management committee and not part of the fee structure submitted u/s 17(3) of the DSEA, 1973. The details of such fee collected by the school is as under.

Particulars	**Student Welfare Fund**	**Abacus Fee**
For the year 2016-17		
Fee Collected during the year (A)	28,91,450	-
Expenses during the year (B)	1,02,236	-
Difference for the year (A-B)	**27,89,214**	-
For the year 2017-18		
Fee Collected during the year (A)	25,23,500	-
Expenses during the year (B)	1,28,182	51,990
Difference for the year (A-B)	**23,95,318**	**(51,990)**
For the year 2018-19		
Fee Collected during the year (A)	23,48,543	14,75,358
Expenses during the year (B)	14,444	7,803
Difference for the year (A-B)	**23,34,099**	**14,67,555**
Total	**75,18,631**	**14,15,565**

Since, the School has been charging fees which is not included in the fee structure submitted to DoE U/s 17(3). Therefore, the School is directed to refund/adjust the excess fee charged from the students in the subsequent month/quarter and submit the compliance of the same within 30 days from the date of receipt of this order. Further, the School is also directed not to charge any new head of fee without getting prior approval from the DoE. Failure to comply with the above direction, the same will be reviewed seriously and appropriate action will be initiated U/s 24 (4) of DSEA' 1973 without giving any further opportunity of being heard.

2. Rule 173 of DSER, 1973 states *"Every school fund shall be kept deposited in a nationalized bank or a scheduled bank or any post office in the name of the school and such fund may be approved by the administrator or any other officer authorized by him in this behalf, may be kept in the form of Government securities. Provided that in the case of unaided minority school, the proportion of such fund which may be kept in the form of government securities or as cash in hand shall be determined by the managing committee of the school".*

On review of the audited financial statements and other relevant records submitted by the school, it has been noted that the School was collecting fees from the Students in its own bank account till FY 2015-16. However, from the FY 2016-17, the School has changed its fee collection procedure. There are 12 schools running under Guru Harkrishan Public School (New Delhi) Society. Now all the fee from the students of all 12 schools are collected in a single account called 'Centralized Fee Account (CFA)' which is managed by the Society. All the School prepares its monthly budget for expenditure and submit the same to head office. The head office reviews the same and basis of that release the payment to individual school. This indicates that the Society has a direct control over the school's funds of the School which may cause hindrance in meeting the day-to-day activities of the School. In view of the above available funds in the CFA account INR 6,15,26,675 as on 31.03.2019 has been considered as available funds 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.

3. Clause 8 of Order No. DE 15/ Act/ Duggal.Com /203 /99 /23033-23980 dated 15.12.1999 states *"no amount whatsoever shall be transferred from the recognised unaided school fund of a school to the society or the trust or any other institution."*

The audited financial statements of the school for FY 2018-19 reflected a receivable balance from Delhi Sikh Gurudwara Management Committee of INR 43,19,533. The school was asked to provide the ledger account of society from its books of account to validate the nature of transactions done with the Society, but the school did not provide the same.

Further, based on the personal hearing, it was identified that the school has given a number of advances/loans to other schools under the management of the same society, which were not in relation to any expense/service or liability of the school. Based on the audited financial statements of FY 2018-19, it was noted that total amount of INR 3,37,05,820 is recoverable from related parties/school details of which are as under:

Particulars	Amount recoverable as per Audited financial statements as on 31.03.19
DSGMC	43,19,533
GHPS-Fateh Nagar	2,55,33,655
GHPS-Tilak Nagar	23,46,925
STGB Service Training Institute	15,00,000
GHPS Society	5,707
Total	**3,37,05,820**

The amount of advance/loan to society and related parties totalling to INR 3,37,05,820 is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the Society and related parties within 30 days from the date of this order.

4. 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:
1. Assets held by a long-term employee benefit fund; and
2. Qualifying insurance policies.

Further, Para 57 of AS-15 states that *"An enterprise should determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date."*

Further, 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 the audited financial statements for FY 2018-19 and the documents submitted by the School, it has been noted that school has made provision of INR 8,25,69,192 towards gratuity and INR 1,76,56,441 towards leave encashment on the basis of management's estimate. The school has not got actuarial valuation of its liability form the actuary. Further, the School has not invested any amount in 'Plan Assets' as per the requirements of AS-15 issued by the ICAI. Therefore, no amount has been considered while deriving the fund position of the School and the school is hereby directed to invest an amount which qualify as plan assets as per AS-15 in phased manner in order to protect the rights of the staff and to minimise the financial hardship on parents/students.

