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

No. F.DE.15(480)/PSB/2022 / 2663-2667 **Dated:** 10/05/22

ORDER

WHEREAS, **Vikas Bharti Public School, Sector-24, Rohini, Delhi-110085 (School ID: 1413196),** (hereinafter referred to as **"the School**"), run by the **Gugan Solanki Memorial Educational Society (Regd.)** (hereinafter referred to as the "**Society"**), is a private unaided school recognized by the Directorate of Education, Govt. of NCT of Delhi (**hereinafter referred to as "DoE"),** under the provisions of Delhi School Education Act & Rules, 1973 (**hereinafter referred to as "DSEAR, 1973"**). The School is statutorily bound to comply with the provisions of the DSEAR, 1973 and RTE Act, 2009, as well as the directions/guidelines issued by the DoE from time to time.

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

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

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

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

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

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

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

"27....

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

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

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

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

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

AND WHEREAS, in pursuance to order dated 27.03.2019 of the DOE, the **Vikas Bharti Public School, Sector-24, Rohini, Delhi-110085 (School ID: 1413196),** submitted the proposal for fee increase for the academic session **2019-20**. Accordingly, this order dispenses the proposal for enhancement of fee submitted by the School for the academic session **2019-20**.

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 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 10.07.2020 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/ACT-I/WPC-4109/PART/13/897 dated 15.09.2017 issued for academic session 2016-17 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 "*income derived by an unaided recognized school by way of fees shall be utilized in the first instance, for meeting the pay, allowances and other benefits admissible to the employees of the school. Provided that savings, if any, from the fees collected by such school may be utilized by its management committee for meeting capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely award of scholarships to students, establishment of any other recognized school, or assisting any other school or educational institution, not being a college, under the management of the same society or trust by which the first mentioned school is run. 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 must be met by the society, being the property of the society and the school funds should not be used for the same.

The review of the audited financial statements for the FY 2018-19, revealed the Gross Block of Building INR 25,67,83,911 (gross block) and the corresponding capital contribution from the society is INR 2,59,17,050. Thus, the remaining cost of building amounting to INR 23,08,66,861 was met through term loan(s) taken from the Yes Bank. And to make repayment of the aforesaid term loan the school has utilized its overdraft facilities and the school funds. The details of term loan repayment and the source of funds which has been used by the school in last three financial years (i.e. from 2016-17 to 2018-19) are provided below.

Particulars	Amount in INR
Principal repayment of term loan (A)	10,55,62,109
Add: Interest payment* (B)	3,57,10,981
Total payment including interest (C = A+B)	**14,12,73,090**
Less: Overdraft Utilized (D)	5,82,18,524
School Funds (C-D)	**8,30,54,566**

*Total interest amount from the income and expenditure account has been taken in the absence of loan wise interest details.

From the above calculation, it can be easily observed that the school has paid INR 14,12,73,090 towards principal repayment and interest thereon by utilizing its overdraft facilities of INR 5,82,18,524 and schools Funds of INR 8,30,54,566. Accordingly, the school funds which have been used by the school for construction of the school building are not in accordance with the above-mentioned provisions and Rule 177 of the DSER, 1973. Therefore, this amount of INR 8,30,54,566 is recoverable from the society, being the responsibility of the society. Accordingly, this 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. The school is further directed not to incur any expenditure which is directly or indirectly related to the construction of the school's building.

Thus, the interest expense budgeted by the school of INR 1,28,28,000 for the FY 2019-20 has been excluded from the total expenditure of the school.

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.*"

Whereas Rule 176 and Rule 177 of the DSER, 1973 states "*fees/funds collected from the parents/students shall be utilized strictly in accordance with the aforesaid rules*". 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.*"

Based on the above-mentioned provisions, the school can incur the capital expenditure only if, the school has savings in accordance with Rule 177 of the DSER, 1973. However, the review of audited financial statements for the FY 2016-17 to FY 2018-19, revealed that the school took a loan from Yes Bank for purchase of buses without complying with the provisions of Rule 177 of the DSER, 1973. The details of school funds used by the school in repayment of loans have been provided below.

