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

No. F.DE.15 (600)/PSB/2022/ 3539 – 3543 Dated: 25/05/22

Order

WHEREAS, **S.D. Public School, (School ID- 1411213), BU - Block, Pitampura, Delhi-110088,** (hereinafter referred to as "**the School**"), run by the **S.D Education Trust** (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, 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 para's 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 this Directorate **S.D. Public School, BU - Block, Pitampura, Delhi- 110088, (School ID- 1411213)** submitted its proposal for enhancement of fee for the academic session **2019-20**. Accordingly, this order is dispensed off the proposal for enhancement of fee submitted by the school for the academic session **2019-20**.

AND WHEREAS, in order to ensure that the proposals submitted by the schools for fee increase are justified or not, this Directorate 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 DSEA, 1973, the DSER, 1973 and other orders/ circulars issued from time to time by this Directorate for fee regulation.

AND WHEREAS, in the process of examination of fee hike proposal filed by the aforesaid School for the academic session 2019-20, necessary records and explanations were also called from the school through email. Further, the school was also provided an opportunity of being heard on 04.11.2019 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.DE15 (258)/PSB/2019/1415-1419 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 after evaluation of fee proposal of the school the key observations and status of compliance against order no. F.DE15 (258)/PSB/2019/1415-1419 dated 29.03.2019 issued for academic session 2017-18 are as under:

A. Financial Observations

1. Clause 2 of the Public Notice dated 04.05.1997 states "*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 Oct 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 Feb 2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*"

   Further, 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 aforesaid provisions and Judgement of the Hon'ble Court, the cost relating to land and construction of the school building has to be met by the society, being the property of the society not from the school funds.

   However, on review of the audited financial statements of the School, it has been observed that the school has made additions under the head of building amounting to INR. 4,89,158 in FY 2017-18 which not in accordance with the aforesaid provisions. Further, this capital expenditure was incurred on the building without complying the requirements prescribed in Rule 177 of DSER, 1973.

   As per Order No. F.DE15 (258)/PSB/2019/1415-1419 dated 29.03.2019, direction was given for recovery of INR 13,92,054 for the expenses incurred on building in FY 2015-16 to 2016-17, which was incurred without complying the requirements prescribed in Rule 177 of DSER, 1973. However, during personal hearing, school has submitted that it has not recovered any amount from the society as this expenditure is related to renovation of classrooms and since, the amount was huge and thus it was capitalised. School submission cannot be considered as the expenditure incurred was of capital nature and the financial statement has been duly audited by the Chartered Accountant without questioning the capitalisation of above expense. Moreover, this justification of school doesn't seem logical because despite of allowing fee increase to the school for the academic session 2017-18, the school has not implemented the recommendation of the 7th CPC with effect from 01.02.2016 rather continuously incurring expenditure on building and other capital expenditure. During personal hearing the school has explained that it has implemented 7th CPC with effect from 01.04.2019.

The school has incurred INR 70,46,240 for construction of sports complex in FY 2018-19 which is part of the building. Therefore, it has been excluded from the calculation of funds available for the school as per clause 2 of Public Notice dated 04.05.1999.

Accordingly, amount of INR 89,27,452 (INR 13,92,054 plus INR 4,89,158 plus INR 70,46,240) is hereby added to the fund position of the school with the direction to the school to recover the same from the society within 30 days from the date of this order.

2. Rule 175 of Delhi School Education Rules, 1973 states "*the accounts with regard to the Recognised Unaided School Fund, shall be so maintained as to exhibit, clearly the income accruing to the school by way of fees, fines, income from building rent, interest, development fees, collections for specific purposes, endowments, gifts, donations, contributions to Pupil's Fund and other miscellaneous receipt.*"

Section 2(v) of "Delhi School Education Act 1973" read as under; "school property" means all movable and immovable property belonging to, or in the possession of, the school and all other rights and interests in, or arising out of, such property, and includes land, building and its appurtenances, playgrounds, hostels, furniture, books, apparatus, maps, equipment, utensils, cash, reserve funds' investments and bank balances;

Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 166-170 dated 26.12.2016 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 and Order no. F.DE 15 (258)/PSB/2019/1415-1419 dated 29.3.2019 issued to the school post evaluation of proposal for enhancement of fee for academic session 2017-2018, it was noted that the trust/society is receiving rent from Book Shop, Canteen Shop and Tailor Shop that are operating in the school, which is non-compliance to Rule 175 of Delhi School Education Rules, 1973. And the direction was given to school to recover INR. 53,94,240 from the society as these income belongs to school for the financial year 2013-14 to 2017-18.

