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

No. F.DE.15(708)/PSB/2022/ 4320-4324 **Dated: 07/06/22**

ORDER

WHEREAS, **Sneh International School, A-2 Block, New Rajdhani Enclave, Vikas Marg, Delhi-110092 (School Id: 1003247)** (hereinafter referred to as **"the School"**), run by the **Vaish Education Foundation** (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, **Sneh International School, A-2 Block, New Rajdhani Enclave, Vikas Marg, Delhi-110092 (School Id: 1003247),** 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 to be heard on 29.11.2019, to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, 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(255)/PSB/2019/1455-1459 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 the 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 direction no. 2 included in the Public Notice dated 04.05.1997, "*it is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school becomes the sole property of the society*". Additionally, Hon'ble High Court of Delhi in its judgement dated 30.10.1998 in the case of Delhi Abibhavak Mahasangh concluded that "*The tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society.*" Also, Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/ 883-1982 dated 10.02.2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*"

   Moreover, Rule 177 of DSER, 1973 states that "*income derived by an unaided recognised school by way of fees shall be utilised in the first instance, for meeting the pay, allowances and other benefits admissible to the employees of the school. Provided that savings, if any, from the fees collected by such school may be utilised by its management committee for meeting capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely award of scholarships to students, establishment of any other recognised school, or assisting any other school or educational institution, not being a college, under the management of the same society or trust by which the first mentioned school is run. And the aforesaid savings shall be arrived at after providing for the following, namely:*

   a) Pension, gratuity and other specified retirement and other benefits admissible to the employees of the school;
   b) The needed expansion of the school or any expenditure of a developmental nature;
   c) The expansion of the school building or for the expansion or construction of any building or establishment of hostel or expansion of hostel accommodation;
   d) Co-curricular activities of the students;
   e) Reasonable reserve fund, not being less than ten percent, of such savings.

   Accordingly, based on the aforementioned public notice and High Court judgement, the cost relating to land and construction of the school building has to be met by the society, being the property of the society and school funds i.e. fee collected from students is not to be utilised for the same.

   The Directorate 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, directed to recover INR 13,76,305 and INR 47,83,023 from the society towards the expenditure incurred for addition to the school building during the FY 2014-15 and 2015-16 respectively. The above expenditure was incurred by the school without complying with the above-mentioned provisions. However, the recovery under the aforesaid direction is still pending.

From the representation submitted by the school against the order issued by the DoE dated 29.03.2019 were taken on record. The school stated that before calculating the savings as per Rule 177 of DSER, 1973, the fee can be utilised for the required expansion of the school, expenditure of a developmental nature, expansion of the school building, expansion or construction of any building for the establishment of hostel or expansion of hostel accommodation as provided in clauses (b) and (c) of Rule 177(2). The school also submitted that it could not implement the recommendation of the 7th CPC due to shortage of funds and that it could not deposit the whole amount of liability of retirement benefit in the plan assets due to shortage of funds.

As the school was well aware about the implementation of the recommendation of 7th CPC and investment in plan assets for its statutory liability (gratuity and leave encashment). However, the school instead of paying salary to its staff in accordance with the recommendation of 7th CPC, preferred to incur expenditure of capital nature (which would otherwise be the responsibility of the society) and then submitted the fee hike proposal in the isolation to get the fee hike from the Director(Education). Which indirectly translate the inclusion of capital expenditure in the fee structure of the school. Therefore, the logic explained by the school for the utilization of the school fund is not in accordance with the Rule 177 of the DSER, 1973. Therefore, the aforesaid expenditure totalling to INR 61,59,328 has been included while deriving the fund position of the school and the school is directed to recover this amount from the society within 30 days from the date of issue of this order. The school is further directed not to incur any expenditure out of the school fund for construction of the building as it is the responsibility of the society as per the aforesaid provisions.