Particulars	HDFC Car loan	Yes Bank-1	Yes Bank-2	Total in INR
Cost of Bus (A)	25,65,704	20,22,000	20,22,000	66,09,704
Amount of Loan (B)	20,80,000	14,00,000	14,00,000	48,80,000

Particulars	HDFC Car loan	Yes Bank-1	Yes Bank-2	Total in INR
Down payment (C)=A-B	4,85,704	6,22,000	6,22,000	17,29,704
Outstanding Amount of Loan as on 31.03.19 (D)	16,65,435	7,92,776	7,92,776	32,50,987
Repayment of Loan till 31.03.2019 (E)=B-D	4,14,565	6,07,224	6,07,224	16,29,013
Payment out of School's Funds (F)=E+C	**9,00,269**	**12,29,224**	**12,29,224**	**33,58,717**

From the above it can be seen that the school fund is being used for repayment of the loan taken for purchase of buses. Further, the school has not been following fund base accounting with respect to transport facilities. As the transport facilities are utilized by the some of the students of the school, therefore, the cost of such facilities cannot be extended on all the students of the school who have not been utilizing the transport facilities. Therefore, the school funds of INR 33,58,717 which has been utilized by the school for repayment loan on purchase of buses is hereby added in the calculation of available funds of the school with the direction to the school to recover this amount form the society within 30 days from the date of issue of this order.

Further, amount budgeted by the school towards interest has been excluded from the budgeted expenditures of the school (already included in observation no. 1 above)

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 review of the audited financial statements of FY 2018-19, revealed that the school incurred capital expenditure of INR 25,65,704 for purchase of Car by taking loan from the HDFC bank. The amount spent by the school out of the school's funds is not in accordance with Rule 177 of DSER, 1973. Therefore, the school funds of INR 9,00269 [i.e. INR 20,80,000 (loan amount) minus 16,65,435 (loan balance as on 31.03.2019 plus INR 4,85,704 (down payment) excluding interest because the same has already been included in observations 1] used by the school in repayment this loan is recoverable from the society.

Further, the Directorate in its order no. F.DE.15/ACT-I/WPC-4109/PART/13/897 dated 15.09.2017 issued for academic session 2016-17, observed that the school has purchased Cars in FY 2013-14 and FY 2015-16 for INR 32,28,993 and INR 7,35,357 respectively out of school funds and the school was directed to recover this from the society which is still pending for compliance. Therefore, the total amount of INR 48,64,619 is hereby added to the fund position of the school, considering the same as fund available with the school and with the direction to recover this amount from the society within 30 days from the date of issue of this order. Further, the school is directed to ensure that capital assets are not procured from the school funds unless savings are derived in accordance with Rule 177 of DSER, 1973 and the school funds should not be utilized in repayment of the above loan.

Further, amount budgeted by the school towards interest has been excluded from the budgeted expenditures of the school (already included in observation no. 1 above)

4. Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India (ICAI) 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 t 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 documents submitted by the school post personal hearing were taken on record, from review of those documents; it has been noted that the school has got the actuarial valuation report for its liability towards gratuity and leave encashment and reported the same in its audited financial statements. As per the audited financial statements of FY 2018-19, the total liability towards retirement benefit was INR 9,76,94,658. However, the school has not made any investment in plan assets against these provisions.

Since, the school has not invested any amount in plan assets, therefore, the total expenditure budgeted by the school minus actual payment made i.e., INR 1,80,08,779 (INR 2,30,00,000 minus INR 49,91,221 during the financial year 2018-19 has been excluded from the total expenditures of the school. The school is hereby directed to invest an equivalent amount of its liabilities in plan assets within 30 days from the date of issue of this order and submit the compliance report thereof.

5. Recruitment Rules prescribed under DSEA, 1973 defines various posts in the school, but does not include any position for Manager/Director. Further, Section 2(m) of DSEA, 1973 states "*Manager/Director in relation to a school, means the person, by whatever name called who is entrusted, either on the date on which this Act comes into force, or as the case may be, under a scheme of management made under section 5, with the management of the affairs of that school*".

Based on the above provisions, the manager or any other person by whatever name called cannot be treated as an employee of the school and is not entitled to salary as per the provisions of the DSEAR, 1973.

The review of the documents submitted by the school post personal hearing, revealed that the school has appointed 'Director' and has been paying monthly remuneration which is not in compliance with above mentioned provisions. The school paid remuneration to Director of INR 8,25,000 in FY 2015-16 and INR 9,00,000 in FY 2016-17. Therefore, the total payment of INR 17,25,000 to Director in the form of remuneration is recoverable from the Director/society and has been included while deriving the fund position of the school, considering the same as funds available with the school. Accordingly, the school is hereby directed to recover this amount from the Director/Society within 30 days from the date of issue of this order.

