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

No. F.DE.15 (633)/PSB/2022/ 3855-3859 **Dated:** 31/05/22

ORDER

WHEREAS, , **ASN Sr Sec School, Mayur Vihar – I, Delhi - 110091 (School Id: 1002273),** (hereinafter referred to as **"the School"**), run by the **Santan Dharm Adarsh Shiksha Sansthan (Regd.)** (hereinafter referred to as the "**Society")**, is a private unaided school recognized by the Directorate of Education, Govt. of NCT of Delhi (**hereinafter referred to as "DoE"),** under the provisions of Delhi School Education Act & Rules, 1973 (**hereinafter referred to as "DSEAR, 1973"**). The School is statutorily bound to comply with the provisions of the DSEAR, 1973 and RTE Act, 2009, as well as the directions/guidelines issued by the DoE from time to time.

AND WHEREAS, every school is required to file a full statement of fees every year before the ensuing academic session under section 17(3) of the DSEAR, 1973 with the Directorate. Such statement is required to indicate estimated income of the school to be derived from fees, estimated current operational expenses towards salaries and allowances payable to employees etc. in terms of rule 177(1) of the DSEAR, 1973.

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

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

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

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

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

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

"27....

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

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

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

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

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

AND WHEREAS, in pursuance to order dated 27.03.2019 of the DOE, the **ASN Sr. Sec School, Mayur Vihar – I, Delhi - 110091 (School Id: 1002273),** submitted the proposal for fee increase for the academic session **2018-19**. Accordingly, this order dispenses the proposal for enhancement of fee submitted by the School for the academic session **2018-19**.

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

AND WHEREAS, in the process of examination of fee hike proposal filed by the aforesaid School for the academic session 2018-19, necessary records and explanations were also called from the school through email. Further, the school was also provided an opportunity of being heard on 30 October 2019 to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted. During the aforesaid hearing compliances against order no. F.DE-15/ (118)/PSB/2019/1155-1159 dated 29.03.2019 issued for academic session 2017-18 were also discussed and school submissions were taken on record.

AND WHEREAS, the reply of the school, documents uploaded on the web portal for fee increase together with subsequent documents/ clarifications submitted by the school were thoroughly evaluated by the team of Chartered Accountants and the key observations noted are as under:

A. Financial Observations

1. As per clause 2 of 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.*"

Also, 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.

Accordingly, based on the aforementioned public notice, High Court Judgement and provisions of Rules 177 of DSER, 1973, 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 utilized for the same.

As per Directorate's order no. F.DE-15/(118)/PSB/2019/1155-1159 dated 29.03.2019 issued post evaluation of fee increase proposal for academic session 2017-18, the school was directed to recover INR.1,74,58,171 from society for the expenditure incurred by the school on additions to building during the FY 2014-15, 2015-16 and 2016-17. As per the reply submitted by the school post personal hearing taken on record, that the "*such expenditure was not in contravention of Rule 177 of DSER, 1973*". It is important to mention here that the school has not deposited full liability towards gratuity and leave encashment in plan assets within the meaning of AS-15 despite of giving various direction. Thus, the claim of the school that the above addition was done in accordance with Rule 177 of DSER, 1973 is not correct.

Moreover, it has also been noted that school has further incurred INR.1,25,13,453 in FY 2017-18 and FY 2018-19 on addition to the school building without complying with the above-mentioned provisions and direction of the court's order.

In view of the above total amount of INR. 2,99,71,624 (INR. 1,74,58,171 as per previous year's order plus 1,25,13,453) incurred by the school on addition to building is recoverable from the society being the property of the society. Accordingly, the aforesaid recovery has been included while deriving the fund position of the school with the direction to the school to recover this amount from the society within 30 days from the date of issue of this order.

2. Clause 14 of Order No. F.DE. /15(56)/Act/2009/778 dated 11.02.2009 and Clause 7 of Order No. DE 15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 state that "*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*". 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 income generated from the investment made out of this fund, will be kept in a separately maintained Development Fund Account.