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 for FY 2016-17 to FY 2018-19 and documents submitted post personal hearing, it has been noted that school incurred capital expenditure for purchase of buses for which school took a loan from D.R Dhingra Finance Limited and the repayment of which was started from 15.07.2015. The amount spent by the school out of school funds in repayment of such loan taken for purchase of buses is not in accordance with the above-mentioned provisions and Rule 177 of DSER, 1973.

It has also been noted that the school incurred expenditure of INR 73,92,000 (Principal INR 53,60,000 plus Interest INR 20,32,000) towards repayment of the aforesaid loan till 31.03.2019. Since the school has not been maintaining fund-based accounting with respect to transport charges, it cannot utilise schools' funds to provide services to the specific users which could have been used for payment of arrears of 7th CPC and investment in plan assets for gratuity and leave encashment. The surplus/deficit available for last 3 year has been taken into consideration and it was noted that school has generated surplus of INR 19,40,097 from the transport charges (Refer other Observations no.1) which has been adjusted from the above amount. Accordingly, the net amount of INR 54,51,903 (INR 73,92,000 minus INR 19,40,097) is recoverable from the society and has been included while deriving the fund position of the school. Further, the school is directed to ensure that capital assets are not procured from school funds unless savings are derived in accordance with Rule 177 of DSER, 1973.

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(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 had taken multiple loans for meeting capital requirements and other development work of the school. From FY 2014-15 to FY 2016-17, the school fund used for payment of these loans are as under:

Particulars	Term Loan from Corporation Bank	Loan against FDR	D. R. Dhingra Finance Company
Balance as on 31.03.2014	99,38,583	0	97,72,925
Balance as on 31.03.2015	56,57,899	18,08,746	74,17,139
Net Loan repaid during FY 2014-15	**42,80,684**	**0**	**23,55,786**
Balance as on 31.03.2015	56,57,899	18,08,746	74,17,139
Balance as on 31.03.2016	22,69,047	0	46,82,925
Net Loan repaid during FY 2015-16	**33,88,852**	**18,08,746**	**27,34,214**
Balance as on 31.03.2016	22,69,047	0	46,82,925
Balance as on 31.03.2017	0	0	0
Net Loan repaid during FY 2016-17	**22,69,047**	**0**	**46,82,925**
Net Loan repaid from FY 2014-15 to FY 2016-17	**99,38,583**	**18,08,746**	**97,72,925**
Total			**2,15,20,254**
Less: Amount already considered against additions to building **(Refer Financial Observations No.1)**			**61,59,328**
Balance amount recoverable from Society			**1,53,60,926**

Further, as per the audited financial statements for FY 20141-15, FY 2015-16 and FY 2016-17, the school has paid interest on secured loans of INR 24,19,542, INR 23,12,169 and INR 10,93,720 respectively. Accordingly, the total payment of INR 1,53,60,926 (Total repayment of INR 2,15,20,254 after deducting amount of INR 61,59,328 for construction of building dealt separately in financial Observations no.1) and payment of interest on loan of INR 49,45,431 (Total interest from FY 2014-15 to FY 2016-17 of INR 58,25,431 after deducting interest on vehicle loan of INR 8,80,000 paid till 31.03.2017, dealt separately in Financial Observations No. 2) is required to be recovered from the society.

Review of the documents submitted by the school post personal hearing, it has been noted that the school has not complied with the above-mentioned directions and the aforesaid recovery is still pending. Therefore, the school is hereby directed to comply with the above-mentioned directions and recover the above amount of INR 1,53,60,926 for principal repayment and INR 49,45,431 for interest cost from the society within 30 days from the date of issue of this order. Accordingly, this amount of INR 2,03,06,357 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 (the form of investments to be made against liability towards retirement benefits) as:

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

Further, Para 60 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states *"A defined benefit scheme is a scheme under which amounts to be paid as retirement benefits are determined usually by reference to employee's earnings and/or years of service"*.

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.

The school has got the actuarial valuation report for its liability towards gratuity and leave encashment and has recorded equivalent liability in its books of the accounts. As per the audited financial statements for the FY 2018-19, the total liability towards retirement benefit was INR 1,22,61,699 against which the school has invested INR 76,06,526 with LIC (deposit receipts provided by the school.

