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

No. F.DE.15 (264)/PSB/2021/ 4699 - 4704 **Dated: 12/11/21**

ORDER

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 Delhi School Education Act, 1973 (hereinafter read as **'*the Act*'**) with the Director. Such statement will indicate estimated income of the school derived from fees, estimated current operational expenses towards salaries and allowances payable to employees etc. in terms of Rule 177(1) of the Delhi School Education Rules, 1973 (hereinafter read as **'*the Rules*'**).

AND WHEREAS, as per section 18(5) of the Act read with section 17(3), 24 (1) of the Act and Rule 180 (3) of the DSEA & R, 1973, responsibility has been conferred upon the Director (Education) to examine the audited financial, account and other records maintained by the school at least once in each financial year. The section 18(5) and Section 24(1) of the Act and Rule 180 (3) have been reproduced as under:

Section 18(5): *'the managing committee of every recognized 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 recognized 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 authorized by the Director in this behalf and also by officers authorized 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 passed in Civil Appeal No. 2699 of 2001 titled Modern School Vs. Union of India and others has conclusively decided that under section 17(3), 18(4) read along with rule 172, 173, 175 and 177 of the Rules, Directorate of Education has the authority to regulate the fee and other charges to prevent the profiteering and commercialization of education.

AND WHEREAS, it was also directed by the Hon'ble Supreme Court to the Director of Education in the aforesaid matter titled Modern School vs. Union of India and others in Para 27 and 28 in case of Private unaided Schools situated on the land allotted by DDA at concessional rates that:

"27....

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

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

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

AND WHEREAS, the Hon'ble High Court of Delhi vide its judgment dated 19.01.2016 in writ petition No. 4109/2013 in the matter of Justice for All versus Govt. of NCT of Delhi and others has reiterated the aforesaid directions of the Hon'ble Supreme Court and has directed the Director of Education to ensure the compliance of term, if any, in the letter of allotment regarding the increase of the fee by all the recognized unaided schools which are allotted land by DDA/ land owing agencies.

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

AND WHEREAS, in pursuance to order dated 27.03.2019 of this Directorate **Air Force Bal Bharati School (School ID-1924138), Lodhi Road, New Delhi-110003,**had submitted the proposal for fee increase for the academic session 2018-2019. Accordingly, this order is dispensed off the proposal for enhancement of fee submitted by the School for the academic session 2018-2019.

AND WHEREAS, in order to ensure that the proposals submitted by the Schools for fee increase are justified or not, this Directorate has deployed terms of Chartered Accountant at HQ level who has evaluated the fee increase proposals of the School very carefully in accordance with the provisions of the DSEA, 1973, DSEAR, 1973 and other orders/ circulars issued from time to time by this Directorate for fee regulation.

AND WHEREAS, in the process of examination of fee hike proposal filed by the aforesaid School for the academic session 2018-2019, necessary records and explanations were also called from the school through email. Further, the school was also provided an opportunity of being heard on **05.12.2019 at 10.00AM** to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted. During the aforesaid hearing compliances against order no. F.DE. 15(30)/PSB/2019/944-948 dated 23.01.2019 issued for academic session 2017-18 were also discussed and school submission were taken on record.

AND WHEREAS, the reply of the school, documents uploaded on the web portal for fee increased together with subsequent documents/clarification submitted by the school were thoroughly evaluated by the team of Chartered Accountants. And after evaluation of fee proposal of the school the key findings and status of compliance against order no. F.DE. 15 (30)/PSB/2019/944-948 dated 23.01.2019 issued for academic session 2017-18 is as under:

A. Financial Discrepancies:

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

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

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

As per reply submitted by the school post personal hearing were taken on record, it has been noted school obtained actuary report (gratuity and leave encashment) dated 18.12.2019 for FY 2016-17 and FY 2017-18. As per the actuary report total liability towards gratuity was Rs.8,22, 08,827and total liability towards leave encashment was Rs. 2,84,38,477as on 31.03.2018.