6. Section 18(4) DSEA,1973 states. "*(a) Income derived by unaided schools by way of fees shall be utilized only for such educational purposes as may be prescribed; and (b) Charges and payments realised and all other contributions, endowments and gifts received by the school shall be utilized only for the specific purpose for which they were realised or received*".

Further, the fees/ funds collected from the parents/students shall be utilized strictly in accordance with Rules 176 and 177 of the DSER-1973.

The review of the audited financial statements of the school revealed that the school has spent INR 4,39,501 (INR 2,40,300 in FY 206-17, INR 1,74,201 in FY 2017-18 and INR 25,000 in FY 2018-19) towards donations and subscriptions. The payment of donation and subscription fee by the school cannot be treated as educational expenditure and is not in accordance with the aforesaid provisions. Therefore, such expenditure has been included in calculation of fund position of the school with the direction to the school to recover this amount from the school management/ society within 30 days from the date of issue of this order. Further, the school is directed not to incur such type of expenditure out of the school funds in the subsequent year. Accordingly, the amount proposed by the school in its budget of INR 28,000 has been excluded from the budgeted expenditure of the school.

7. The review of the audited financial statements of the school for FY 2016-17,2017-18 and 2018-19 and ledger accounts submitted by the school with respect to the 'Repair and Maintenance-Building', revealed that the school been incurring heavy expenditure for repair and maintenance of the school building. During the last three financial years the school spent INR 2,63,24,312 on repair and maintenance of the school building. Further, the review of the documents submitted by the school, it appears that the above expenditure is of capital nature, while the school has reported the same as revenue expense in its Income and Expenditure Account. The ledger accounts include huge expenditure on purchase of cement bags, purchase of glass and aluminium from the vendor "Rohini Aluminium & Glass Fabricators" which seems to be of capital nature which is in contravention of the Rule 177 of the DSER, 1973.

Further, the direction no. 2 included in the Public Notice dated 04.05.1997 state "*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, the 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.*"

Therefore, based on the above-mentioned provisions, amount spent by the school of INR 2,63,24,312 on repair and maintenance of school building 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 and also ensure correct reporting of revenue and capital expenditure in the audited financial statements.

B. Other Observations

1. Rule 176 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 the 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 fee, Science fee, Edu Comp Fees, Computer fee and home science fee from the students. However, the school has not been following fund based-accounting for these earmarked levies. If there is surplus from earmarked levies, the same is utilized by the school for meeting other expenses of the school and if there is deficit the same is met from other fees/income. Details of calculation of surplus/deficit from earmarked levies, based on breakup of expenditure provided by the school for FY 2016-17, FY 2017-18 and FY 2018-19 are given below:

Particulars	Transport Fee^	Computer Fee	Edu Comp Fee*	Science Fee	Home Science Fee*
For the year 2016-17					
Fee Collected during the year (A)	2,08,95,765	5,61,950	52,89,150	11,45,605	1,20,600
Expenses during the year (B)	2,47,10,472	2,68,773	0	3,84,416	0
Difference for the year (A-B)	**-38,14,707**	**2,93,177**	**52,89,150**	**7,61,189**	**1,20,600**
For the year 2017-18					
Fee Collected during the year (A)	1,88,68,800	6,17,500	51,60,900	12,84,000	2,05,000
Expenses during the year (B)	1,35,79,269	4,51,854	-	7,28,720	-
Difference for the year (A-B)	**52,89,531**	**1,65,646**	**51,60,900**	**5,55,280**	**2,05,000**
For the year 2018-19					
Fee Collected during the year (A)	1,71,00,400	5,10,000	49,49,700	12,16,500	2,33,500
Expenses during the year (B)	1,67,64,163	12,73,969	-	14,46,194	-
Difference for the year (A-B)	**3,36,237**	**-7,63,969**	**49,49,700**	**-2,29,694**	**2,33,500**
Total (Surplus)	**18,11,061**	**-3,05,146**	**1,53,99,750**	**10,86,775**	**5,59,100**

^ The school has 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.

*School has charged Edu Comp Fee and Home Science Fee from FY 2016-17 to FY 2018-19. However, expenses incurred against the same has not been provided by the school.

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 Edu Comp Fee from all the students, which loses the character of earmarked levies. Therefore, the school is directed to stop the collection in the name of such fees 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 of the school and the school is directed to maintain separate fund account depicting clearly the amount collected, amount utilized and balance amount for each earmarked levy collected from students. Unintentional surplus/deficit, 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 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.

