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

No. F.DE.15(581)/PSB/2022/ 3418-3422 **Dated:** 24/05/22

ORDER

WHEREAS, **Venkateshwar International School, Sector-10, Dwarka, New Delhi-110075, School ID: 1821189** (hereinafter referred to as "**the School**"), run by the Sri Venkateshwar Education Society (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 03.12.2019 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. During the aforesaid hearing, compliances against Order No. F.DE-15/ (187)/PSB/ 2019/1065-1069 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 observations noted are as under:

A. Financial Observations

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

Moreover, Rule 177 of DSER, 1973 states that "*income derived by an unaided recognized school by way of fees shall be utilized in the first instance, for meeting the pay, allowances and other benefits admissible to the employees of the school. Provided that savings, if any, from the fees collected by such school may be utilized 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 recognized 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.*

Based on the aforementioned provisions, cost relating to land and construction of the school building has to be met by the society, being the property of the society and school funds i.e. fee collected from students should not be utilized for the same.

The Directorate in its Order no. F.DE.15(187)/PSB/2019/1065-1069 dated 14.03.2019 issued to the School post evaluation of fee increase proposal for FY 2017-18, directed the School to recover INR 1,60,21,407 (INR 1,39,58,156 and INR 20,63,251) from the Society against construction of construction of road, auditorium, and washroom during the FY 2014-15 and 2016-17. The school failed to recover the above said amount and did not provide any explanation in respect of recovery of the same. Accordingly, this amount of INR 1,60,21,407 is still recoverable from the Society.

It has also been noted that the School has yet to pay salary to its staff in accordance with the recommendation of the 7th CPC and has to invest an amount in plan assets for retirement benefits. However, the School instead of paying salary to the teachers and investing the amount in plan assets, preferred to incur expenditure on construction of the school building and then submitted proposal for fee increase which is not in accordance with the above-mentioned provisions.

Accordingly, the capital expenditure of INR 1,60,21,407 incurred by the school has been included in the calculation of fund available with the school considering the same fund is available with the school. The school is further directed 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 of FY 2016-17 to FY 2018-19 and other supporting documents submitted by the School, it has been noted that school incurred capital expenditure on purchase of buses by taking loan from the HDFC Bank. This expenditure incurred by the school without complying the provisions of Rule 177 of DSER, 1973. The school has used the school funds in repayment of bus loan and payment of interest thereon during the financial year 2017-18 and 2018-19 has been tabulated below (because the school funds which has been used by the school in contravention of the above-mentioned provisions till 31.0.3.2017, has been dealt separately under financial observation no. 3)

Loan Account No.	Loan Outstanding as on 31.03.17 (A)	Loan Outstanding as on 31.03.19 (B)	EMI per month (C)	No of instalments (D)	Instalment paid for FY 2017-18 and FY 2018-19 E=C*D	Principal Repayment for FY 2017-18 and FY 2018-19 F=(A-B)	Interest paid for FY 2017-18 and FY 2018-19 G=(E-F)
HDFC-5231	7,22,021	1,13,528	28,935	24	6,94,440	6,08,493	85,947
HDFC-6700	19,30,000	12,82,791				6,47,209	
HDFC-3640	19,30,000	12,82,791				6,47,209	
HDFC-3649	8,94,221	5,78,254				3,15,967	
HDFC-3656	19,30,000	12,82,791	2,28,760	24	54,90,240	6,47,209	16,37,536
HDFC-3659	19,30,000	12,82,791				6,47,209	
HDFC-3661	8,94,221	5,78,254				3,15,967	
HDFC-3671	8,94,221	5,78,254				3,15,967	

Loan Account No.	Loan Outstanding as on 31.03.17 (A)	Loan Outstanding as on 31.03.19 (B)	EMI per month (C)	No of instalments (D)	Instalment paid for FY 2017-18 and FY 2018-19 E=C*D	Principal Repayment for FY 2017-18 and FY 2018-19 F=(A-B)	Interest paid for FY 2017-18 and FY 2018-19 G=(E-F)
HDFC-3679	8,94,221	5,78,254				3,15,967	
Total					**61,84,680**	**44,61,198**	**17,23,482**