But In the financial statements the school has reported total liability of Rs. 9,23,34,662 as on 31.03.2018 towards gratuity while the school has not created any provision towards leave encashment in its financial statements of FY 2017-18. The details of provision created viz. a viz. value determined by the actuary is as under:

Particulars	**Liability as per Actuarial Valuation Report as on 31.03.2018 (A)**	**Liability as per FS of FY 2017-18 (B)**	**Difference (A-B) (Rs.)**
Provision for Gratuity	8,22,08,827	9,23,34,662	(1,01,25,835)
Provisions for Leave encashment	2,84,38,477	-	2,84,38,477
Total	11,06,47,304	9,23,34,662	1,83,12,642

From the above table, there is under provisions by Rs. 1,83,12,642 in the financial statements of FY 2017-18 for retirement benefits (gratuity and leave encashment).

Further, the school has invested Rs. 9,23,34,662with the Indian Air Force Benevolent Association (IAFBA) for meeting the gratuity liability. However, this investment does not qualify asPlan Assetsin accordance with the provision of AS-15 issued by the Institute of Chartered Accountant of India. Therefore, the school is directed to make equivalent provisions in the financial statements in accordance with the value determined by the actuary and make an investment in the qualified assets within the meaning of Accounting Standard-15 and submit the compliance report within 30 days from the date of issue of this order.

As the school has not created full provisions towards the gratuity and leave encashment in its financial statements and made earmarked investment of Rs.9,23,34,662 which does not qualify as plan assets within the meaning of AS-15. Accordingly, the amount of gratuity considered during last year of Rs. 6,25,07,503 has been adjusted towards retirement benefits while deriving the fund position of the school with the direction to the school to comply with aforesaid provisions. Further, the amount of expenditure of Rs 1,11,43,045 incurred by the school during the FY 2018-19 towards gratuity and leave encashment has not been considered while deriving the fund position of the school to avoid the duplicity.

2. Rule 173 – 'School Fund how to be maintained' of DSER, 1973 states *"(1) Every School Fund shall be kept deposited in a nationalised bank or a scheduled bank or any post office in the name of the school.*

(2) Such part of the School Fund as may be approved by the Administrator, or any officer authorised by him in this behalf, may be kept in the form the Government securities.

(3) The Administrator may allow such part of the School Fund as he may specify in the case of each school, (depending upon the size and needs of the school) to be kept as cash in hand.

(4) Every Recognised Un-aided School Fund shall be kept deposited in a nationalised bank or scheduled bank or in a post office in the name of the school, and such part of the said Fund as may be specified by the Administrator or any officer authorised by him in this behalf shall be kept in the form of Government securities and as cash in hand respectively."

As per records submitted by the school post personal hearing, the school explained that amount of Gratuity has been invested in Indian Air Force Benevolent Association which is a self-Administered body registered under society registration act 1860. However, Indian Air Force Benevolent Association is not listed under the schedule bank and nationalized bank, therefore, the investment made by the school with Indian Air Force Benevolent Association is in contravention of Rule 173 of DSER, 1973.The similar finding was also noted in DoE order No. F.DE. 15 (30)/PSB/2019/944-948 dated 23.01.2019 and the school was directed to deposit school funds in nationalized bank/ schedule bank. The detail of investment made by the school with Indian Air Force Benevolent Association (IAFBA) is as under:

Details of Investment	As per Financial Statements of FY 2017-18
Depreciation Fund	13,34,65,449
Development Fund	4,81,99,889
Gratuity Fund	9,23,34,662
Total (in Rs.)	**27,39,99,000**

Based on the above, the school is again directed to deposit the school fund in nationalized/ scheduled bank and submit the compliance report with the Directorate of Education. The compliance with this finding would be seriously viewed while evaluating the fee increase proposal of the ensuing academic session.

3. As per condition of recognition letter and clause 10 of form 2 of Right of Children to Free and Compulsory Education Act, 2009, the school is required to maintain liquidity in the form of investment for 03-month salary and this investment should be in the joint name of Dy. Director (Education) and Manager of the school.

The School was directed vide Directorate's order No. F.DE-15/ACT-I/WPC-4109/PART/13/808 dated 03.07.2017 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017 and vide Directorate's order no. F.DE. 15 (30)/PSB/2019/944-948 dated 23.01.2019 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-18 to create 3 months' salary reserve in accordance with the provisions of the Right to Education Act, 2009.