From review of the audited financial statements of FY 2015-16 to 2017-18, it has been noted that the school has utilized development fee for addition to building which is not in accordance with the aforesaid provisions. Accordingly, the school is directed to utilize development fee strictly in compliance with clause 14 of order dated 11.02.2009.

Thus, the school is directed to make necessary adjustment in development fund account to the extent it was utilized for addition to the building during FY 2015-16 to 2017-18 (refer financial observation no. 1 for recovery). Details of expenditure incurred out the development fund in contravention of clause 14 of the order dated 11.02.2009 has been tabulated below.

Particulars	**FY 2015-16**	**FY 2016-17**	**FY 2017-18**
Sports Field Block	-	1,22,53,704	4,11,121
Sports & Activities Block	5,06,237	1,02,626	-
Science & Home Science Block	21,75,772	-	-
Furnishing & finishing	15,46,530	14,50,312	26,49,454
Electrical Transformer Block	64,240	-	-

Since Clause 14 of the Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 related to development fund, the balance of development fund shown in the financial statements cannot be treated as correct and therefore, no adjustment has been made towards the same while deriving the fund position of the school for FY 2018-19.

3. As per Para 57 of Accounting Standard 15- 'Employee Benefits' issued by the Institute of Chartered Accountants of India *"An enterprise should determine the present value of define benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date."*

Further, para 7.13 of Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India defines Plan Assets (the form of investments to be made against liability towards retirement benefits) as:

(a) Assets held by a long-term employee benefit fund; and

(b) Qualifying insurance policies.

From review of the audited financial statements for FY 2018-19, it was noted that the school reported provision for gratuity and leave encashment amounting to INR. 6,89,00,372 and INR. 2,14,01,035 respectively. This was recorded in the audited financial statements based on the actuarial valuation report determined by the Actuary. But the school did not make equivalent investments in plan assets within the meaning of AS-15 issued by ICAI.

As per Directorate's order no. F.DE-15/(118)/PSB/2019/1155-1159 dated 29.03.2019 issued post evaluation of fee increase proposal for academic session 2017-18, the school was directed to deposit 20% of the liability determined by the actuary as on 31.03.2017 i.e. amount of INR. 71,82,983 (i.e. INR. 1,06,82,983 minus INR. 35,00,000 already deposited during FY 2017-18) in the group gratuity scheme and INR. 14,76,717 (i.e. INR. 29,76,717 minus INR. 15,00,000 already deposited during FY 2017-18) in the leave encashment scheme.

However from the review of audited financial statements for FY 2018-19, it has been noted that the school has invested with LIC INR. 31,89,563 (i.e. INR. 66,89,563 minus INR. 35,00,000) for gratuity and INR. 14,97,261 (i.e. INR 29,97,261 -15,00,000) for leave encashment.

Since the school has not complied with the previous direction of the directorate , the total amount invested in plan assets as on 31.03.2018 has been considered while deriving the fund position of the school with the direction to the school to invest the balance liability as determined below in the plan asset within the meaning of AS-15 issued by ICAI. The summary of total liability and amount allowed for deriving the fund position of the school is as under:

Particulars	**Provision for Gratuity**	**Provision for Leave encashment**
Balance as on 31.03.2019	6,89,00,372	2,14,01,035
Investment in LIC already made as on 31.03.2019	66,89,563	29,97,261
Balance Required to deposited with LIC	**6,22,10,809**	**1,84,03,774**

Further, the amount of expenditure of recorded by the school for gratuity INR. 1,24,88,497 and for leave encashment INR. 49,81,378 in the income and expenditure account for FY 2018-19 has not been considered while deriving the fund position of the school.

4. 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....capital expenditure/investments have to come from savings.*"

During FY 2016-17, the school incurred capital expenditure on purchase of 2 buses of INR. 47,67,280. Further, the school had taken loan from bank for purchase of these buses and incurred financial/interest expenses of INR. 7,19,230 on the loan during FY 2016-17 to FY 2018-19 with the closing balance of loan outstanding as on 31 March 2019 was INR. 14,42,750.

Also, the school is following fund-based accounting in respect of transport fee, it was noticed that the expenditure such as salaries to drivers, conductors and depreciation were not allocated to transport fund. Further, it was also noted that transport fund balance at the end of FY 2015-16 to 2018-19 does not indicate adequate surplus for funding the purchase of new buses.