Particulars	Loan Outstanding as on 31.03.19 (A)	EMI per month (B)	No of instalments (C)	Instalment paid for FY 2017-18 and FY 2018-19 D=(B*C)	Principal Repayment for FY 2018-19 (E)	Interest paid for FY 2017-18 and FY 2018-19 F=(D-E)
HDFC-9641	16,52,161	40,112	11	4,41,232	2,97,839	1,43,393
HDFC-9642	16,52,161	40,112	11	4,41,232	2,97,839	1,43,393
HDFC-9644	11,32,787	27,502	11	3,02,522	2,04,213	98,309
HDFC-9649	11,32,787	27,502	11	3,02,522	2,04,213	98,309
Total				**14,87,508**	**10,04,104**	**4,83,404**

From the above table, the school has utilized school funds of INR 76,72,188 (towards principal repayment of INR 54,65,302 plus interest of INR 22,06,886) for purchase of buses during the period from 01.04.2017 to 31.03.2019. It can also be seen that the school funds which could have been utilized for payment of salary arrears on account of implementation of 7th CPC or deposit of an amount for retirement benefit, the school funds have been used for purchase of buses for providing the facilities to the specific users of the school. The surplus generated by the school on transport facilities during the FY 2017-18 and 2018-19 has also been considered. Accordingly, the surplus of INR 41,77,434 generated from transport facilities (Refer Other Observation No.1 below) has been adjusted from the above payment.

In view of the above, net amount of INR 34,94,754 (i.e. INR 76,72,188 *minus* INR 41,77,434) has been considered while deriving the fund position of the school with the direction to the society 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 the school funds unless the savings are derived in accordance with Rule 177 of DSER, 1973 and the school funds should not be utilized for repayment of the above loan.

Further, School has also proposed expenditure of INR 21,00,000 for interest on loan for the FY 2019-20 in contravention of above-mentioned provisions. Therefore, this amount has been excluded while calculating the fund position of the School.

3. 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.*"

The Directorate in its Order No. F.DE.15(187)/PSB/2019/1065-1069 dated 14.03.2019, issued to the school post evaluation of proposal for enhancement for the FY 2017-18, noted that an inspection of the school was carried out by a team constituted under the directions of Director (Education). As per the inspection report, the School was directed to recover the following amounts from the Society.

S. No	Particulars	Amount (in INR)
1	Additions to Buildings (From FY 2009-10 to FY 2017-18)	4,78,05,522
2	School funds utilized for payment of bus loans (From FY 2010-11 to 2016-17)	2,08,82,460
3	School funds utilized for payment of loan taken (from FY 2010-11 to 2016-17)	2,91,82,647
4	School funds utilized for purchase of luxury car (FY 2011-12)	12,57,614
5	School funds utilized for repairs of luxury car (paid to Galaxy Automobiles Pvt. Ltd.	1,57,222
6	School funds utilized for repairs of luxury car (paid to T&T Motors Ltd.)	3,31,405
Total		9,96,16,870
Less: Recovery already considered **(Refer Financial Discrepancies No.1)**		1,60,21,407
Balance amount to be recovered from School		**8,35,95,463**

On review of submission made by the school after personal hearing, it has been noted that school has not complied with the above-mentioned directions and failed to recover the aforesaid amount from the Society. Therefore, the School is again directed to comply with the above-mentioned direction, to recover this amount of INR 8,35,95,463 from the society within 30 days from the date of issue of this order. Accordingly, the amount has been included in calculation of fund availability with the school.

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 as:

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

Further, Para 60 of Guidance Note-21 'Accounting by Schools' 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".*

Accordingly, 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 submission made by the school post personal hearing, it has been noted that school has got the actuarial valuation report for its liability towards gratuity and leave encashment and has recorded equivalent liability in its books of accounts. As per the proposed expenditure statement of FY 2019-20, the total liability towards retirement benefit was INR 19,00,000 against which the school has neither invested any funds in plan assets nor submitted the details of actual payment by the school during the financial year 2019-20.

Since, no amount has been invested in plan assets hence, no amount has been considered while deriving the fund position of the school and direction is issued to the school to make earmarked equivalent investments in plan assets within 30 days from the date of issue of this order and submit the compliance report thereof.

