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

No. F.DE.15(589)/PSB/2022/ 3630-3634 **Dated:** 26/05/22

ORDER

WHEREAS, **Sachdeva Public School (School ID-1411221), FP Block, Mayur Enclave, Pitampura, New Delhi-110088** (hereinafter referred to as "School"), run by the Shri Laxman Dass Sachdeva Memorial Educational Society (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 authorized 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/ other 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 & 2019-20.

AND WHEREAS, in pursuance to Order dated 27.03.2019 of the DoE, the School submitted its proposal for enhancement of fee for the academic session 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 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.

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 03.12.2019 to present its justifications/ clarifications on fee increase proposal including audited financial statements. Based on discussions, the School was further asked to submit necessary documents and clarification on various issues were noted. During the aforesaid hearing, compliances against Order No. F.DE.15(254)/PSB/2019/1450-1454 dated 29.03.2019 issued for academic session 2017-18, was also discussed and submissions taken on record.

AND WHEREAS, the response of the school along with documents uploaded on the web portal for fee increase, and subsequent documents submitted by the school, were evaluated by the team of Chartered Accountants, the key findings 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.

Based on the above-mentioned provisions, the cost relating to land and construction of the school building should be met by the society, being the property of the society not from the school funds.

The DoE in its Order no. F.DE.15(254) PSB/2019/1450-1454 dated 29.03.2019, noted that the school spent INR 1,83,01,522 and INR 29,72,409 on addition to the building during the FY 2014-15 and 2015-16 respectively without complying without Rule 177 of DSER 1973.

The school also purchased the two mini buses for INR 30,00,000 by taking loan of INR 28,13,800 (i.e. INR 8,98,000*2 + INR 5,08,900*2) during the FY 2014-15 and for purchase of these mini buses the school paid down payment of INR 1,86,200 from the School funds. In last three financial years, the School paid INR 20,95,602 towards principal repayment and INR 4,21,554 towards interest cost thereon. In the aforesaid order, the school was directed to recover this amount of INR 2,39,77,287 from the Society. From review of the documents submitted by the school, it has been noted that this amount is pending for recovery until now.

Review of the audited financial statements of FY 2017-18, revealed that the School has further paid INR 7,18,198 towards repayment of loan and interest cost thereon out of the School funds in contravention of above-mentioned provisions. Accordingly, the total amount of INR 2,46,95,485 (INR 2,39,77,287 plus INR 7,18,198) spent by the School for addition to building and purchase of mini buses, has been included while deriving the fund position of the school considering the same as funds available with the school. The school is again directed to recover the aforesaid amount from the Society within 30 days from the date of issue of this order.

2. Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/ KKK/883-1982 dated 10.02 2005 issued by this Directorate states *"Capital expenditure cannot constitute a component of the financial fee structure. Salaries and allowances are revenue expenses incurred during the current year and therefore, have to come out of the fee of the current year while capital expenditure/investments have to come from savings."* The same was also upheld by the Hon'ble Supreme Court of India in the matter of Modern School Vs Union of India & OINR Further, section 18(4) (a) of DSEA, 1973 states *"Income derived by unaided schools by way of fees shall be utilised only for such educational purposes as may be prescribed".*

   The DoE in its Order no. F.DE.15(254) PSB/2019/1450-1454 dated 29.03.2019 issued post evaluation of fee increase proposal of FY 2017-18, observed that the school purchased vehicles of INR 26,49,000 and INR 15,11,718 during FY 2015-16 and 2016-17 out of the school funds. This capital expenditure was incurred without complying with the requirements of Rule 177 of DSER, 1973. In the aforesaid order the school directed to recover INR 41,60,718 the same from the Society which is still pending for recovery. Therefore, the above direction has been continued and once again 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.

3. As per the DSEAR, 1973 any amount collected by the school should be utilised for imparting better education to the students and not for any other purposes or donation. However, on review of the financial statement it has been noted that the school has donated INR 1,98,200 and INR 46,000 during FY 2017-18 and FY 2018-19 respectively. This expenditure cannot be considered for educational purpose. It is also important to mention that similar observation was also noted in DOE Order No. F.DE.15(254) PSB/2019/1450-1454 dated 29.03.2019 issued for academic session 2017-18, wherein the school had donated INR 2,13,600 from FY 2014-15 to FY 2016-17.