The reply submitted by the school taken on record, on examination of the reply submitted by the school it has been noted that the school has received INR 40,00,000 from the society in FY 2018-19. However, on review of receipt and payment account of FY 2018-19, it has been noted that INR 40,00,000 were inclusive of rental income of INR 19,81,540 accrued for the FY 2018-19. Therefore, out of total recoverable of INR 53,94,240 the school had recovered only INR 20,18,460 (i.e., INR 40,00,000 less INR 19,81,540) and shown the balance amount as loan from society instead of crediting it to the General Fund. So, the school is required to pass the correct accounting entry in respect of the amount received from the society towards rental income by debiting the "S D Education Trust Loan" and crediting to General Fund amounting to INR 20,18,460.

Accordingly, the balance amount of INR 33,75,780 which is still recoverable from the society and has been included in the calculation of fund availability 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. Rule 177 of DSER, 1973 *states "(1) 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 managing committee for meeting for meeting the capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely:

a. *ward of the scholarships to students,*
b. *establishment of any other recognized school, or*
c. *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.*

(2) The savings referred to in sub-rule (1) 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 development nature,
(c) the expansion of the school building or for the expansion or construction of any building or establishment of hostel or 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."

It was observed that the school had paid INR 1,11,400 as scholarships to students during FY 2016-2017, which as per above mentioned rule is inappropriate considering that the school has not complied with the requirements of sub-rule 2 of Rule 177 of DSER 1973. The school explained that the above scholarship was given to one of the Meritorious Students (Deepanshu Jindal of Class XII) for his brilliant academic of scoring 1st position in IIT JEE Main. Since he was student from EWS category, and this assistance was given to support his fees for IIT Delhi. This observation was also noted in DoE's Order no. F.DE 15 (258)/PSB/2019/1415-1419 dated 29.3.2019 issued to the school post evaluation of proposal for enhancement of fee for academic session 2017-2018 and school was directed to recover this amount from the society

Since the school has not recovered the scholarship amount of INR 1,11,400 has been considered 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.

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

Further, Accounting Standard-15 states "*Accounting for defined benefit plans is complex because actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses.*" Further, according to para 7.14 of the Accounting Standard 15 "*Plan assets comprise:*

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

On examination of the financial statements of the FY 2018-19 it has been noted that the school has neither obtained actuary report for the retirement benefit (gratuity and leave encashment) nor it has provided for any liability in its financial statements. Also, the school has not deposited any amount in investments that qualifies as 'Plan Assets' as per Accounting Standard 15.

As per audited financial statements of FY 2018-19 of the school, total liability for gratuity and leave encashment amounting INR 2,88,64,716 and INR 1,18,44,587 respectively as calculated by the Management. Also, the school has not deposited any amount in investments that qualifies as 'Plan Assets' as per Accounting Standard 15. During the hearing the school has confirmed that gratuity and leave encashment is being recorded on actual payment basis.

Accordingly, the school is directed to obtain actuarial valuation of its liability towards gratuity and leave encashment and report the same in its financial statements as provision for retirement benefits. The school should also start creating investment against retirement benefits in accordance with Accounting Standard 15. In absence of actuarial valuation and provision in financial statements, no amount has been adjusted towards retirement benefits while deriving the fund position of the school.

5. Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/ 883-1982 dated 10 Feb 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.*"

   Further, Clause 14 of this DoE's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states "*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.*"

   As per Order no. F.DE 15 (258)/PSB/2019/1415-1419 dated 29.03.2019 for the academic session 2017-18 issued to the school post evaluation of proposal for enhancement of fee for FY 2017-2018 noted that school had purchased bus amounting to INR 20,20,328 in FY 2016-17 and reflected the same as utilization of development fund, which was a non-compliance of above provisions.

   Accordingly, the amount spent by the school on purchase of bus of INR 20,20,328 was recoverable from the society which is still pending for recovery. Accordingly, the amount of INR 20,20,328 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 issue of this order.