5. 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 2017-18, it has been noted that the school has negative closing balance of development fund of INR 4,83,22,654 as on 31.03.2018. During the FY 2018-19, the School has merged development fund and depreciation reserve fund which resulted in a positive development & depreciation reserve fund balance. The School has also transferred an amount equivalent to the cost of assets purchased out of development & depreciation reserve fund to general fund rather than creating a separate development fund utilisation account which results in overstatement of general fund. The School has not provided any reasonable justification for non-maintenance of the depreciation reserve fund equivalent to the deprecation charged in the revenue accounts and negative balance of development fund. Moreover, the negative balance of development fund states the utilisation of other funds for purchase of fixed assets apart from the development fund.

Similar observation was noted by the DoE, in its Order No. F.DE.15(187)/PSB/2019/1065-1069 dated 14.03.2019 issued to the school post evaluation of fee increase proposal for FY 2017-18, wherein the school was directed to maintain depreciation reserve fund equal to the depreciation charged in the revenue account and to credit deferred income in proportion to development fund utilized for purchase of fixed assets. As the development fund balance of the school as on 31.03.2018

was negative by INR 4,83,22,654. Therefore, no adjustment for development fund has been done while deriving the fund position of the school.
Hence, the school is again directed to maintain depreciation reserve fund equivalent to depreciation charged in the revenue account, make necessary rectification entries relating to development fund, fixed assets, deferred income, and depreciation reserve and also stop utilising other funds for the purchase of fixed assets with immediate effect to comply with the abovementioned provisions. The school is also directed not to collect development fee until it complies with the above-mentioned provisions.

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

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

Further, clause no. 9 of the aforementioned order states "*No fee, fund or any other charge by whatever name called, shall be levied or realised unless it is determined by the Managing Committee in accordance with the directions contained in this order ……*"

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

From review of the fee structure submitted by the school, it has been noted that the school fee structure includes 'Pupil fund' which being collected from all the students of the school. However, the collection of 'Pupil fund' is not in accordance with the above-mentioned provision.

Similar observation was noted by the DoE in its Order no. F.DE.15(187)/PSB/2019/1065-1069 dated 14.03.2019 issued for academic session 2017-18 wherein school was directed to stop collection of Pupil Fund with the immediate effect. However, the school has not complied with the aforesaid direction.

Thus, 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. Therefore, the school is directed to comply with the above-mentioned direction and submit status of compliance within 30 days from the date of issue of this order.

B. Other Observations

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

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

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

Also, earmarked levies collected from students are a form of the restricted funds, which according to Guidance Note '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).

The information provided by the school were taken on record and from review of the same it was noted that the school charges earmarked levies in the form of Transport fee, Mid-day meal charges, Medical and insurance charges, Sports fee, Science fee, Computer fee and Communication skill development fee from the students. However, the school has not maintained separate fund accounts for these earmarked levies and the school has been generating surplus from earmarked levies, which has been utilized for meeting other expenses of the school, or has been incurring losses (deficit), which has been met from other fees/income. Details of calculation of surplus/deficit, based on breakup of expenditure provided by the school is tabulated below.

Particulars	Transport Fee^	Mid-day Meal charges	Medical & Insurance	Sports Fee	Science Fee	Computer Fee*	Communication Skill Development
For the year 2016-17							
Fee Collected	4,03,80,594	16,29,600	49,99,284	66,92,123	7,43,424	66,92,123	38,39,913

Particulars	Transport Fee^	Mid-day Meal charges	Medical & Insurance	Sports Fee	Science Fee	Computer Fee*	Communication Skill Development
during the year (A)							
Expenses during the year (B)	3,71,33,409	17,20,200	40,53,021	51,33,855	1,77,640	**9,50,323**	40,67,712
Surplus/ (Deficit) for the year (A-B)	**32,47,185**	**-90,600**	**9,46,263**	**15,58,268**	**5,65,784**	**57,41,800**	**-2,27,799**
For the year 2017-18							
Fee Collected during the year (A)	4,60,32,949	48,24,000	50,41,979	68,76,793	6,91,878	68,76,790	43,57,300
Expenses during the year (B)	4,19,24,184	48,19,100	46,03,016	66,93,766	86,327	**10,04,438**	47,13,984
Deficit) for the year (A-B)	**41,08,765**	**4,900**	**4,38,963**	**1,83,027**	**6,05,551**	**58,72,352**	**-3,56,684**
For the year 2018-19							
Fee Collected during the year (A)	4,62,10,660	49,16,400	49,68,356	66,63,228	5,55,998	66,62,986	41,70,219
Expenses during the year (B)	4,61,41,992	57,05,700	48,71,954	60,46,945	1,49,509	**33,36,666**	47,13,984
Deficit) for the year (A-B)	**68,669**	**-7,89,300**	**96,402**	**6,16,283**	**4,06,489**	**33,26,320**	**-5,43,765**
Total Surplus (Deficit)	**74,24,619**	**-8,75,000**	**14,81,628**	**23,57,578**	**15,77,824**	**1,49,40,472**	**-11,28,248**