Thus, the net amount paid by the school out of school funds on purchase of bus of INR.40,43,760 (i.e. INR. 47,67,280 plus INR. 7,19,230 minus INR. 14,42,750) is hereby added to the fund position of the school considering the same as funds available with the school and with the direction to the school to recover this amount from the Society within 30 days from the date of this order.

5. Directorate's order no. F.DE-15/WPC-4109/Part/13/7914-7923 dated 16.04.2016 regarding fee increase proposals for FY 2016-17 states "*In case, the schools have already charged any increased fee prior to issue of this order, the same shall be liable to be adjusted by the schools in terms of the sanction of the Director of Education on the proposal.*"

The school was allowed to increase fee by 10% by the Directorate vide Order No. F.DE-15/ACT-I/WPC-4109/PART/13/871 dated 22.08.2017 issued post evaluation of fee increase proposal for FY 2016-17 submitted by the school. However, it was noted that the school had already increased fees from students by more than 10% during first quarter of FY 2016-17 before obtaining prior approval of the Directorate. During personal hearing, the school submitted that it had adjusted the increased fee collected from students after receipt of the aforementioned order of the Directorate dated 22.08.2017. However, on review of the updated fee structure for FY 2016-17 and information provided by the school, it was noted that the school did not adjust/refund increased annual charges collected from the students in FY 2016-17 and has continued to charge increased annual charges in FY 2017-18 and FY 2018-19 as detailed hereunder:

Fee Head	Class	Amount (FY 2015-2016)	Amount (FY 2016-2017)	Fee Increase (INR)	% increase
		(A)	(B)	(C)=(B-A)	(D)=(C/A)
Annual Charges	KG	5,160	16,190	11,030	214%
	I to XII	5,160	6,190	1,030	20%

Accordingly, based on the details of number of students and fee structure of FY 2016-17 submitted by the school, an amount of INR. 28,44,110 was derived towards increased collection of Annual Charges during FY 2016-17, which was beyond the fee increase approved by the Directorate for FY 2016-17. Therefore, the amount of increased annual charges collected from students of INR. 28,44,110 has been considered while deriving the fund position of the school with the direction to the school to adjust/refund the same within 30 days from the date of this order. Further, the school is directed to rectify its fee structure for FY 2016-17 and onwards in compliance with the fee approved by the Directorate and adjust/refund any amount collected in excess of the approved fee in FY 2017-18 or onwards. Also, the school is strictly directed not to increase any fee going forward without receiving prior approval of the Directorate.

B. Other Observations

1. Clause 22 of Order No. F.DE /15(56)/ Act/2009/778 dated 01.02.2009 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."

   Clause 6 of Order No. DE 15/ Act/ Duggal.Com /203 /99 /23033-23980 dated 15.12.1999 state that "Earmarked levies shall be charged from the user student only."

   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."

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

   Also, earmarked levies collected from students are a form of restricted funds, which, according to Guidance Note - 21 "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 - 21 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 and a corresponding amount is transferred from the concerned restricted fund account to the credit of the Income and Expenditure Account.

   On review of audited financial statements, it was noted that the school charge earmarked levies in the name of Transport Fund, Technology Fund, Sports & cultural Fund, Tours & Excursion Fund, Acumen Development Fund, Examination Fund and Atal Tinkering Lab Fund. While the school is following fund-based accounting and has maintained bank accounts in respect of all earmarked levies but the receipts and expenditure against these earmarked levies are not routed through the income and expenditure account. Also, the closing balance of fund account and their corresponding bank account are directly reported in the balance sheet which is not in accordance with the above provisions. Accordingly, the school is directed to report all its receipt and expenditure in the income and expenditure account and then report the closing balance against each fund in the balance sheet along with their bank account in respect of all earmarked levies. Further, it has also been noted that balance of respective earmarked levies are not reconciling with the corresponding bank accounts. The closing balance of earmarked levies and their corresponding bank account balance as on 31.03.2018 are as under:

Particulars	Fund Balance as on 31.03.2018	Bank Balance as on 31.03.2018	Difference
Transport Fund	37,153	95,641	58,488
Technology Fund	1,57,660	1,81,153	23,493

Particulars	Fund Balance as on 31.03.2018	Bank Balance as on 31.03.2018	Difference
Sports & Cultural Fund	84,857	1,28,724	43,867
Tours & Excursion Fund	14,575	14,575	-
Acumen Development Fund	20,875	20,875	-
Examination Fund	5,45,755	5,45,755	-
Atal Tinkering Fund	1,32,884	1,32,884	-

From the above table, it is clear that school is earning surplus from all the earmarked levies. Thus, the earmarked levies are to be collected only from the user students availing the services, and if any service/facility has been extended to all the students of the school, a separate charge cannot be levied towards this services by the school as the same would get covered either from tuition fee (expenses on curricular activities) or annual charges (expenses other than those covered under tuition fee). Accordingly, charging earmarked levies in the name of Technology Fee from all the students loses its character of earmarked levy. Thus, the school is directed not to charge such fee as earmarked fee with immediate effect and should incur the expenses relating to these from tuition fee and/or annual charges.

The school is hereby directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from students. Also, the school should only apportion actual and complete expenses incurred towards the earmarked levies for deriving correct fund balances. Unintentional surplus, if any, generated from earmarked levies has to 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 fee structure for earmarked levies during subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on no-profit no-loss basis and not to include fee collected from all students as earmarked levies.

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

2. Para 67(vii) of Guidance Note - 21 issued by the Institute of Chartered Accountants of India states that Losses arising from the retirement or gains or losses arising from the disposal of fixed asset should be recognised in the income and expenditure account.

   On review of financial statements of the school, it has been noted that the school has calculated and recognised loss on disposal of fixed assets as original cost of asset net of sale proceeds i.e. Loss also include total amount of depreciation on such asset which is in contravention of above-mentioned provisions. Accordingly, the school is directed to compute and recognise the gain or loss on disposal of fixed asset correctly.

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

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

As per Directorate's order no. F.DE-15/(118)/PSB/2019/1155-1159 dated 29.03.2019 issued post evaluation of fee increase proposal for academic session 2017-18, the school was directed to rectify its fee structure for FY 2016-17 and onwards in compliance with the fee approved by the Directorate and adjust/refund any amount collected in excess of the approved fee in FY 2017-18 or onwards. Also, the school was strictly directed not to increase any fee going forward without receiving prior approval from the Directorate.

However, based on the fee receipts submitted by the school for FY 2017-18 and 2018-19, it has been noted that the school had increased annual charges (for all the classes) and tuition fee for Nursery and III class in FY 2018-19.

Below are heads of fee wherein enhancement was done by the school without prior approval from the Director of Education.

Particulars	**FY 2017-18**	**FY 2018-19**
Nursery	4357	4542
KG	4357	4542
I	1857	2043
II	1857	2043
III	1857	2043
IV	1857	2043
V	1857	2043
VI	1857	2043
VII	1857	2043
VIII	1857	2043
IX	1857	2043
X	1857	2043
XI	1857	2043
XII	1857	2043

Further, on review of fee structure of the school, it has been noted that from FY 2016-17 onwards, the school is gradually charging medical fee of INR. 1000 per annum and acumen development fee of INR. 200 per month every year from new students as well as from students promoted to next class which has been tabulated below:

Particulars	Medical Fee	Acumen Development Charges
FY 2016-17	Nursery to class I	KG to III
FY 2017-18	Nursery to class II	KG to IV
FY 2018-19	Nursery to class III	KG to V

In view of the above, the school has already been given many opportunities to comply with above direction. However, it appears that the school is not willing to comply with the above direction of the department as it is continuously ignoring the direction of the department. Therefore, final direction is being given to the school to comply with the aforesaid direction and submit the compliance report within 30 days from the date of issue of this order. In case the school again fail to submit the compliance report within the stipulated time, the concerned District DDE is requested to move file under section 24(3) for taking necessary action against the school.