B. Other Observations

1. As per clause 19 of Order No. F.DE./15(56)/Act/2009/778 dated 11.02.2009 states "*The tuition fee shall be so determined as to cover the standard cost of establishment including provisions for DA, bonus, etc., and all terminal, benefits as also the expenditure of revenue nature concerning the curricular activities.*"

   Further clause 21 of the aforesaid order states "*No annual charges shall be levied unless they are determined by the Managing Committee to cover all revenue expenditure, not included in the tuition fee and 'overheads' and expenses on play-grounds, sports equipment, cultural and other co-curricular activities as distinct from the curricular activities of the school.*"

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

   Para no. 22 of Order No. F.DE./15(56)/ Act/2009/778 dated 11 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.*"

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."

Also, earmarked levies collected from students are a form of the 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 the financial statements of the School for the FY 2016-17 to 2018-19 it has been noted that the school charges earmarked levies in the form of Computer Fee, Transport Fees, Science fee, Computer aided learning fee, other levies, Insurance/ Activities Charges 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. This was also mentioned in DOE's order no. F.DE 15 (258)/PSB/2019/1415-1419 dated 29.03.2019 for the academic session 2017-18. Details of surplus/deficit in respect of earmarked levies for the FY 2016-17 to 2018-19 is as under:

Particulars	**Computer Fee & Science**	**Transport Fee**	**Computer Aided Learning Fees**	**Other Levies**	**Insurance /Activity Charges***
For the year 2016-17					
Fee Collected during the year (A)	10,57,505	56,88,575	23,99,400	9,28,760	-
Expenses during the year (B)	10,07,484	54,81,127	19,09,364	11,18,289	
	50,021	**2,07,448**	**4,90,036**	**(1,89,529)**	**0**
For the year 2017-18					
Fee Collected during the year (A)	11,20,945	63,10,750	24,55,510	9,50,520	-
Expenses during the year (B)	10,71,715	56,92,482	18,68,655	8,01,636	-
Difference for the year (A-B)	**49,230**	**6,18,268**	**5,86,855**	**1,48,884**	**0**
For the year 2018-19					
Fee Collected during the year (A)	9,83,205	64,77,350	24,03,663	9,30,550	20,61,600

Expenses during the year (B)	11,59,812	61,54,534	19,96,659	7,35,019	18,11,373
Difference for the year (A-B)	**(1,76,607)**	**3,22,816**	**4,07,004**	**1,95,531**	**2,50,227**
Total (Surplus)	**(77,356)**	**11,48,532**	**14,83,895**	**1,54,886**	**2,50,227**

* New head Introduce by the school in FY 2018-19 as earmarked levies.

Based on the aforesaid provisions, 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 aided learning fees, Diary/I-card/Worksheets and Activity fees etc. from the students of all classes. Thus, the fee charged from all students loses its character of earmarked levy, being a non-user-based fees. Thus, based on the nature of the Computer aided learning fees and Activity fees and details provided by the school in relation to expenses incurred against the same, the school should not charge such fee as earmarked fee with immediate effect and should incur the expenses relating to these from tuition fee and annual charges, as applicable collected from the students. As per reply submitted by the school, the school explained that it works on the principles of no-profit and no-loss and separate ledgers of the earmarked levies have been maintained, which itself show that each earmarked levy has been kept separately and expenses are used only for the purpose for which these are collected. While the school has explained its position and the way it has been preparing its ledger account, it has not maintained separate fund account for each earmarked levy. Accordingly, total fees (including earmarked fee) total expenses (included those for earmarked purposes) is considered while deriving the fund position of the school.

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. Unintentional surplus, if any, generated from earmarked levies must be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised 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. Also, the school is required to make necessary adjustment entries for the surplus/deficit transferred to general fund account.

Further, as per Order No. DE.15/Act/Duggal.Com/ 203/99/23033-23980 dated 15.12.1999, the recognized private unaided school can collect following fees from the students/ parents:

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

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

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

From the above examination it has been noted that the school has introduce new head "Insurance/Activity Charges' which is being collected from all students and during the personal hearing the school has explained that it has been utilised towards abacus activity fee, Vedic math fee, e-learning fee, insurance of the students and other activities which not in accordance with the aforesaid provisions. Therefore, the school is directed immediately stop collection in the name 'Insurance/Activity Charges' and submit the compliance report within 30 days from the date issue of this order.