   Therefore, the total amount of donations paid out of the school funds totalling to INR 4,57,800 is hereby added while deriving 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.

4. As per 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

   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 defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date."*

From review of the audited Financial Statements of FY 2017-18, it has been noted that the school has created provision for gratuity and leave encashment for INR 8,85,49,070 as per actuarial valuation report determined by the actuary and has invested INR 3,46,10,850 in plan assets in accordance with AS-15. Accordingly, the amount of invested by the school in plan assets of INR 3,46,10,850 during the FY 2017-18 has been considered while deriving the fund position of the school. Therefore, the school is directed to deposit remaining liability in plan assets as per the requirements of AS-15 and submit the compliance report within 30 days from the date of issue of this order. As per the

5. Clause 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 the financial statements, it has been noted that the school has been collecting caution money from the students. But only principal amount is being refunded to the students at the time of his or her leaving from the school which is not in accordance with the clause 18 of the order dated 11.2.2009 and clause 3 of the Public Notice dated 04.05.1997. The school is hereby directed to comply with the above-mentioned provisions with respect to caution money collected from the student. Further, the amount refundable of INR 4,42,140 as on 31.03.2018 as reported in the audited Financial Statements has been considered while deriving the fund position of the school.

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.*"

   Para no. 22 of Order No. F.DE./15(56)/ Act/2009/778 dated 11 Feb 2009 states "*Earmarked levies will be calculated and collected on 'no-profit no loss' basis and spent only for the purpose for which they are being charged.*"

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

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

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

The information provided by the school were taken on record, it has been noted that the school charges earmarked levies in the form of Transport Fees, Smart Class fees, Examination Fees, Science Fees, Computer Fees, Health & Hygiene Fee and Information Practice Fee from students. However, the school has not maintained separate fund accounts for the above -mentioned earmarked levies and the school was directed by this directorate through its order no F.DE.15(254) PSB/2019/1450-1454 dated 29.03.2019 issued for academic session 2017-18 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 utilized or adjusted against earmarked fees collected from the users in the subsequent year. The details of calculation of surplus/deficit, based on financial statements is given below:

Particulars	**Income**	**Expenditure**	**Net Surplus/(Deficit)**
Transportation Fee	3,89,58,800	3,89,30,892	27,908
Examination Fees	16,52,038	16,52,038	-
Smart Class Fees*	1,13,30,400	9,25,808	1,04,04,592
Health & Hygiene Fees	45,32,160	38,69,273	6,62,887
Science Fee*	17,31,600	-	17,31,600
Computer Fee*	8,64,300	8,64,859	(559)
Information Practice Fee*	9,74,400	-	9,74,400
Total	**6,00,43,698**	**4,62,42,870**	**1,38,00,828**

*The school has not provided corresponding expenditure incurred against the earmarked levies.

Earmarked levies are to be collected only from the user students availing the service/facility. In other words, if any service/facility has been extended to all the students of the school, a separate charge should not be levied for the service/facility as the same would get covered either under tuition fee (expenses on curricular activities) or annual charges (expenses other than those covered under tuition fee). The school is charging computer fee and co-curriculum fee from the students of all classes. Thus, the fee charged from all students loses its character of earmarked levy, being a non-user-based fee. Thus, based on the nature of computer fee and co-curriculum fee and details provided by the school in relation to expenses incurred against the same, the school should not charge such fee as earmarked levy and should incur the expenses relating to these either from the tuition fee or from the annual charges as applicable. The school explained that tuition fee collected from students is not sufficient to meet the establishment cost and annual charges are also not sufficient to meet other revenue expenses of the school. Thus, the surplus generated from earmarked levies has been applied towards meeting establishment cost/other revenue expenditure of the school. Accordingly, total fees (including earmarked fee) have been considered while deriving the fund position of the school.

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

Therefore, the school is hereby directed to maintain separate fund account depicting clearly the amount collected, amount utilized and balance amount for each earmarked levy collected from students for all earmarked levies collected from students. 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.

2. 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/utilisation 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 utilisation of each fund balance;
   (d) Restrictions, if any, on the utilisation of specific assets."

   From review of the audited financial statements for FY 2018-19, it has been noted that on utilisation of development fund, the school has treated development fund as deferred income to the extent of the cost of asset but has not transferred to the credit of income and expenditure account in proportion of depreciation charged every year on the assets purchased out of development fee. Therefore, school is directed to make necessary adjustments in development utilisation and general reserve as outlined in para 99 of guidance note on accounting by schools. This is being accounting issue not financial impact has been given while deriving the fund position of the school.