Therefore, the amount deposited by the school in plan assets amounting to INR 76,06,526 has been considered while deriving the fund position of the school. Since, the amount invested by the school has already been considered in the calculation of fund position of the school, therefore, the provision of INR 43,91,024 debited by the school in income and expenditure account for the FY 2018-19 has not been considered in order to avoid duplicity. The school is hereby directed to invest an amount equivalent to its liability as determined by the actuary in 'plan-assets' ass per AS-15.

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*".

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

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

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

Based on the presentation made in the audited financial statements of FY 2018-19, it has been noted that the school has transferred funds from general fund to depreciation reserve fund for which no explanation was provided by the school. Further, the school has not provided any reasonable justification for non-maintenance of the depreciation reserve fund, equivalent to the deprecation charged to revenue accounts.

Also, the school has reported the value of fixed assets purchased from development fund and general fund, on the face of the financial statements at written down value. In addition to that, the school instead of maintaining development fund utilization account and treating it as deferred income as required by para 99 of the GN-21 cited above, has been transferring an amount equivalent to the cost of assets purchased out of development fund to general fund which results in overstatement of general fund.

Similar observation was noted in previous year's order No. F.DE.15(255)/PSB/2019/1455-1459 dated 29.03.2019, issued to the school post evaluation of enhancement for the academic session 2017-18 wherein the school was instructed to maintain depreciation reserve fund equal to the depreciation charged in the revenue account if the school wish to collect development fee in future and to credit deferred income against the development fund utilised for purchase of assets. The school was also directed to provide basis of adjustment of development fund account by transferring INR 13,81,149 to "Vaish Education Foundation Account" for which school has not submitted any clarification.

Hence, the school is again directed to maintain depreciation reserve fund equivalent to depreciation charged in the revenue account and do not charge the development fee until it starts complying with the aforesaid direction and submit the compliance status within 30 days from the date of issue of this order. Further, the school should present the fixed assets at historical cost in the financial statements for succeeding years and submit the documents clarifying transfer made to the Society.

6. 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.*" Further, 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, 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 recognised 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

The aforementioned order was also upheld by the Hon'ble Supreme Court in the case of Modern School vs Union of India & Others. Further, as per Section 13 of Right to Education Act, 2009, the school should not charge capitation fee from the students at the time of admission. Further, the Supreme Court in its Judgement dated 02.05.2016 in the matter of Modern Dental College and Research Centre Vs. State of Madhya Pradesh [Medical Council of India] held that education is a noble profession. *"Every demand of capitation fee by educational institutions is unethical & illegal. It emphasised that the commercialization and exploitation is not permissible in the education sector and institutions must run on 'no-profit-no-loss' basis".*

Hon'ble Supreme Court categorically held that *"Though education is now treated as an 'occupation' and, thus, has become a fundamental right guaranteed under Article 19(1) (g) of the Constitution, at the same time shackles are put in so far as this particular occupation is concerned, which is termed as noble. Therefore, profiteering and commercialization are not permitted, and no capitation fee can be charged. The admission of students has to be on merit and not at the whims and fancies of the educational institutions,"*

As per 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 wherein the school was directed to not charge "Activity charges" which is a capitation fee from next academic session.

It has been noted that the school's fee structure for the FY 2018-19 includes 'Activity charges' which is being collected from the students at the time of admission. The school collect this one-time fee of INR 30,000 from each student at the time of admission. However, the school has not provided any details for which this one-time charge is being collected. Further, this one-time collection is nothing but in the nature of capitation fee which is not in compliance with the above-mentioned provisions.

Therefore, the school is directed to not charge such capitation fee from the students and collect only the prescribed heads of fee in accordance with the provisions cited above.