In view of the above the total provision of INR 90,00,000 budgeted by the school for FY 2019-20 has also been excluded from the total budgeted expenditure of the School while deriving the fund position of the School. The school is hereby directed to get the actuarial valuation of its liability from the certified actuary and report the same in its audited financial statements and invest an amount that qualify as plan assets within the meaning of AS-15 within 30 days from the date of issue of this order.

B. Other observations

1. Clause 19 of Order No. F.DE./15(56)/Act/2009/778 dated 11 Feb 2009 states "*The tuition fee shall be so determined as to cover the standard cost of establishment including provisions for DA, bonus, etc., and all terminal, benefits as also the expenditure of revenue nature concerning the curricular activities.*"

Further clause 21 of the aforesaid order states "*No annual charges shall be levied unless they are determined by the Managing Committee to cover all revenue expenditure, not included in the tuition fee and 'overheads' and expenses on play-grounds, sports equipment, cultural and other co-curricular activities as distinct from the curricular activities of the school.*"

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

Para no. 22 of Order No. F.DE./15(56)/ Act/2009/778 dated 11.02.2009 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 aforementioned Guidance Note lays down the concept of fund based accounting for restricted funds, whereby upon incurrence of expenditure, the same is charged to the Income and Expenditure Account ('Restricted Funds' column) and a corresponding amount is transferred from the concerned restricted fund account to the credit of the Income and Expenditure Account ('Restricted Funds' column).

From the information provided by the school and taken on record, it has been noted that the school charges earmarked levies in the form of Transport fee, Science fee, Activity fee, Computer fee and Sports fee etc. from students. However, the school has been generating surplus from earmarked levies that 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 provided by the school for FY 2016-17, FY 2017-18 and FY 2018-19 is given below:

Particulars	**Transport Fees^***	**Activity Fees^**	**Computer Fees^**	**Science Fee^**	**Sports Fee^**
For the year 2016-17					
Fee Collected during the year (A)	2,04,30,700	1,64,35,928	92,82,640	-	23,28,915
Expenses during the year (B)	1,22,94,048	4,94,554	99,790	32,763	2,74,833
1) Difference for the year (A-B)	**81,36,652**	**1,59,41,374**	**91,82,850**	**(32,763)**	**20,54,082**
For the year 2017-18					

Particulars	Transport Fees^*	Activity Fees^	Computer Fees^	Science Fee^	Sports Fee^
Fee Collected during the year (A)	2,06,13,435	1,53,43,725	97,72,741	18,93,720	21,73,475
Expenses during the year (B)	1,25,81,294	5,98,201	89,061	96,627	1,14,020
2) Difference for the year (A-B)	**80,32,141**	**1,47,45,524**	**96,83,680**	**17,97,093**	**20,59,455**
For the year 2018-19					
Fee Collected during the year (A)	2,48,76,869	1,68,09,828	1,04,75,662	17,10,824	23,53,935
Expenses during the year (B)	1,63,43,047	3,15,025	1,16,142	17,241	29,335
3) Difference for the year (A-B)	**85,33,822**	**1,64,94,803**	**1,03,59,520**	**16,93,583**	**23,24,600**
Total=1+2+3	**2,47,02,615**	**4,71,81,701**	**2,92,26,050**	**34,57,913**	**64,38,137**

^ Details related to salaries for staff engaged on providing above mentioned earmarked facilities are not included in expenses.

* 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.

During the personal hearing the school explained that tuition fee collected from students is not sufficient to meet the establishment cost and annual charges are also not sufficient to meet other revenue expenses of the school. Thus, the surplus generated from earmarked levies has been applied towards meeting establishment/other revenue expenditure of the school on account of which fund balance of earmarked levies could not separate from the total funds maintained by the school. Accordingly, based on school submission while deriving the fund position total fees (including earmarked fee) have been included in the income and total expenses (included those for earmarked purposes) have been included in the expenditure.

The school is charging Activity fee and Computer fee from the students of all classes which loses its character of earmarked levy. Thus, based on the nature charging of Activity fee and Computer Fee is not required. Therefore, the school should not charge this fee from the students and should incur the expenses relating to these either from tuition fee and/or annual charges, as applicable.

The school is hereby directed to evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies during subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on no-profit no-loss basis and not to include fee collected from all students as earmarked levy.