Further, for evaluation of the fee hike proposal for FY 2018-19, the above-mentioned fee has been included in the income of the school while deriving the fund position.

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. 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, clause 14 of DoE's Order No. F.DE/15 (56) /Act /2009 / 778 dated 11.02.2009 states that development fee should be utilized only for purchase, up gradation and replacement of furniture, fixture, and equipment

On review of audited financial statements of the 2017-18 and 2018-19 it has been noted that the school transferred an amount equivalent to the purchase cost of the assets from development fund to general reserve instead of accounting treatment as indicated in the guidance note cited above. Further, the school adjusted depreciation for the year on entire fixed assets from development fund instead of charging the same in the Income and Expenditure Account of the school.

Also, the school has prepared a consolidated fixed assets schedule giving details of all assets carried over by the school in its audited financial statement for FY 2017-18 and 2018-19 and has not prepared separate fixed assets schedules for assets purchased against development fund and those purchased against general reserve.

Due to this, the school is directed to make necessary rectification entries relating to development fund, depreciation reserve account, development fund utilisation account to comply with the accounting treatment as indicated in the Guidance Note and clause 14 of the order dated 11.02.2009 from financial year 2015-16 at least. Further, the school should prepare separate fixed assets schedule for assets purchased against development fund and other assets purchased against general reserve fund.

- Details of Depreciation Reserve fund created in contravention of clause 14 of the order dated 11.02.2009 i.e., out of development fund during FY 2015-16 to 2018-19 are as under:

Particulars	Amount (in INR)	Direction
FY 2015-16	24,27,981	Rectification of accounting entries is required as per clause 14 of the order dated 11.02.2009 and Guidance note-21
FY2016-17	24,44,465	
FY 2017-18	21,79,749	
FY 2018-19	25,32,089	
Total	**95,84,284**	

Details of Fixed assets purchased out of development fund in contravention of clause 14 of order dated 11-02-2009 during FY 2015-16 to 2018-19 are as under:

Particulars	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	Direction
Building	-	9,57,554	4,89,158	70,46,240	Recoverable from society included in point no. 1 under Financial Observations
Library Books	21,878	5,161	744	19,264	Rectification in the books of account is required
Total in INR	**21,878**	**9,62,715**	**4,89,902**	**70,65,504**	

Further, in accordance with Clause 14 of DoE's Order No. F.DE./15 (56) /Act /2009 / 778 dated 11.02.2009 states "*Development fee, not exceeding 15% ... ... 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*", the school is required to maintain development fund in a separate bank account. However, the school has not opened a separate bank account for deposit and utilisation of development fund till date. Accordingly, no interest has been credited by the school to development fund account.

The school is directed to follow directions in this regard and maintain development fund in a separate bank account and credit the interest income earned on investments made from development fund to the development fund account. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school. However, during the personal hearing and as per the reply submitted by the school has confirmed that the proper care will be taken for compliance of Guidance Note and requirement of clause 14 of the Order dated 11.02.2009.

3. 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.*"

The school has not maintained separate bank account for deposit of caution money collected. Also, the school had not refunded interest on caution money along with the refund of caution money. Also, the school has not recorded unclaimed caution money as income after expiry of 30 days from the date of communication to the ex-students to collect caution money. This observation was also noted in the order no. F.DE 15 (258)/PSB/2019/1415-1419 dated 29.3.2019 issued by the Directorate of Education for the academic session 2017-18.

However, the reply submitted by the school were taken on record and as per the reply, the school confirmed that it would recognise the balance un-refunded caution money, if any as income after 30 days of sending letters to the last known addresses of the students to collect their caution money. Accordingly, the closing balance of caution money refundable of INR 6,58,000 as on 31.03.2019 has been considered in the calculation for evaluation of fee increase proposal for the academic session 2019-20. And the school is directed to comply with the aforesaid provision and submit the compliance report within 30 days from the date of issue of this order.