B. Other Observations

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

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

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

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

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

From the information provided by the school and taken on record, it was noted that the school charges earmarked levies in the form of Transport fee, Activity, smart class & IT fees, Magazine fee and Mid-day meal fee from 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 utilised for meeting other expenses of the school, or has been incurring losses (deficit), which has been met from other fees/income. Detailed calculation of surplus/deficit, based on breakup of expenditure provided by the school are given below:

Particulars	Transportation Fees^	Activity, Smart Class & I.T Fees	Magazine Fees*	Mid-day Meals
For the year 2016-17				
Fee Collected during the year (A)	1,04,13,380	1,07,96,817	3,54,340	72,800
Expenses during the year (B)	87,84,081	25,30,623	-	76,650
Difference for the year (A-B)	**16,29,299**	**82,66,194**	**3,54,340**	**-3,850**
For the year 2017-18				
Fee Collected during the year (A)	1,14,53,870	1,11,09,140	7,58,362	1,12,250
Expenses during the year (B)	1,07,71,276	65,10,622	2,33,000	1,15,950
Difference for the year (A-B)	**6,82,594**	**45,98,518**	**5,25,362**	**-3,700**
For the year 2018-19				
Fee Collected during the year (A)	1,12,59,780	1,07,93,800	3,61,550	1,03,500
Expenses during the year (B)	1,16,31,576	89,87,982	-	1,08,280
Difference for the year (A-B)	**-3,71,796**	**18,05,818**	**3,61,550**	**-4,780**
Total	**19,40,097**	**1,46,70,530**	**12,41,252**	**-12,330**

^ 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.

*The School collected magazine fee during FY 2016-17 to FY 2018-19 and spectrum magazine fee in FY 2017-18 however, expenses incurred by the school against such levy were not provided.

From the above table, 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 Activity, Smart class and I.T fee from all the students which loses the character of earmarked levies. Therefore, the school may be directed to stop the collection in the name of such fee with immediate effect.

Since, the school is not following fund base accounting in accordance with the provision cited above. The total fee (including earmarked fee) has been included in income and expenditure and have been considered in calculation of fund availability with the school and school is directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from students. Unintentional surplus/deficit, if any, generated from earmarked levies has to be utilised or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate 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 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 wherein it was noted:

- Fixed assets register for each financial year was prepared separately. In the fixed assets register for FY 2013-14, opening balance of the fixed assets were not mentioned and only fixed assets purchased during the year were recorded.
- In the fixed assets register for FY 2014-15, 2015-16 and 2016-17, only quantitative details were carried forward.
- On sample basis, fixed assets register for FY 2015-16 were reviewed against the invoices for purchase of fixed assets for the year. In some cases, value of purchase as per fixed assets register and value as per fixed assets schedule are not tallying for each of the assets reviewed.
- The fixed assets register was not maintained properly and complete details of assets such as units, value and location, etc., are not mentioned in the register. School submitted that the register was not updated.
- Also, no physical verification of the fixed assets was carried out during the period of evaluation.

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

Hence, the school is directed to comply with the above-mentioned directions by preparing the FAR with relevant details mentioned above according to the process for periodic physical verification of assets and document the results of physical verification of assets as the same shall be verified at the time of evaluation of fee hike proposal for subsequent year. This being a procedural observation, no financial impact is warranted in the fund position of the school.

3. On review of submission of documents made post personal hearing, it has been noted that the school had 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 was 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.

The fact that school has been procuring services from D.R Dhingra Finance Limited and Sneh tourist corporation both being headed by Subash Dhingra who is the chairperson of Sneh International School. Therefore, he will be the related party of the school, accordingly the school should disclose all the transactions with respect to related party after following the due procurement process.

Accordingly, the school is directed to follow proper procurement process and maintain 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. Direction no. 3 of the public notice dated 04.05.1997 published in the Times of India states "*No security/ deposit/ caution money be taken from the students at the time of admission and if at all it is considered necessary, it should be taken once and at the nominal rate of INR 500 per student in any case, and it should be returned to the students at the time of leaving the school along with the interest at the bank rate.*"

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

On review of financial statements for FY 2017-18, It has been noted that school has not been refunding the caution money to all the leaving students rather the refund was made only to those students who makes an application for refund of caution money. School has also not refunded interest along with caution money to exiting students. Further, the school has not provided the calculation for amount of unclaimed caution money payable to the ex-students.