3. The school is not charging depreciation on building to the income and expenditure account in any of the FY 2016-17, 2017-18 and 2018-19 as required by Accounting Standard -6 on "Depreciation Accounting" or Revised Accounting Standard -10 "Property, Plant and Equipment" resulting in understatement of surplus/deficit as appearing in the financial statements. Therefore, the school is directed to comply with the accounting standard issued by ICAI.

4. The school has not prepared Fixed Assets Register (FAR) for keeping track of fixed assets purchased by it. 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 complete details of assets at one place.

   During the personal hearing, school mentioned that it will start preparing FAR from FY 2019-2020 onwards. The school is directed to prepare the FAR with relevant details mentioned above. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

5. As per Section 18(5) of the DSEA, 1973, the management 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.

Further, Rule 180 of DSER, 1973 states " (1) every unaided recognised private schools shall submit the returns and documents in accordance with Appendix-1, (2) Every return or documents referred to in sub-rule (1), shall be submitted to the Director by the 31st day of July of each year.(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 any officers authorised by the Comptroller and Auditor General of India"

And Section 24 (2) of DSA. 1973 states "The Director may arrange special inspection of any school on such aspects of its working as may, from time to time, be considered necessary by him".

Whereas Appendix-II to Rule 180 specify that "final accounts i.e. receipts, and payments account, income and expenditure account and balance sheet of the preceding year should be duly audited by Chartered Accountant.

It has been noticed that Financial Documents/ Certificates Attested by third person misrepresenting themselves as CA Members are misleading the Authorities and Stakeholders. ICAI is also receiving number of complaints of signatures of CAs being forged by non CAs.

To curb such malpractices, the Professional Development Committee of ICAI has come out with an innovative concept of UDIN i.e. Unique Document Identification Number which is being implemented in phased manner. It will secure the certificates attested/certified by practicing CAs. This will also enable the Regulators/Banks/Third parties to check the authenticity of the documents.

Accordingly, the Council in the 379th meeting of ICAI held on 17.12.2018 and 18.12.2018, made mandatory for all practicing member to obtain 18 digits UDIN before issuing any audits reports/ certification etc. in the following manner:

- All Certification done by Practising CAs w.e.f. 01.02.2019.
- All GST & Tax Audit Reports w.e.f. 01.04.2019.
- All other attest functions w.e.f. 01.07.2019.

However, on examination of the financial statements submitted by the school for evaluation of fee increase proposal for FY 2018-19, it has been observed that the financial statements of the school were certified by the Chartered Accountant without mentioning the UDIN as required by the council. This being the procedural finding therefore, the school management are instructed to ensure this compliance from the Auditor of the school.

After detailed examination of all the material on record and considering the clarification submitted by the school, it was finally evaluated/ concluded that:

i. The total available funds for the FY 2018-19 amounting to INR **28,92,52,215** out of which cash outflow for the FY 2018-19 is estimated to be INR **25,89,00,318**. This results in net surplus of INR **3,03,51,897**. The details are as follows:

Particulars	Amount (in INR)
Cash and Bank balances as on 31.03.18 as per Audited Financial Statements for the FY 2017-18	2,07,39,938
Investments as on 31.03.18 as per Audited Financial Statements for the FY 2017-18	3,56,38,262

Particulars	Amount (in INR)
Liquid Fund as on 31.03.2018	**5,63,78,200**
Add: Recoverable from society for additions made in the building and purchase of bus **(Refer Financial Observation No. 1)**	2,46,95,485
Add: Amount recoverable for purchase of luxury car **(Refer Financial Observation No. 2)**	41,60,718
Add: Amount recoverable from the society for donations **(Refer Financial Observation No. 3)**	4,57,800
Add: Fees for FY 2018-19 as per Audited Financial Statements **(Refer Note 1 Below)**	23,36,36,324
Add: Other income for FY 2018-19 as per audited Financial Statements **(Refer Note 1 Below)**	59,87,090
Total Available Funds for FY 2018-19	**32,53,15,617**
Less: FDR with joint name of School Manager and CBSE as on 31.03.2018	10,10,402
Less: Development Fund **(Refer Note 2 Below)**	-
Less: Depreciation Reserve Fund **(Refer Note 3 Below)**	-
Less: Earmarked Investment with LIC towards Gratuity and Leave Encashment **(Refer Financial Observation No. 4)**	3,46,10,860
Less: Caution Money **(Refer Financial Observation No. 5)**	4,42,140
Net Available Funds for FY 2018-19	**28,92,52,215**
Less: Actual Expenses for the FY 2018-19	23,38,57,673
Less: Arrears of 7th pay commission for the period July 2017 to Mar 2019 **(Refer Note 4 Below)**	2,50,42,645
Net Surplus	**3,03,51,897**