4. As Order no. F.DE-15/ACT-I/ WPC-4109/ PART/13/ 166-170 dated 26.12.2016 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 and order no. F.DE 15 (258)/PSB/2019/1415-1419 dated 29.03.2019 issued by the Directorate of Education for the academic session 2017-18 noted that the school is charging late fees of INR 20 per day for delay which is non-compliance to rule 166 of Delhi School Education Rules, 1973 which states that "*school shall charge fine for late payment of fees or contributions at the rate of 5 paisa per day after 10th day of the month for which the fees is due.*"

   On review of the financial statements of FY 2017-18 and 2018-19 noted that the school is continuing charging late fees as highlighted in the above-mentioned orders. Accordingly, the school is directed to ensure compliance with the directions of the Directorate's Order. And this amount has been included in calculation of available fund of the school.

5. The school has prepared a Fixed Asset register (FAR) in the form of a stock register that only captures asset name, date, and amount. The school should also include details such as supplier name, invoice number, 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.

   During the personal hearing, the school confirmed that it will update the FAR as per the above-mentioned recommendations. The school is directed to update the FAR with above mentioned details. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school

6. 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 & Ors.*** (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.

On review of fee receipts and fee structures submitted by the school, it has been noted that the school had increased the fee from 7% to 10% under the following heads during FY 2016-17 and FY 2017-18 without prior approval from the Directorate of Education. The details of fee increase by the school are as under:

Heads of Fee	Class	FY 2015-16 (in INR)	FY 2016-17 (in INR)	FY 2017-18 (in INR)	% increase in 2016-17	% increase in 2017-18
Tuition Fee	LKG to V	2,550	2,805	3,085	10%	10%
	VI to VIII	2,620	2,880	3,165	10%	10%
	IX to X	2,670	2,935	3,225	10%	10%
	XI to XII	2,820	3,100	3,410	10%	10%
Science Fee	XI & XII	170	185	200	9%	8%
Computer Fee	XI & XII	265	290	315	9%	9%
Development Fee	LKG to V	380	415	455	9%	10%
	VI to VIII	390	425	465	9%	9%
	IX to X	400	440	480	10%	9%
	XI to XII	420	460	505	10%	10%
Cal Fee	Nur to XII	135	145	155	7%	7%
Annual Charges	Nur to XII	4,150	4,565	5,020	10%	10%
Other Levies		50	55	60	10%	9%

This being serious observation, and the school the strictly directed not to increase any fee without prior approval of the Director of Education in future in order to avoid stringent action against the school u/s 24(4) the DSEA, 1973 and ensure the payment to the staff are being made as per section 10(1) DSEA, 1973. Failure to comply with this direction, the department shall Suo moto determine the fee structure of the school without giving any further opportunity of being heard. The fee collected by the school has been duly considered while deriving the fund position of the school for FY 2019-20.

Further, the concerned Deputy Director are required to look into this matter and submit report of compliance within 30 days from the date of issue of this order.

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 2019-20 amounting to INR **10,58,89,084** out of which cash outflow in the FY 2019-20 is estimated to be INR **9,12,22,109.** This results in net surplus amounting to INR **1,46,66,975** for FY 2019-20 after all payments. The details are as follows:

Particulars	**Amount in INR.**
Cash and Bank balances as on 31.03.19 as per Audited Financial Statements	30,49,039
Investments as on 31.03.19 as per Audited Financial Statements	81,20,860
Liquid Fund as on 31.03.2018	**1,11,69,899**
Add: Recovery of additions to building reflected in financial statement for FY 2014-15, 2016-17, 2017-18 and 2018-19 from the Society **[Refer Financial Observation No. 1]**	89,27,452
Add: Recovery of rent received by the Society from Book shop, Canteen shop and Tailor shop **[Refer Financial Observation No. 2]**	33,75,780
Add: Scholarship paid to students to be recovered from Society **[Refer Financial Observation No. 3]**	1,11,400
Add: Recovery from society against purchase of bus **[Refer Financial Observation No. 5]**	20,20,328
Add: Fees as per the Audited Financial Statement for the FY 2018-19 (we have assumed that the amount received in FY 2018-19 will at least accrue in FY 2019-20)	7,76,80,911
Add: Other income for FY 2017-18 as per audited Financial Statements (we have assumed that the amount received in FY 2018-19 will at least accrue in FY 2019-20)	44,49,261
Add: Increased fee @15% of tuition fee (as per Directorate order no. F.DE.15(258)/PSB/2019/1415-1419 dated 29.03.2019)	76,30,806
Total Available Funds for FY 2018-19	**11,53,65,837**
Less: FDR submitted to DoE and CBSE as on 31-03-2018	14,84,251
Less: Caution Money balance as on 31-03-2018 **[Refer Other Observations No. 3]**	6,58,000
Less: Development Fund **(Refer Note- 1)**	73,34,502
Net Available Funds for FY 2018-19	**10,58,89,084**
Less: Budgeted expenses for the session 2019-20 (after making adjustment) **(Refer Note- 2 & 3)**	**9,12,22,109**
Less: Arrears of salary to be paid to the staff as per VII pay commission (as per school submission) **(Refer Note- 4)**	-
Net Surplus	**1,46,66,975**