Therefore, the school is directed to ensure compliance with the aforementioned directions including refund of caution money along with interest to exiting students and treat un-claimed caution money as income after the expiry of 30 days from the date of communication with ex-students to collect the same. Further, the balance of caution money outstanding INR 7,29,343 as on 31.03.2018 has been considered while deriving the fund position of the school.

5. As per 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, it was 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.

As per school, the details of EWS students and total number of students are as follows:

Particulars	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Total Students	1444	1559	1647	1711	1741

EWS Students	226	244	264	280	289
% of EWS students	16%	16%	16%	16%	17%

As per table above, it can be noted that the school still has not been complying with the directions of the Directorate and conditions of land allotment letter. Therefore, the concerned DDE (District) is requested to look into this matter and ensure compliance with the above directions.

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 observations 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
(a) GST and Income Tax Audit with effect from 1 Apr 2019
(b) All Audit and Assurance Functions with effect from 1 Jul 2019

Therefore, generation of UDIN has been made mandatory for all audit and assurance functions like documents and reports certified/ issued by practicing Chartered Accountants from 1 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 Jun 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."

Though the financial statements for FY 2016-2017 to FY 2018-2019 submitted by the school were signed by the Chartered Auditor with reference to its Auditor's Report of even date, the audit report of the Chartered Accountant was not enclosed along with any of the financial statements (3 years) submitted by the school. Also, in respect of the financial statements of the school dated 11 Sep 2019, it could not be verified if the Chartered Accountant had generated UDIN for the same as mandated by ICAI. Also, UDIN was not mentioned on the financial statements for FY 2018-2019 submitted by the school. Therefore, authenticity of the audit and that of the financial statements 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 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 2018-2019 assuming the same as unaudited/provisional 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 are issued on its final accounts by practicing Chartered Accountant and the same comply with the requirements enunciated by their regulatory body i.e. The Institute of Chartered Accountants of India.

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 2018-19 amounting to INR **15,14,83,879** out of which cash outflow is estimated to be **INR 14,14,77,572**. This results in net surplus of INR **1,00,06,306**. The details are as follows:

Particulars	**Amount in INR**
Cash and Bank balances as on 31.03.18 as per Audited Financial Statements	42,20,301
Investments in FDRs as on 31.03.18 as per Audited Financial Statements	25,24,851
Investment with LIC as on 31.03.18 as per Audited Financial Statements	4,00,000
Liquid funds as on 31.03.18	**71,45,151**
Add: Recovery from the society for additions to building **(Refer Financial Observations No. 1)**	61,59,328
Add: Recovery from the society towards amount spent on purchase of buses out of school funds **(Refer Financial Observations No. 2)**	54,51,903
Add: Repayment of term loan along with interest taken for meeting capital requirements and other development work **(Refer Financial Observations No.3)**	2,03,06,357
Add: Fees for FY 2018-19 as per Audited Financial Statements **(Refer Note 1 below)**	12,25,62,224
Add: Other income for FY 2018-19 as per audited Financial Statements **(Refer Note 1 below)**	11,27,732
Total Available funds for FY 2018-19	**16,27,52,695**

Particulars	Amount in INR
Less: Investment with Secretary, CBSE **(As per School's submission)**	25,24,851
Less: Development Fund Balance as on 31.03.2018 **(Refer Financial Observations No. 5)**	4,02,517
Less: Caution money as on 31.03.2018 (as per audited financial statements for FY 2017-18) **(Refer Other Observations no. 4)**	7,29,343
Less: Investment made with LIC against provision made for retirement benefits **(Refer Financial Observations No. 4)**	76,06,526
Less: ATL Fund **(Refer Note 2 below)**	5,580
Net Available Funds for FY 2018-19	**15,14,83,879**
Less: Expenditure as per audited financial statements for the session 2018-19 **(Refer Note 3 below)**	13,00,07,517
Less: Arrears of salary as per previous order **(Refer Note 4 below)**	1,14,70,055
Surplus	**1,00,06,306**

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

Note 2: Amount received towards specific purpose has been excluded.