However, from reviw of the audited financial statements of FY 2017-18 and 2018-19, it has been noted that the school has not complied with the above-mentioned Direction mentioned in previous order no. F.DE. 15 (30)/PSB/2019/944-948 dated 23.01.2019 and order no. F.DE. 15 (30)/PSB/2019/944-948 dated 23.01.2019. Therefore, school is again directed to comply with the aforesaid direction and create provisions in the financial statements and invest the equivalent amount in the joint name of Dy. Director (Education) and Manager of the School which come out to Rs.3,90,61,677 on the basis of salary expenditure incurred by the school as per the audited financial statements of the FY 2018-19. Since, the school has sufficient fund therefore, the amount of Rs. 3,26,50,000 allowed to the school as per the previous year's order has been considered while deriving the fund position of the school.

4. 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 Abhibhavak 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.*"

Thus, based on the aforementioned public notice and Hon'ble High Court judgement, the cost relating to land and construction of the school building has to be met by the society, being the property of the society and school funds i.e. fee collected from students is not to be utilised for the same.Further, Rule 177 of DSER, 1973 states "*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*".

Further, 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.

From review of the audited financial statements of FY2017-18 and 2018-19, it has been noted that school has incurred expenditure on flooring & cladding in gym shed and interlocking concrete pave block amounting Rs. 14,11,006 and Rs. 5,27,850 respectively which is part the Building. This expenditure was met depreciation fund which is not correct. Accordingly, the expenditure incurred by the school on flooring & cladding in gym shed and interlocking concrete pave block is contravention of the clause 2 of public notice and without complying the provision of Rule 177 i.e. school has not paid MACP, not created 3 months' salary reserve and short provisions and investment for retirement benefits. Accordingly, the total expenditure of Rs. **19,38,856**incurred by the school on construction of flooring and interlocking concrete pave block on pathway has been included while deriving the fund position of the school,with the direction to the school to recover this amount from the society. And submit the compliance report within 30 days from the date of issue of this order.

Moreover, as per Clause 14 of this Directorate's 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, up-gradation and replacement of furniture, fixtures and equipment.*"

Form review of the audited financial statements of FY 2017-18 and 2018-19, it has been noted that school have incurred expenditure of Rs. 25,85,026 and Rs. 4,95,788 out of development fund for Construction of Fire Stair Chair and New Play Station for Jr. School Playground which is a part of Building and capitalized the same as Assets out of Depreciation fund on the assets side of financial statement. Accordingly, the expenditure incurred for construction of Fire Stair

Chair and New Play Station for Jr. School playground is in contravention of the clause 14 of order dated 11.02.2009 because development fund can only be utilized for purchase, up-gradation and replacement of Furniture, Fixture and Equipment. Accordingly, expenditure of Rs. 25,85,026 and Rs. 4,95,788 has been included with the calculation of fund availability of the school with a direction to the school to recover the same from the Society. Therefore, school is directed to ensure that the development fund is only to be utilized towards purchase, up-gradation and replacement of furniture, fixture and equipment.

B. Other Discrepancies

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 4 of Rule 177 of DSER, 1973 states "*The collections referred to in sub-rule (3) shall be administered in the same manner as the monies standing to the credit of the Pupils Fund as administered.*"

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

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

From review of the audited financial statementsof FY 2017-18 and 2018-19, it has been noted that school has collected earmarked levies in the name of Computer Fee, Transport Fee, Girls Hostel Charge and Diary/ I-card charges from the students. The school has generated surplus from Transportation, Computer and Diary and has incurred deficit on Girls Hostel Accounts.