Note- 1: The Supreme Court in the matter of Modern School held that development fees for supplementing the resources for purchase, up gradation and replacements of furniture and fixtures and equipment can by charged from students by the recognized unaided schools not exceeding 15% of the total annual tuition fee. Further, the Directorate's circular no. 1978 dated 16.04.2010 states "All schools must first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase. Over several years, the school has accumulated development fund and has reflected the closing balance of INR 50,53,777 in its audited financial statements of FY 2018-19. Accordingly, the accumulated reserve of development fund created by the school by collecting development fee is more than its requirement for purchase, up gradation and replacements of furniture and fixtures and equipment has been considered as free reserve available with the school. However, development fund equivalent to amount collected in FY 2018-2019 amounting INR 73,34,502 from students has not been considered as fund available with the school.

Note 2: Depreciation being non-cash expense, it would not result in cash outflow. Thus, it has not been considered in the determination of fee increase for the FY 2019-20.

Note- 3: Further under the following heads the School has proposed expenditure for FY 2019-20 in excess of 10% as compared to the actual expenditure incurred in FY 2018-19 for which the school has not offered satisfactory explanation/ justification. Therefore, the aforesaid expenditure in excess of 10% over the previous year have not been considered in the evaluation of fee increase proposal.

Particulars	**FY 2018-19**	**FY 2019-20**	**Net Increase/ (Decrease)**	**% Change**	**Amount disallowed in excess of 10%**
Advertisement Expenses	2,49,436	5,00,000	2,50,564	100%	2,25,620
Sports Expenses	22,700	7,00,000	6,77,300	2984%	6,75,030
Miscellaneous Expenses	13,065	50,000	36,935	283%	35,629
Total	**2,85,201**	**12,50,000**	**9,64,799**		**9,36,279**

Note- 4: As per reply submitted by the school and taken on records, the school has explained that the school will implement the recommendation of 7th CPC w.e.f. 01.04.2019. Therefore, no arrears salary on account of 7th CPC has not been included in the above calculation. Further, the school has explained that it will neither collect arrears fees, nor it will pay arrears to the staff. However, in the budget estimates for FY 2019-20, there is increase in estimated salary cost @30% as compare with actual salary cost of FY 2018-19, the same is due to impact of 7th CPC which is already considered by school in its budget estimates for FY 2019-20. Hence, the impact of 7th CPC arrear salary has not been considered in the fund position calculation.

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 2019-20 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 that along with certain financial and other observations that were identified (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural observations which were also noted (appropriate instructions against which have been given in this order), that the sufficient funds are available with the school to carry out its operations for the academic session 2019-20. Accordingly, the fee increase proposal of the school may be rejected.

AND WHEREAS, it is noticed that the school has utilised INR 1,44,34,960 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 1,44,34,960 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 the school has sufficient funds for meeting financial implication for the academic session 2019-20. Therefore, Director (Education) has rejected the proposal submitted by the school to increase the fee for the academic session 2019-20.

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

Accordingly, it is hereby conveyed that the proposal of enhancement of fee for academic session 2019-20 of **S.D. Public School, BU - Block, Pitampura, Delhi- 110088, (School ID- 1411213),** has been rejected by the Director of Education.

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

1. Not to increase any fee in pursuance to the proposal submitted by school on any account for the academic session 2019-20 and if the fee is already increased and charged for the academic session 2019-20, the same shall be refunded to the parents or adjusted in the fee of subsequent months.

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
S.D. Public School,
BU - Block, Pitampura,
Delhi- 110088, (School ID- 1411213)

No. F.DE.15 (600)/PSB/2022/3539 - 3543

Dated: 25/05/22

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 (North West B) 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