Note 3: All expenditure as per audited financial statements has been considered except provision for gratuity and leave encashment as described in financial observation no. 4 above.

Note 4: The Directorate vide Order No. DE.15 (318)/PDB/2016/18117, dated 25.08.2017, the Managing Committee of all the private unaided recognized schools were directed to implement the Central Civil Revised Pay Rules 2016 in respect of the regular employees of the corresponding status in their schools with effect from 01.01.2016 as adopted by the Government of NCT of Delhi vide its circulars No. 30-3(17)/(12)/VII Pay Comm./Coord./2016/110006-11016 dated 19.08.2016 and No. 30-3(17)/(12)/VII Pay Comm./Coord./2016/12659-12689 dated 14.10.2016. Further, vide order No. F.DE.15/ (318)/PSB/2019/11925-30 dated 09.10.2019, the managing committee of all Private Unaided Schools once again directed to implement the recommendation of 7th CPC with effect 01.01.2016 within 15 days from the date of issue of aforesaid order.

Further, section 10 of DSEA states "*the scales of pay and allowances, medical facilities, mention, gratuity, provident fund and other prescribed benefits of the employees of recognized private school shall not be less than those of the employees of the corresponding status in school run by the appropriate authority*". Therefore, employees of all the private unaided recognized schools are entitled to get the revised pay commission. This legal position has been settled by the Hon'ble High Court long back at the in the matter of WPC 160/2017; titled as Lata Rana Versus DAV Public School & Ors vide order dated 06.09.2018 for implementation of sixth pay commission recommendations.

It has been noted that School Management has not yet implemented the recommendations of 7th CPC with effect from 01.01.2016 on the ground of insufficient funds with the school.

While as per Directorate's Order no. F.DE.15(255)/PSB/2019/1455-1459 dated 29.03.2019 issued post evaluation of fee increase proposal of the school for the FY 2017-18, wherein school was directed to implement the recommendations of 7th CPC, but the school has not complied with the direction mentioned in the previous year's order. Accordingly, the arrears towards 7th CPC as determined by the department in its last order amounting to INR1,14,70,055 has been considered and any subsequent arrears if any has not been considered because the same has not been reported by the school in its audited financial statements.

ii. In view of the above examination, it is evident that the school has sufficient funds to carry on the operation of the school for the academic session 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 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.*"

WHEREAS, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that though certain financial observations exist (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural observations noted (appropriate instructions against which have been given in this order), the fee increase proposal of the school may be rejected.

AND WHEREAS, the recommendation of the team of Chartered Accountants along with relevant materials were put before the Director (Education) for consideration and who after considering all the material on the record, and after considering the provisions of section 17 (3), 18(5), 24(1) of the DSEA, 1973 read with Rules 172, 173, 175 and 177 of the DSER, 1973 has found that the school has sufficient funds for meeting its financial implication for the academic session 2018-19. Therefore, Director (Education) has rejected the proposal submitted by the school to increase the fee for the academic session 2018-19.

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, 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 2018-19 of **Sneh International School, A-2 Block, New Rajdhani Enclave, Vikas Marg, Delhi-110092 (School Id: 1003247)** has been rejected by the Director (Education). Further, the management of said school is hereby directed under section 24(3) of DSEA 1973 to comply with the following directions:

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 2018-19. In case, the school has already charged increased fee during FY 2018-19, 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
Sneh International School (School ID: 1003247)
A-2 Block, New Rajdhani Enclave, Vikas Marg, Delhi-110092
No. F.DE.15(708)/PSB/2022 / 4320-4324 Dated: 07/06/22
Copy to:

1. P.S. to Principal Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. DDE (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