2. 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.*"

Further, Clause 18 of Order no F.DE/15(56)/Act/2009/778 dated 11.02.2009 states "*No caution money/security deposit of more than five hundred rupees per student shall be charged. The caution* *money, thus collected shall be kept deposited in a scheduled bank in the name of the concerned school and shall be returned to the student at the time of his/her leaving the school along with the bank interest thereon irrespective of whether or not he/she requests for refund.*"

Clause 3 and 4 of Order No. DE/15/150/Act/2010/4854-69 dated 09.09.2010 stated *In case of those ex-students who have not been refunded the Caution money/Security deposit, the schools shall inform them (students) at their last shown address in writing to collect the said amount within thirty days. After the expiry of thirty days, the un-refunded Caution Money belonging to the ex-students shall be reflected as income for the next financial year & it shall not be shown as liability. Further, this income shall also be taken into account while projecting fee structure for ensuing Academic year".*

However, on review of audited financial statement for the FY 2017-18 and 2018-19, it has been observed that the School is refunding only the principal amount to the student at the time of his/her leaving form the School, which is a not in accordance with the above-mentioned provisions.

Accordingly, the School is directed to comply with clause 18 of Order no F.DE/15(56)/Act/2009/778 dated 11.02.2009. The balance of caution money as on 31/03/2019 is INR 56,58,509 as per audited financial statements for the FY 2018-19 and has been considered while deriving the fund position of the School.

3. On review of submission of documents made against proposal for enhancement of fee for FY 2018-19, it has been noted that school has not submitted Fixed Asset Register (FAR). An ideal Fixed asset register should not only capture asset name, date and quantity but should also 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 and submit 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. 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 financial statements for FY 2017-18 and FY 2018-19, it has been noted that school has been charging rates of depreciation as per Income tax Act, 1961 and not as per Appendix I of guidance note issued by Institute of Chartered Accountants of India. As per guidance note, rate higher than what is mentioned in Appendix-I of guidance note can be charged by the school subject to bona fide technological evaluation and the same shall be separately shown under Noted to

Accounts of the financial statements. However, rates of depreciation charged are less than mentioned in guidance note.

Hence, school is directed to follow rates of depreciation as mentioned in Appendix-I of Guidance note as the same shall be examined 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.

5. On review of the documents submitted by the school. It has been noted that the School is not following adequate procurement procedure which involves obtaining minimum no. of quotations, approving comparative summary, etc. For instances in case of transportation services, the contract has been awarded to the vendors on discretionary basis as these vendors appears to be somehow related with each other as their working addresses found to be either similar or in very close proximity, details of which are as follows:

Name of Contractor	Address
Manmeet Kaur	B-41, Amar Colony, Lajpat Nagar, New Delhi-110024
Devinder Kaur	B-41, Amar Colony, Lajpat Nagar, New Delhi-110024
Narinder pal Singh	A-38, Nirmal Puri, Lajpat Nagar, New Delhi-110024
Sarabjit Kaur	A-38, Nirmal Puri, Lajpat Nagar, New Delhi-110024
Balwinder Kaur	D-69, Amar Colony, Lajpat Nagar, New Delhi-110024

The School is hereby advised to follow proper procurement procedure process and maintain adequate documentation to validate the same. Compliance will be verified at the time of evaluation of subsequent fee hike proposal.

6. 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.

7. 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 practicing Chartered Accountants from 1 July 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 in October' 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 year 2019-20 amounting to INR 28,77,54,693 out of which estimated cash outflow in the year 2019-20 is INR 201612485. This results in net surplus of INR 8,61,42,208. The details are as follows:

Particulars	Amount
Cash and Bank balances as on 31.03.19 as per audited financial statement of FY 2018-19	81,242
Investments as on 31.03.19 as per audited financial statements of FY 2018-19	64,56,910
Liquid Funds as on 31.03.2019	**65,38,152**
Add: Recoverable of CFA-Head office balance from the Society **(Refer Financial observation no.2)**	6,15,26,675
Add: Recoverable of outstanding balance with other schools under same management **(Refer Financial observation no.3)**	3,37,05,820
Add: Fees for FY 2018-19 as per audited financial statements **(Refer Note 1 below)**	18,85,62,667
Add: Other income for FY 2018-19 as per audited financial statements **(Refer Note 1 below)**	69,98,752
Total available funds for FY 2019-20	**29,73,32,066**
Less: Fixed deposits with DOE for FY 2018-19 as per audited Financial Statements **(As submitted by the school)**	39,18,864
Less: Caution money as on 31.03.2019 **(refer other observation no.3)**	56,58,509
Less: Investment made for provision for Retirement benefits **(Refer Financial observation no. 4)**	0.00
Less: Depreciation reserve fund **(refer note no.2 below)**	0.00
Net Available funds for FY 2019-20	**28,77,54,693**
Less: All budgeted expenditure of the FY 2019-20 has been considered **(Refer Note 3 below)**	**18,14,30,614**
Less: Arrears of 7th CPC as submitted by the School **(refer note 4 below)**	2,01,81,871
Net Surplus	**8,61,42,208**

Note 1: All income and expenditure as per audited financial statement of FY 2018-19 has been considered.