Note 1: Fee and income as per audited financial statements FY 2018-19 has been considered except INR 6,33,320 profit on sale of fixed assets being non-recurring income.

Note 2: As per the previous year order the school was directed follow para 99 of the Guidance Note-21 with respect to development fund collected and utilized. However, on review of the audited financial statements of 2017-18 and 2018-19, it has been noted that development fund balance as on 31.03.2018 was INR 7,81,15,892 which has been reduced the drastically to INR (1,92,90,725) as on 31.03.2019. As the development fund balance went negative as on 31.03.2019 after passing the accounting entries indicates that the school has not done correct accounting treatment in accordance with the GN -21. Therefore, no amount with respect to development has been considered while deriving the fund position of the school.

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

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

Further, Clause 7 of order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and clause 14 of the order no F.DE./15(56)/Act/2009/778 dated 11.02.2009, "*development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixture and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund will be kept in a separately maintained Development Fund Account*". Thus, the above direction provides for:

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

Thus, the creation of the depreciation reserve fund is a pre-condition for charging of development fee, as per above provisions and the decision of Hon'ble Supreme court in the case of Modern School Vs Union of India & Ors.: 2004(5) SCC 583. Even the Clause 7 of the above direction does not require to maintain any investments against depreciation reserve fund. Also, as per para 99 of Guidance Note-21 'Accounting by School' issued by the Institute of Chartered Accountants of India states "Where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year."

Accordingly, the depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue account) is mere of an accounting head for the appropriate accounting treatment of depreciation in the books of account of the school in accordance with Guidance Note -21 issued by the Institute of Chartered Accountants of India. Thus, there is no financial impact of depreciation reserve on the fund position of the school. Accordingly, the depreciation reserve fund of INR 72,70,282 as reported by the school in the audited financial statements for the FY 2017-18 has not been considered while deriving the fund position of the school.

Note 4: All expenditure as per the audited financial statements has been considered except depreciation of INR 1,16,98,058 being non-cash item.

Note 5: Review of audited financial statements of the school and as per explanation provided by the school, it has been noted that the school has been paying salary as per the recommendation of VI pay commission. Accordingly, the impact of salary arrears amounting to INR 2,50,42,645 which is still pending for payment (as provided by the school) has also been considered while deriving the fund position of the school with the direction to the school to implement the recommendations of 7th CPC in full within 30 days from the date of issue of this order. A strict action against the school would be initiated u/s 24(3) of DSEA, 1973 for non-compliance with the direction cited above.

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

AND WHEREAS, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that along with certain financial and other findings that 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 rejected.

AND WHEREAS, it has been noted that the school is required to recover INR 2,93,14,003 from the Society on account of construction to the building, purchase of car and payment of donation out of the school fund without complying with the provision of DSEAR 1973 and other order/ circular issued by Director of Education from time to time in this regard. Thus, the school is directed to recover INR 2,93,14,003 from the society. The amount of above receipt along with copy of bank statement showing the receipt of above-mentioned amount should be submitted with DoE, in compliance of the same, within 30 days from the date of issuance of this order.

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

Accordingly, it is hereby conveyed that the proposal of fee increases for the academic session 2018-19 of **Sachdeva Public School (School ID-1411221), FP Block, Mayur Enclave, Pitampura, New Delhi-110088** has been rejected by the Director (Education).

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

1. Not to increase any fee/charges during FY 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 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
Sachdeva Public School (School ID-1411221),
FP Block, Mayur Enclave, Pitampura,
New Delhi-110088,

No. F.DE.15 (589)/PSB/2022/3630-3634

Dated: 26/05/22

Copy to:

1. P.S. to Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. DDE (North West B) to ensure the compliance of the above order by the School Management.
4. In-charge (I.T Cell) with the request to upload on the website of this Directorate.
5. Guard file.

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