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

2. Para 99 of Guidance Note-21 Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India (ICAI) 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."*

Based on the presentation made by the school, in the audited financial statements of FY 2018-19, it has been noted that the school has reported the cost of assets purchased out of development fund as utilisation of development fund. However, amount shown as utilisation of development fund is not reconciling with the fixed asset schedule.

Therefore, the accounting treatment and presentation in the audited financial statements with respect to the collection and utilization of development funds is not in accordance accounting treatment prescribed in Guidance Note-21 issued by the ICAI. Hence, The school is directed to ensure that development fund collected should be utilized only towards purchase, upgradation and replacement of furniture, fixtures and equipment and development fund utilization account is maintained correctly and this development fund utilization account should be written off in the proportion of depreciation charged to the income and expenditure account.

3. On review of submission of documents made by school post personal hearing, it has been noted that the school has not been maintaining a fixed asset register (FAR) in proper format and is not updating the same on regular basis. 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.

   Therefore, the school is directed to comply with the directions given 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 finding, no financial impact is warranted in the fund position of the school.

4. On review of the documents submitted by the school post personal hearing, it has been noted that the school has 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 is done for the same. The school was not preparing any comparative statement for evaluating the quotations received from vendors and is not getting the same approved from the purchase committee. Also, the school does not have a process of maintaining gate inward and outward registers and stamping the invoice at entry gate.

   Accordingly, the school is directed to follow proper procurement process and maintain proper documentation in relation to procurements and purchases done by the school. Compliance of the above shall be verified at the time of evaluation of fee enhancement proposal for subsequent year.

5. As per disclosure requirement under new format for preparation of financial statements, *"an entity shall present comparative information in respect of the preceding period for all amounts reported in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information if it is relevant to understanding the current period's financial statements".*

   However, on review of audited financial statements for FY 2016-17 to FY 2018-19, it has been noted that the balance sheet and the income and expenditure prepared by the school does not include comparative figures for previous year which is not in compliance of above-mentioned provisions.

   Hence, the school is directed to prepare its financial statements as per new financial statement standards and show comparative figures for previous year along with current year figures as the same shall be verified at the time of evaluation of proposal for enhancement of fee for next financial year.

6. 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.*"

Clause 3 and 4 of Order No. DE/15/150/Act/2010/4854-69 dated 09.09.2010 stated *In case of those ex-students who have not been refunded the Caution money/Security deposit, the schools shall inform them (students) at their last shown address in writing to collect the said amount within thirty days. After the expiry of thirty days, the un-refunded Caution Money belonging to the ex-students shall be reflected as income for the next financial year & it shall not be shown as liability. Further, this income shall also be considered while projecting fee structure for ensuing Academic year".*

From review of the documents submitted by the school post personal hearing, it has been noted that school has stopped collecting caution money and transferred unclaimed caution money of INR 3,74,500 to income and expenditure in the FY 2018-19. Accordingly, outstanding caution money of INR 1,95,500 which is still refundable to the students as on 31.03.2019 has been considered while deriving the fund position 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 funds available for the Academic session 2019-20 amounting to **INR 23,00,91,301** out of which cash outflow is estimated to be **INR 24,87,37,844.** This results in estimated deficit of **INR 1,86,46,543** 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	5,40,547
Investments as on 31.03.19 as per Audited Financial Statements	7,09,905
Bank overdraft balance as on 31.03.19 as per Audited Financial Statements	(9,40,50,614)
Liquid fund as on 31.03.19	**(9,28,00,162)**
Add: Recovery from the society for additions to building (Refer Financial Observations No. 1)	8,30,54,566
Add: Recovery from the society for purchase of buses (Refer Financial Observations No. 2)	33,58,717
Add: Recovery from the society for purchase of Car (Refer Financial Observations No. 3)	48,64,619
Add: Recovery of Salary paid to the Manager of the School (Refer Financial Observations No.5)	17,25,000