Note 2: As per the Duggal Committee report, there are four categories of fees that can be charged by a private unaided School. The first category of fee comprised of "*Registration fee and all one Time Charges*' levied at the time of admissions such as admission and caution money. The second category of fee comprises '*Tuition Fee*' which is to be fixed to cover the standard cost of the establishment and to cover the expenditure of revenue nature for the improvement of curricular facilities like library, laboratories, science, and computer fee up to class X and examination fee. The third category of the fee should consist of *'Annual Charges'* to cover all expenditure not included in the second category and the fourth category consist of all *'Earmarked Levies'* for the services rendered by the school and be recovered only from the 'User' students. These charges are transport fee, swimming pool charges, Horse riding, tennis, midday meals etc. This recommendation has been considered by the Directorate while issuing order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and order No. F.DE. /15(56)/Act/2009/778 dated 11.02.2009.

The purpose of each head of the fee has been defined and it is nowhere defined the usage of development fee or any other head of fee for investments against depreciation reserve fund.

Further, Clause 7 of order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and clause 14 of the 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, fixture and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund will be kept in a separately maintained Development Fund Account*". Thus, the above direction provides for:

- Not to charge development fee for more than 15% of tuition fee.
- Development fee will be used for purchase, upgradation and replacement of furniture, fixtures, and equipment.
- Development fee will be treated as capital receipts.
- Depreciation reserve fund is to be maintained.

Thus, the creation of the depreciation reserve fund is a pre-condition for charging of development fee, as per above provisions and the decision of Hon'ble Supreme court in the case of Modern School Vs Union of India & Ors.: 2004(5) SCC 583. Even the Clause 7 of the above direction does not require to maintain any investments against depreciation reserve fund. Also, as per para 99 of Guidance Note-21 'Accounting by School' 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."

Accordingly, the depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue account) is mere of an accounting head for the appropriate accounting treatment of depreciation in the books of account of the school in accordance with Guidance Note -21 issued by the Institute of Chartered Accountants of India. Thus, there is no financial impact of depreciation reserve on the fund position of the School and has not been considered while deriving the fund position of the School.

Note 3: All expenses as per audited financial statement of FY 2018-19 has been considered except provision of retirement benefit of INR 85,25,525 (refer financial observation no.4).

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.

As per submission made by the School for proposal for enhancement of fee for FY 2019-20, the School has not provided detailed calculation related to arrears payable towards 7th CPC. Accordingly, impact of salary arrears of INR 2,01,81,871 based on the submission of the School has been considered while deriving the fund position of the School and direction is given 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. In view of the above examination, it is evident that 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, the 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 discrepancies, that the sufficient funds are available with the school to carry out its operations for the academic session 2019-20 therefore, the fee increase proposal of the school may be rejected.

AND WHEREAS, it has been noted that INR 6,15,26,675 recoverable from the Society as on 31.03.2019 on account balance outstanding in CFA-head office account and balance outstanding of INR 3,37,05,820 in the name of other school under same management, which is not in accordance with Rule 173 of DSER, 1973. Thus, the school is directed to recover INR 9,52,32,495 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 (Education) for consideration and who after considering all the material on the record, and after considering the provisions of sections 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 funds are available with the School for meeting its financial implication for the academic session 2019-20. Therefore, Director (Education) has rejected the proposal submitted by the school to increase the fee for the academic session 2019-20.

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

Accordingly, it is hereby conveyed that the proposal of enhancement of fee for the academic session 2019-20 of **Guru Harkrishan Public School (School ID- 1720151), Vasant Vihar, New Delhi-110057** 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 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
Guru Harkrishan Public School
School ID- 1720151
Vasant Vihar,
New Delhi-110057
No. F.DE.15(696) / PSB / 2022 / 4260-4264 Dated: 07/06/22

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 (South West-A) 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