Further, it was noted that school has not maintained fund-based accounting of the earmarked levies in proper manner as excess of income over expenses for transport fee and I-card charges have reported under current liability head. And, the income and expenditure of such earmarked levies are not routed through Income and Expenditureaccounts which is not in accordance with the above-mentioned guidance note. Thecalculation of surplus/deficit of earmarked levies for the audited financial year 2018-19 is as under:

Particular	Opening Balance (Rs.)	Income (Rs.)	Expenses (Rs.)	Surplus/(Deficit) (Rs.)
Bus Account	1,93,032	59,64,638	55,53,670	6,04,000
Girls Hostel Account	97,859	7,68,259	8,00,552	65,566
Computer Fee	40,31,571	62,12,124	55,17,663	47,26,031
Diary/I-Card Charge	2,58,899	3,24,453	2,25,025	3,58,327
Total	**45,81,361**	**1,32,69,474**	**1,20,96,910**	**57,53,925**

On the basis of aforementioned provisions and orders, earmarked levies are to be collected only from the user students availing the service/facility. In other words, if any service/facility has been extended to all the students of the school, a separate charge should not be levied for the service/facility as the same would get covered either under tuition fee (expenses on curricular activities) or annual charges (expenses other than those covered under tuition fee). The charging of unwarranted fee or charging of any other amount/fee under different heads other than prescribed and accumulation of surplus fund thereof prima-facie is considered as collection of capitation fee in other manner and form.Accordingly, charging earmarked levies in the name of Diary/I-card from the all students of the school loses its character of earmarked levies. Thus, the school is directed not to collect such type of fee as earmarked fee with immediate effect and the expenses related with these earmarked levies should be mitigated from the tuition fee and/or annual charges.

The similar observation was also noted in DoE order no. F.DE. 15 (30)/PSB/2019/944-948 dated 23.01.2019 wherein the school was directed to ensure that the fund accounts for each earmarked levy are properly maintained and reported in the financial statements.Further,as per reply submitted by the School, earmark levies in respect of bus account havebeen calculated and collected on No Profit No Loss basis. And any surplus/deficit arising out of earmark levies are adjusted against Reserve and Surplus Account.

Thus, in view of the above, it is clearly depicting that the any surplus/deficit arising out of earmark levies are adjusted against Reserve and Surplus Account which is not in accordance with the provision of guidance note.

Therefore, school is directed to followfund-based accounting to present the accounting entry of earmarked levies in the financial statement and it shall be calculated and collected on No profit No loss basis.

As per Para 67 of the Guidance Note on 'Accounting by Schools' issued by Institute of Chartered Accountants of India, *"The financial statements should disclose, inter alia, the historical cost of fixed assets."* Further, Notes to Part II of Appendix III to the aforementioned Guidance Note states "Under each head, the original cost, the additions thereto and deductions there from during the year, depreciation written off or provided during the year, and the total depreciation written off or provided up to the end of the year should be stated."

On review of the financial statementsof the FYs2017-18 and 2018-19 and as per reply submitted by the school post hearing, it has been noted that school has annexed two fixed assets schedules,first fixed assets schedule reflects the gross value of the assets (i.e. onhistorical cost) whereas the second fixed assets schedule reflects value of assets as per written value method (School has provided separate schedule on demand). School has booked depreciation in the Income and Expenditure Accounts on the basis of written down value and corresponding amount has been transferred to the depreciation reserve accountwhich is not in accordance with format specified in the Guidance Note onaccounting by school issued by the ICAI.Moreover, the consolidated value of fixed assets (written value method plus depreciation reserve fund) have not reconciled with the value of assets reflected on face (assets side) of balance sheet.Calculation of fixed assets is as under:-

(Amount in Rs.)

WDV as on 31.03.2019 (1)	Depreciation Reserve Fund as on 31.03.2019 (2)	Fixed Assets as on 31.03.2019 3= (1+2)	Fixed Assets as per Financial Statements as on 31.03.2019 (4)	Difference 5= (3-4)
10,98,55,790	**22,03,10,808**	**33,01,66,598**	**19,54,88,552**	**13,46,78,046**

The similar observation was noted in the previous order no. F.DE. 15 (30)/PSB/2019/944-948 dated 23.01.2019 that school is directed to prepare the schedule of fixed assets on the basis of format specified in the Guidance Note-21.

As per reply submitted by the school, every asset purchased by school have proper record. We are following traditional method of accounting in case of Addition of Fixed Assets. There is a complete list of fixed assets which is attached to the balance sheet 2016-17. School is not maintained the block of assets concept but each and every asset is having separate identification up to Financial Year 2016-17. School is using Depreciation rate as lesser than the rate provided by the income Tax Department. From Financial Year 2017-18, we started to follow the block of assets concept.