^ The school did not apportioned depreciation on vehicles used for transportation of students in the expenses stated in table above for creating fund for replacement of vehicles, which should have been done to ensure that the cost of vehicles is apportioned to the students using the transport facility during the life of the vehicles.

Thus, 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). From the record submitted by the school, it was noted the school has been collecting some of the fee from all the students which loses the character of earmarked levies. Therefore, the school is directed to stop the collection so such levy with immediate effect.

Since, the school is not following fund-based 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 with the school and school is directed to maintain separate fund account depicting clearly the amount collected, amount utilized and balance amount for each earmarked levy collected from students. Unintentional surplus/deficit, if any, generated from earmarked levies must be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised 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. As per disclosure requirement under new format for preparation of financial statements, *"an entity shall present comparative information in respect of the preceding period for all amounts reported in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information if it is relevant to understanding the current period's financial statements".*

However, on review of the audited financial statements for FY 2016-17 to FY 2018-19, it has been noted that the balance sheet and the income and expenditure prepared by the school does not include comparative figures for previous year which is not in compliance of above-mentioned provisions.

Hence, the school is directed to prepare its financial statements as per the new format provided to prepare the financial statement by showing the comparative figures of previous year along with current year figures. The compliance with direction shall be verified at the time of evaluation of proposal for enhancement of fee for next financial year.

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

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

4. The DOE in its Order No. F.DE.15(255)/PSB/2019/1455-1459 dated 29.03.2019 issued to the school post evaluation of proposal for enhancement of fee for FY 2017-18, noted that school was not complying with the DOE Order No.F.DE.15/Act-I/08155/2013/5506-5518 dated 04.06.2012 and condition mentioned at S. No. 18 in the land allotment letter which provides for 25% reservation to children belonging to EWS category.

The details admission allowed by the school to EWS/ DG category students based on the available information is provided below.

Particulars	FY 2014-15	FY 2015-16	FY 2016-17
Total Students	2,414	2,416	2,473
EWS Students	211	219	271
% of EWS students	8.74%	9.06%	10.96%

On review of documents submitted by the school post personal hearing, it has been noted that school has not submitted details of total number of EWS students due to which the exact calculation could not be derived and cannot be established if school has complied with the above direction. Hence school is directed to submit details of total student and EWS student to the directorate and to comply with the directions of the Directorate to in relation to land allotment condition of minimum 25% reservation to EWS category students as the same shall be verified at the time of evaluation of proposal for fee enhancement for subsequent financial year.

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 FY 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 between the related parties cannot be determined. Therefore, the School is hereby directed to include such details in its 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:*

1. *All the statements that comprise the financial statements, including the related notes, have been prepared; and*
2. *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 28 October 2019. Further, the audit report issued by the auditor is not in accordance with 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 **38,25,93,356** out of which estimated routine expenditure of the School for the FY 2019-20 is to be INR **31,99,14,607**. This results in net surplus of INR **6,26,78,749** for the FY 2019-20. The details are as follows:

Particulars	**Amount**
Cash and Bank balances as on 31.03.19 as per Audited Financial Statement	8,422,706
Investments as on 31.03.19 as per Audited Financial Statements	2,024,683
Liquid fund as on 31.03.19	**10,447,389**
Add: Recovery from the society for additions to building **(Refer Financial observation No. 1)**	16,021,407
Add: Recovery from the society towards repayment of loan for purchase of buses out of school funds **(Refer Financial observation No. 2)**	3,494,754
Add: Amount recoverable from the society (based on inspection carried out) **(Refer Financial observation No.3)**	83,595,463
Add: Fees for FY 2018-19 as per Audited Financial Statements **(Refer Note 1)**	270,431,745
Add: Other income for FY 2018-19 as per audited Financial Statements **(Refer Note 1)**	873,374
Total available funds for FY 2019-20	**384,864,132**
Less: FDR on joint name with Dy.DOE	2,024,683
Less: ATL fund as on 31.03.2019	246,093
Less: Investment made with LIC against provision made for retirement benefits **(Refer Financial observations No. 4)**	-
Estimated Available Funds for FY 2019-20	**382,593,356**
Less: Budgeted expenses for the session 2019-20 **(Refer Note 2)**	**28,43,45,604**
Less: Arrears of salary to be paid to the staff as per VII pay commission **(Refer Note 5 below)**	35,569,003
Estimated Surplus	**6,26,78,749**

Note 1: Fee and other income as per the audited financial statements of FY 2018-19 has been considered assuming that this fee will be minimum accrued during FY 2019-20.

Note 2: The School has claimed certain expenses excessively high as compared to previous year audited financials without providing any proper justification for the same. Therefore, these expenses have been restricted to 110% of previous year expenditure. Details of such expenses are given below:

Particulars	As per Audited Income & expenditure account for FY 2018-19	As per Budgeted Income & expenditure account for FY 2019-20	Allowed	Disallowed
Electricity & Water Expenses	5,639,003	10,000,000	6,202,903	3,797,097
Staff Training Expenses	209,220	550,000	230,142	319,858
Interest on loan	-	2,100,000	-	2,100,000
Building Repair & Maintenance	5,779,599	9,500,000	6,357,559	3,142,441
Total (A+B)	**151,158,443**	**134,050,000**	228,138,048	**9,359,396**

Note 3: 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 from 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. Accordingly, the depreciation reserve fund of INR 2,52,67,929 as reported by the school in the audited financial statements for the FY 2018-19 has not been considered while deriving the fund position of the school.

Note 4: All expenditure incurred by the school has been considered in the above table except depreciation being non-cash items and provision for gratuity and leave encashment.

Note 5: Arrears payable on account of 7th CPC of INR 3,55,69,003 as per the school submission has been considered as per the mail dated email dated 7th May 2018.

ii. The School has sufficient funds to carry on the operation of the School for the academic session 2019-20 on the existing fee structure. In this regard, the directions issued by the Directorate of Education vide circular no. 1978 dated 16.04.2010 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 utilized for years together may also be used to meet the shortfall before proposing a fee increase.*"

AND WHEREAS, in the light of the 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 observations (appropriate financial impact has been taken on the fund position of the School) and certain other observations (appropriate instructions have been given in this order), that the sufficient funds are available with the

School to carry out its operations for the academic session 2019-20. Accordingly, the fee increase proposal of the School may be rejected.

AND WHEREAS, it has been noted that the School has paid INR 10,31,11,624 towards addition to building, repayment of loan for purchase of buses etc. 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 10,31,11,624 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, 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 for enhancement of fee for session 2019-20 of **Venkateshwar International School, Sector-10, Dwarka, New Delhi-110075 (School ID: 1821189)** has been rejected by the Director of Education.

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

1. Not to increase any fee/charges during FY 2019-20. In case, the School has already charged increased fee during FY 2019-20, the School should make necessary adjustments from future fee/refund the amount of excess fee collected, if any, as per the convenience of the parents.

2. To ensure payment of salary is made in accordance with the provision of section 10(1) of the DSEA, 1973. Further, the scarcity of funds cannot be the reason for non-payment of salary and other benefits admissible to the teachers/ staffs in accordance with section 10(1) of the DSEA, 1973. Therefore, the Society running the School must ensure payment to teachers/ staffs accordingly.

3. To utilize the fee collected from students in accordance with the provisions of Rule 177 of the DSER, 1973 and orders and directions issued by this Directorate from time to time.

Non-compliance of this order or any direction herein shall be viewed seriously and will be dealt with in accordance with the provisions of section 24(4) of Delhi School Education Act, 1973 and Delhi School Education Rules, 1973.

This 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
Venkateshwar International School
School ID: 1821189
Sector-10, Dwarka,
New Delhi-110075

No. F.DE.15(581)/PSB/2022/3418-3422 Dated: 24/05/22

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 (South 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