Particulars	Amount in INR
Add: Recovery from the society for donations and subscriptions made by the school (Refer Financial Observations No.6)	4,39,501
Add: Recovery from the society for expenditure incurred for repair and maintenance which of capital nature (Refer Financial Observations No.7)	2,63,24,312
Add: Fees for FY 2018-19 as per Audited Financial Statements (Refer Note 1 below)	22,17,45,113
Add: Other income for FY 2018-19 as per audited Financial Statements (Refer Note 1 below)	13,32,203
Total available funds for FY 2019-20	**25,00,43,869**
Less: Development Fund Balance (Refer Note 2 below)	1,91,64,777
Less: Caution money as on 31.03.2019 (Refer Other Observations No. 6)	1,95,500
Less: Investment made with LIC against provision made for retirement benefits (Refer Financial Observations No. 4)	-
Less: ATL Grant Account	2,82,386
Less: FDR jointly in favour of school and DDE, NWB as on 31.03.2019	3,09,905
Estimated Available Funds for FY 2019-20	**23,00,91,301**
Less: Budgeted expenses for the session 2019-20 (Refer Note 3 below)	24,87,37,844
Less: Arrears of salary on implementation of 7th CPC (Refer Note 4 below)	-
Estimated Deficit	**1,86,46,543**

Note 1: Fee and income as per audited financial statements of FY 2018-19 has been considered assuming the income that accrued in FY 2018-19 will at least accrue to the school in FY 2019-20 except profit on sale of assets of INR 5,97,252, vacant land written off of INR 32,00,000 and Income to the extent of depreciation on development fund assets of INR 1,51,34,736.

Note 2: The Supreme Court in the matter of Modern School held that development fees for supplementing the resources for purchase, upgradation 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 the number of years, the school has accumulated development fund balance of INR 3,19,95,445 and reported the same 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, upgradation and replacements of furniture and fixtures and equipment. Therefore, has been considered as free reserve available with the school for meeting other expenses of the school such investment for retirement benefits etc., Therefore, the development fund equivalent to an amount collected in one year (FY 2018-19) from the students has been considered for deriving the fund position of the school, which is considered sufficient basis the spending pattern of the school.

Note 3: All budgeted expenditure proposed by the school has been considered in the above table including impact of salaries payable as per 7th CPC except the following:

Particulars	Disallowed Amount in INR)	Remarks
Provision for leave encashment and gratuity	1,80,08,779	Refer Financial Observations No. 4
Donations & Subscriptions	28,000	Refer financial Observations No.6
Interest on loan	1,28,28,000	Refer financial Observations No. 1,2 and 3 for details.
Total	**3,08,64,779**	

Note 4: There is no salary arrears on account of the 7th CPC as confirmed by the school because it has been paying salary to the teachers/staffs as per the recommendation of 7th CPC.

ii. The directions issued by the Directorate of Education vide 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.*"

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 irregularities, that the sufficient funds are not 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 accepted.

AND WHEREAS, recommendation of the team of Chartered Accountants along with relevant materials were put before the Director of Education for consideration and who after considering all the material on the record, and after considering the provisions of section 17 (3), 18(5), 24(1) of the DSEA, 1973 read with Rules 172, 173, 175 and 177 of the DSER, 1973 has found that funds are not available with the school for meeting financial implication for the academic session 2019-20.

AND WHEREAS, it is relevant to mention that Covid-19 pandemic had a widespread impact on the entire society as well as on general economy. Further, charging of any arrears on account of fee for several months from the parents is not advisable not only because of additional sudden burden fall upon the parents/students but also as per the past experience, the benefit of such collected arrears are not passed to the teachers and staff in most of the cases as was observed by the Justice Anil Dev Singh Committee during the implementation of the 6th CPC. Keeping this in view, and exercising the powers conferred under Rule 43 of DSER, 1973, the Director (Education) has accepted the proposal submitted by the school and allowed an increase in fee by 10% to be effective from 01 July 2022.

AND WHEREAS, it has been noted that the School has paid INR 11,97,66,715 towards repayment of loans, interest and repair and maintenance of school building, which is of capital nature, which is not in accordance with clause 2 of public notice dated 04.05.1997 and Rule 177 of DSER, 1973. Thus, the school is directed to recover INR 11,97,66,715 from the society. The receipt of the above amount along with the copy of the bank statement showing the 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, 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 2019-20 of **Vikas Bharti Public School, Sector-24, Rohini, Delhi-110085(School ID: 1413196)** has been accepted by the Director (Education) and the school is allowed to increase the fee by 10% to be effective from 01 July 2022.

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

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

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

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

Non-compliance of this order or any direction herein shall be viewed seriously and will be dealt with in accordance with the provisions of 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
Vikas Bharti Public School (School ID: 1413196)
Sector-24, Rohini, Delhi-110085
No. F.DE.15(480)/PSB/2022/2663-2667 Dated: 10/05/22

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) 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