Thus, on reply of school, it has been noted that discloser of assets like "Assets out of depreciation reserve, Assets out of development fund, other assets and school fund assets" have not in accordance with the provision of guidance note. Further, the fixed assets schedule does not disclose opening block of assets, closing block of fixed assets, opening block of depreciation reserve, closing block of depreciation reserve and net block of assets.

Therefore, school is directed to prepare the fixed assets schedule in accordance with the Guidance Note on Accounting by School issued by the Institute of Chartered Accountant of India and it will be reviewed at the time of subsequent disposal of fee hike proposal.

3. Para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states "*Where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year.*"

From review of the audited financial statements for the FY 2017-18 and 2018-19, it has been noted that school has transferred an amount equivalent to the purchase cost of fixed assets/expenditure incurred from development fund and depreciation reserve fund to Project out of Diff. Fund and did not treat the same as deferred income. Thus, the school has not followed the accounting treatment as indicated in Guidance Note-21 on Accounting by the School, issued by the Institute of Chartered Accountant of India.

The similar observation was noted in the previous order no. F.DE. 15 (30)/PSB/2019/944-948 dated 23.01.2019.

As per the reply submitted by the school, School has notionally transferred the amount from different fund to project out of different fund in order to show transparency of all accounts.

Thus, on reply of the school, the procedure adopted by the school to present the utilized amount of development fund is not in accordance with the guidance note.

Therefore, school is directed to make necessary adjustment entries relating to development fund to comply with the accounting treatment indicated in the Guidance Note-21. Further, amount equivalent to current year depreciation will be transfer from the "Project out of Diff fund" to the credit of Income and Expenditure Accounts as a Deferred Income (as per Para 99 of Guidance Note-21 on Accounting by School issued by the Institute of Chartered Accountant of India). Moreover, expenditure out of depreciation fund is not a restricted fund; therefore, accounting treatment of transfer of expenditure out of depreciation fund to project out of diff fund is not permitted.

4. On examination of the compliance report submitted by the school against the previous year order no. F.DE. 15 (30)/PSB/2019/944-948 dated 23.01.2019 issued to the school post evaluation of proposal for enhancement of fee for FY 2017-18, it has been observed that school is collecting Rs. 60 per student per annum as medical fee from all the students and which is being collected as part of the annual charges.

While the school had filled the annual charges of Rs. 3,150 in the previous year's proposal i.e. FY 2018-19 and during personal hearing the school had explained that the annual charges was Rs. 3090 in place 3,150 and difference was due the human errors.

In view of the above it can be concluded that the school is changing its stand on year to year basis and trying to supress the actual facts from the directorate as it had already increased its annual charges without obtaining the prior approval from the Directorate. Accordingly, the school is directed again to stop collection of Rs. 60 from the student in the name of medical charges immediately and submit the compliance report within 30 days from the date of issued this order.

5. The Directorate of Education Order No F. DE.-15/Act-I/WPC-4109/Part/13/7905-7913 dated 16.04.2016, In exercise of the powers confirmed by Clause (xviii) of Rule 50 and Rule 180 of the Delhi School Education Rules, 1973, the Director hereby specify that the format of return and documents to be submitted by schools under Rule 180 read with Appendix-II of the Delhi School Education Rules, 1973 shall be as per format specified by the Institute of Chartered Accountant of India, established under Chartered Accountant Act 1949 (38 of 1949) in Guidance Note on Accounting by the Schools (2005).

On review of the financial statements submitted by the school for evaluation of fee increase proposal, it has been observed that the format of Receipt and Payment for the Financial Year 2017-18 and 2018-19 is not in accordance with the Appendix-II.

Therefore, school is directed to prepare the Receipt and Payment Accounts in accordance with the Appendix-II of the Directorate of Education order dated 16.04.2016.

6. According to clause 9 of Order No 1978 dated 16.04.2010, school shall not introduce any new head of account or collect any fee thereof other than those permitted by the Directorate.