4. Para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states "*Where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year.*" Further, Para 102 of the aforementioned Guidance Note states "*In respect of funds, schools should disclose the following in the schedules/notes to accounts:*

a) In respect of each major fund, opening balance, additions during the period, deductions/ utilization during the period and balance at the end;
b) Assets, such as investments, and liabilities belonging to each fund separately;
c) Restrictions, if any, on the utilization of each fund balance;
d) Restrictions, if any, on the utilization of specific assets."

Further, clause 11 of the Guidance Note on Accounting by Schools issued by ICAI which states "*whether an asset, such as a photocopying machine, is used by a school or a business entity, the measure of charge by way of depreciation depends primarily upon the use of asset rather than the purpose for which the organization is run i.e. profit or not-for-profit motive. Accordingly, the measurement principles for income, asset and liabilities should be the same for business entities and not-for-profit organization such as schools.*"

Further, para 58(i) of the Guidance Note states "*A school should charge depreciation according to the written down value method at rates recommended in Appendix I to the Guidance Note.*"

Basis the presentation made in the audited financial statements for FY 2015-16 to 2018-19 submitted by the school, it was noted that the school transferred an amount equivalent to the purchase cost of the assets purchased from Development fund, Depreciation reserve fund, Transport fund and Transport depreciation reserve fund to General fund which is in contravention of above-mentioned provisions.

- From the audited financial statements for FY 2015-16 to 2018-2019, it was noted that the school did not charge depreciation in the Income & Expenditure Account, while depreciation reserve fund was accumulated by transfer from Development Fund and General Fund. It was also noted that the school is utilizing depreciation reserve fund for purchase of assets which is not correct as depreciation reserve fund was accumulated out of development fund and general fund.

  Also, it was noted that the school has reflected its fixed assets at Gross Value and has prepared consolidated fixed assets schedule giving details of all assets carried over by the school in its audited financial statement and has not prepared separate fixed assets schedules for assets purchased against development fund/other funds and those purchased against general reserve.

  Similar observations were also noted in Directorate's Order No. F.DE-15/ (118)/PSB/2019/1155-1159 dated 29.03.2019 issued post evaluation of fee increase proposal for academic session 2017-18, though the school has not complied with the directions made in the said order.

  Accordingly, the school is once again directed to comply with the directions included in orders above regarding development fund, depreciation reserve fund and make necessary rectification entries relating to development fund and presentation of fixed assets to comply with the accounting treatment indicated in the Guidance Note cited above. Further, the school should prepare separate fixed assets schedule for assets purchased against development fund and other assets purchased against general reserve/other funds.

5. As per Directorate's Order No. F.DE-15/ (118)/PSB/2019/1155-1159 dated 29.03.2019 issued post evaluation of fee increase proposal for academic session 2017-18, the school was directed to prepare the FAR with relevant details such as asset description, quantity, supplier name, invoice number, purchase date, manufacturer's serial number, location, purchase cost, other costs incurred, depreciation, identification number, etc. to facilitate identification of asset and documenting complete details of assets at one place. However, the school has confirmed that it will prepare the FAR as per the recommendations of the Directorate in FY 2018-2019. But the school has not complied with the above directions. Accordingly, the school is once again directed to prepare the FAR with relevant details mentioned above. Non-compliance with the above direction after issuance of this order shall be seriously viewed by the department while evaluating the fee increase proposal of the subsequent year.

6. As per DOE order No.F.DE.15/Act-I/08155/2013/5506-5518 dated 04.06.2012 as well as DDA land allotment letter, the school shall provide 25% reservation to children belonging to EWS category. However, the school has not complied with above requirement in the FY 2016-17, 2017-18 and 2018-19. Therefore, DDE District is directed to look into the matter. The details of total students and EWS students for the FY 2016-17, 2017-18 and 2018 -19 are given below:

Particulars	**FY 2016-17**	**FY 2017-18**	**FY 2018-19**
EWS students	513	548	607
Total Strength	3271	3307	3440
% EWS students to Total strength	**16%**	**17%**	**18%**

7. As per the Duggal Committee report, there are four categories of fee that can be charged by a school. The first category of fee comprised of "registration fee and all One Time Charges" levied at the time of admission such as admission and caution money. The second category of fee comprise of "Tuition Fee" which is to be fixed to cover the standard cost of the establishment and also to cover 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 forth category should consist of all "Earmarked Levies" for the services rendered by the school and to be recovered only from the 'User' students. These charges are transport fee, swimming pool charges, Horse riding, tennis, midday meals etc.