On review of the audited financial statementsof FY 2018-19,it has been noted that school has introduced a new Earmarked levy namely SIS charge without obtaining the approval from the Directorate and it has collected Rs. 35,96,070 as SIS charges from the students in Financial Year 2018-19. Accordingly, the same has been reduced from the fund position of the school.

The charging of unwarranted fee or charging of any other amount/fee thereof prima-facie is considered as collection of capitation fee in other manner and form.Therefore, school is directed not to collect such type of fee from the student with immediate effect and refund the fee already collected to the students.

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 available funds for the year 2018-19 amounting to Rs. 41,07,34,701 out of which cash outflow in the year 2018-19 is estimated to be Rs. 21,26,92,684. This results in surplus amounting to Rs.**19,80,42,017**. The details are as follows:

Particulars	Amount (in Rs.)
Cash and Bank balances as on 31.03.18 as per Audited Financial	3,05,84,949

Particulars	Amount (in Rs.)
Statement **(Refer Note No. 1 below)**	
Add: Investments as on 31.03.18 as per Audited Financial Statements **(Refer Note No. 1 below)**	31,77,08,226
Add: Addition to Capital Expenditure in contravention of Rule 177 of DSER **(Refer Financial Observation No. 4 above)**	19,38,956
Add: Recover from Society against construction of fire stair chair and new play station for Jr. school playground **(Refer Financial Observation No. 4 above)**	30,80,814
Less: Staff Retirement Fund like Gratuity Fund **(Refer Financial Observation No. 1 above)**	6,25,07,503
Less: Development Fund as on 31.03.2018 **(Refer Note No. 2 below)**	1,10,43,725
Less: Tuition Fee Refundable as on 31.03.2018 **(Refer Note No. 3 below)**	22,19,595
Less: Fund Balance of Earmarked Levies as on 31.03.2018 as per audited financial statements	5,49,789
Less: Salary Reserve **(Refer Financial Observation No. 3 above)**	3,26,50,000
Total Funds	**24,43,42,333**
Add: Fees for FY 2018-19 as per Audited Financial Statements for the FY 2018-19	15,91,27,558
Add: Other income for FY 2018-19 as per audited Financial Statements **(Refer Note No. 4 below)**	1,08,60,880
Less: Fee introduced and charged from students without approval of Department in FY 2018-19 **(Refer Other Observation No. 6 above)**	35,96,070
Estimated Availability of Funds for FY 2018-19	**41,07,34,701**
Less: Actual expenses as per the Audited Financial Statement for the Financial Year 2018-19 **(Refer Note No. 5 below)**	**21,26,92,684**
Estimated Surplus	**19,80,42,017**

Note – 1: Balances of Cash, bank and investments as on 31.03.2018 have been considered from audited financial statements.

Note – 2: The Supreme Court in the matter of Modern School held that development fees for supplementing the resources for purchase, up-gradation and replacements of furniture and fixtures and equipment can by charged from students by the recognized unaided schools not exceeding 15% of the total annual tuition fee. Further, the Directorate's circular no. 1978 dated 16 April 2010 states "All schools must, first of all, explore and exhaust the possibility of utilizing 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." Over the number of years, the school has accumulated development fund and has reflected the closing balance of **Rs. 4,81,99,889** in its audited financial statements of Financial Year 2017-18. Accordingly, the accumulated reserve of development fund created by the school by collecting development fee more than its requirement for purchase, up-gradation and replacements of furniture and fixtures and equipment has been considered as free reserve available with the school. However, development fund equivalent to amount collected during financial year 2017-18 of **Rs. 1,10,43,725** has been left with the school to meet its future requirements.

Note – 3: School hadincreased fee in FY 2016-17 by 10% without prior approval of the Directorate, which was in contravention of DOE's Order No F.DE-15/PSB (PMU)/Fee Hike/2017-18/14073-082 dated 7 April 2017. And the school was directed vide order No. F.DE.15 (30) PSB/2019/944-948 dated 23.01.2019 to refund/adjust the increased fee to the parents. The amount refundable to parents was Rs. 22,19,595 on 31.03.2018 as per audited financial statements for FY 2017-18. Hence, the increased fee has been excluded from the calculation of the fund position of the school.