Clause 20 of Order No. F.DE./ 15(56) /Act/ 2009/ 778 dated 11/02/2009 states that "no fee, fund or any other charges 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 and unless the representatives of the PTA and the nominees of the undersigned are associated with these directions"

In view of the above, the school cannot collect or levy any fees or charges other than mentioned above. However, the financial statements for FY 2018-19 revealed that the school is has received INR. 8,52,230 as Pupil Fund from the students which does not come under the ambit of either tuition fee or annual charges etc. as mentioned above. Further, the purposes for which the school has utilised the Pupil Fund are covered under 'Annual Charges' collected by the school from students

Similar observations were also noted in Directorate's Order No. F.DE-15/(118)/PSB/2019/1155-1159 dated 29.03.2019 issued post evaluation of fee increase proposal for academic session 2017-18, in which the school was directed not to collect pupil fund from students with immediate effect, though the school has not complied with the directions made in the said order.

Therefore, the school is once again directed to stop the collection of Pupil fund immediately. Non-compliance with the above direction after issuance of this order shall be seriously viewed by the department while evaluating the fee increase proposal of the subsequent year.

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 FY 2018-19 amounting to INR. **20,89,45,104** out of which cash outflow in the FY 2018-19 is estimated to be INR. **21,23,58,102.** This results in net deficit amounting to INR. **34,12,997** for FY 2018-19 after all payments. The details are as follows:

Particulars	**Amount (in INR.)**
Cash and Bank balances as on 31.03.18 (as per audited Financial Statements of FY 2017-18)	53,25,635
Investments as on 31.03.18 as per audited Financial Statements (as per audited Financial Statements of FY 2017-18)	48,18,824
Total Liquid Funds Available with the School as on 31 Mar 2018	**1,01,44,460**

Particulars	Amount (in INR.)
Add: Fees and other incomes for FY 2018-19 based on audited financial statements of FY 2018-19 of the school	17,34,22,286
Add: Recovery from Society of amount spent on Building during FY 2017-18 and 2018-19 **(Refer Financial Observation No. 1)**	2,99,71,624
Add: Recovery from society against purchase of Buses **(Refer Financial Observation No. 4)**	40,43,760
Gross Available Funds for FY 2018-19	**21,75,82,130**
Less: Development Fund Balance as on 31.03.2018 **(Refer Financial Observation No. 2)**	-
Less: FDR in joint name of Secretary CBSE and Manager of school	3,77,940
Less: Sports and cultural Fund as on 31.03.2018	84,857
Less: Tours and Excursion Fund as on 31.03.2018	14,575
Less: Acumen Development Fund as on 31.03.2018	20,875
Less: Examination Fund as on 31.03.2018	5,45,755
Less: Atal Tinkering Lab Fund as on 31.03.2018	1,32,884
Less: Technology Fund as on 31.03.2018	1,57,660
Less: Transportation Fund as on 31.03.2018	37,153
Less: Refund/adjustment of annual charges increased more than approval given by DoE for FY 2016-17 **(Refer Financial Observation No. 5)**	28,44,110
Less: Investments with LIC (As per audited financial statements for FY 2017-18) **(Refer Financial Observation No. 3)**	44,21,217
Net Available Funds for FY 2018-19	**20,89,45,104**
Less: Actual expenses for FY 2018-19 (as per audited Financial Statements of FY 2018-19) **(Refer Note 1 Below)**	16,46,46,139
Less: Arrears Salary payable to staff from January 2016 to March 2019 **(as provided by the school) (Refer Note 2 Below)**	4,77,11,963
Net Cash Surplus/ (Deficit)	**(34,12,997)**

Note 1: All income and expenditure as per the audited financial statements of FY 2018-19 has been considered except gratuity & leave encashment (Refer Financial Observation No. 3) amounting to INR. 1,74,69,875 and loss on fixed assets INR.42,53,775 due to non-regular expenditure.

Note 2: As per order No. DE.15 (318)/PDB/2016/18117, dated 25.08.2017, the Managing Committee of all the private unaided recognized schools were directed to implement the Central

Civil Revised Pay Rules 2016 in respect of the regular employees of the corresponding status in their schools with effect from 01.01.2016 as adopted by the Government of NCT of Delhi vide its circulars No. 30-3(17)/(12)/VII Pay Comm./Coord./2016/110006-11016 dated 19.08.2016 and No. 30-3(17)/(12)/VII Pay Comm./Coord./2016/12659-12689 dated 14.10.2016. Further, vide order no. F.DE.15/ (318)/PSB/2019/11925-30 dated 09.10.2019, the managing committee of all Private Unaided Schools once again directed to implement the recommendation of 7th CPC with effect 01.01.2016 within 15 days from the date of issue of aforesaid order. Further, Section 10 of DSEA, 1973 states " the scales of pay and allowances, medical facilities, pension, gratuity, provident fund and other prescribed benefits of the employees of recognized private school shall not be less than those of the employees of the corresponding status in school run by the appropriate authority". Therefore, employees of all the private unaided recognized schools are entitled to get the revised pay commission. This legal position has been settled by the Hon'ble High Court long back at the in the matter of WPC 160/2017; titled as Lata Rana Versus DAV Public School & Ors vide order dated 6th September 2018 for implementation of sixth pay commission recommendations.

In view of the above, details submitted by the school post personal hearing regarding salary arrears payable amounting to INR. 4,77,11,963 on account of 7th CPC has also been considered while deriving the fund position of the school calculated above.

ii. The school does not have sufficient funds to carry on the operation of the school for the academic session 2018-19 at the existing fees structure. In this regard, Directorate of Education has already issued directions to the schools vide order dated 16/04/2010 that,

> *"All schools must, first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase."*

AND WHEREAS, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants along with certain financial and other observations, that the sufficient funds are not available with the school to carry out its operations for the academic session 2018-19. Accordingly, the fee increase proposal of the school may be accepted.

AND WHEREAS, it is noticed that the school has utilised funds amounting to INR 3,40,15,384 in contravention of provisions of DSER, 1973 and other orders issued by the departments from time to time. Therefore, the school is directed to recover INR 3,40,15,584 from the society. The amount of above receipt along with copy of bank statements showing 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 of Education for consideration and who after considering all the material on the record, and after considering the provisions of section 17 (3), 18(5), 24(1) of the DSEA, 1973 read with Rules 172, 173, 175 and 177 of the DSER, 1973 has found that funds are not available with the school for meeting financial implication for the academic session 2018-19.

AND WHEREAS, it is relevant to mention that Covid-19 pandemic had a wide spread impact on the entire society as well as on general economy. Further, charging of any arrears on account of fee for several months from the parents is not advisable not only because of additional sudden burden fall upon the parents/students but also as per the past experience, the benefit of such collected arrears are not passed to the teachers and staff in most of the cases as was observed by the Justice Anil Dev Singh Committee during the implementation of the 6th CPC. Keeping this in view, and exercising the powers conferred under Rule 43 of DSER, 1973, the Director (Education) has accepted the proposal submitted by the school and allowed an increase in fee by 3% to be effective from 01 July 2022.

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

Accordingly, it is hereby conveyed that the proposal for enhancement of fee for the academic session 2018-19 of **ASN Sr. Sec. School, Mayur Vihar – I, Delhi - 110091 (School Id: 1002273)** has been accepted by the Director (Education) and the school is allowed to increase the fee by 3% to be effective from 01 July 2022

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

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

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

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

This order is issued with the prior approval of the Competent Authority.

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

To

The Manager/ HoS

ASN Sr. Sec School (School Id: 1002273)

Mayur Vihar – I, Delhi - 110091

No. F.DE.15 (633)/PSB/2022/3855-3859 Dated: 31/05/22

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 (East) 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