Note – 4: On review of FY 2018-19 schools have transferred accumulated fund balance of computer fund of earlier years as income in the Income and Expenditure Accounts amounting Rs.40,31,571 which is excluded while deriving the fund position of the school being abnormal income. Further, all income as per the Audited Financial Statement for the financial year 2018-19 has been consider for the calculation of fund availability of the school.

Note – 5: For calculation of fund availability, all expenses as per audited financial statements of Financial Year 2018-19 have been considered except the depreciation and Condemnation of Assets, being non-cash expenses, amounting Rs. 1,00,91,960 and Rs. 39,06,057 respectively.And amount provided for gratuity and leave encashment amounting to Rs.90,69,696 and Rs.20,73,349 to avoid the duplicity as per financial finding reported in point no.1 above.

Further, school is requested to submit calculation/justification of condemnation of Assets however school has failed to submit the same. Moreover, school had sent a reply email dated 05thFebruary, 2020, in which Auditor have submitted a comment on Condemnation of Assets "as per the Query raised with reference to Condemnation of Assets, we have observed that the treatment is correct as per the documents produced by the management wherein the Original cost of Condemned assets has been arrived at from the original cost minus depreciation and the sale proceeds have been duly accounted for in the Books of Accounts". Based on reply submitted by the Auditor of School and as per the record submitted by the School, calculation of loss of assets is not determined properly. Therefore, school is required to submit the compliance report for the condemnation of assets and same shall be examined at the time of evaluation of fee hike proposal of subsequent academic year.

ii. The School has sufficient funds to carry on the operation of the School for the academic session 2018-19 on the existing fees structure. In this regard, Directorate of Education has already issued directions to the Schools vide order dated 16/04/2010 that,

"All Schools must, first of all, explore and exhaust the possibility of utilizing 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 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 Accountant that along with certain financial and other irregularity, that the sufficient fund are available with the school to carry out its operations for the academic session 2018-19, accordingly the fee increase proposal of the school may be rejected.

AND WHEREAS, 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.

AND WHEREAS, recommendation of the team of Chartered Accountant along with relevant materials where put before Directorate of Education for consideration and who after considering all the material on records, and after considering the provision of section 17(3), 18(5), 24(1) of the DSEA,1973 read with Rules 172,173,175 and 177 of DSER,1973 has found that the school has surplus fund for meeting financial implication for the academic session 2018-19, so in order to protect the interests of the staff the school is directed to deposit with LIC (or similar agency) amount equivalent to the liabilities for gratuity and leave encashment. Additionally, the school is also directed to make an investment in equivalent to the 3 months' salary as reserve in the joint name of Dy. Director Education (District) and the Manager,out of the available surplus.

Accordingly, it is hereby conveyed that the fee enhancement proposal for academic session2018-19 of **Air Force Bal Bharati School (School ID-1924138), Lodhi Road, New Delhi-110003** isrejected 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 in pursuance to the proposal submitted by school on any account for the academic session 2018-19 and if the fee is already increased and charged for the academic session 2018-19, the same shall be refunded to the parents or adjusted in the fee of subsequent months.

2. To communicate the parents through its website, notice board and circular about rejection of fee increase proposal of the school by the Directorate of Education.

3. To rectify all the financial and other discrepancies/violations as listed above and submit the compliance report within 30 days to the D.D.E (PSB).

4. To ensure that the salaries and allowances shall come out from the fees whereas capital expenditure will be a charge on the savings in accordance with the principles laid down by Hon'ble Supreme Court of India in its Judgment of Modern School vs Union of India.

Therefore, school not to include capital expenditure as a component of fee structure to be submitted by the school under section 17(3) of DSEA, 1973.

5. To utilise 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.

6. In case of submission of any proposal for increase in fee for the next academic session, the compliance of the above listed financial and other discrepancies/violations will also be attached.

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
Air Force Bal Bharati School,
Lodhi Road,
New Delhi-110003(School iD-1924138)

No. F.DE.15 (266)/PSB/2021/4699-4704 Dated: 12/11/21

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 East) ensure the compliance of the above order by the school management.
4. In-Charge (I.T Cell) with the request to upload on website of this Directorate.
5. Guard file.

(Yogesh Pal Singh)
Deputy Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi