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

No. F.DE.15 (1594 **)/PSB/2023/** 8902- 8906 **Dated:** 18/10/23

Order

WHEREAS **Saai Memorial School, Sai Bhawan, Facility Centre, Geeta Colony, Delhi - 110031 (School ld: 1003239)** (hereinafter referred to as "the School"), run by the Sai Memorial Education Society (hereinafter referred to as the "Society"), is a private unaided school recognized by the Directorate of Education, Govt. of NCT of Delhi (hereinafter referred to as "DoE"), under the provisions of Delhi School Education Act & Rules, 1973 (hereinafter referred to as "DSEAR, 1973"). The school is statutorily bound to comply with the provisions of the DSEAR, 1973 and RTE Act, 2009, as well as the directions/guidelines issued by the DoE from time to time.

AND WHEREAS, the manager of every recognized 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.'*

Thus, the Director (Education) has the authority to examine the full statement of fees filled under section 17(3) of the DSEA,1973 and returns and documents submitted under section 18(5) of DSEA,1973 read with rule 180(1) of DSER,1973.

AND WHEREAS, besides the above, the Director(Education) is also required to examine and evaluate the fee increase proposal submitted by the private unaided recognized schools for some of the schools which have been allotted from Director (Education) before any increase in fee.

AND WHEREAS, 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/2019/4440-4412 dated 08.06.2022, 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 academic session 2022-23.

AND WHEREAS, in pursuance to order dated 08.06.2022 of the DOE, the school submitted its proposal for increase of fee for the academic session 2022-23. Accordingly, the order dispenses the proposal for increase of fee submitted by the school for the academic session 2022-23.

AND WHEREAS, in order to examine the proposals submitted by the schools for fee increase for justifiability or not, the DoE has evaluated the fee increase proposals of the school carefully in accordance with the provisions of the DSEAR, 1973, and other Orders/ Circulars issued from time to time by the DoE.

AND WHEREAS, in the process of examination of fee increase proposal filed by the aforesaid School for the academic session 2022-23, necessary records and explanations were also called from the school through email. Further, the school was also provided an opportunity of being heard on 02nd May 2023 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. In the aforesaid personal hearing, compliance of Order No. F.DE.15/

(876)/PSB/2022/6056-6060 dated 28.07.2022 issued for FY 2018-19 and Order No. F.DE.15/(875)/ PSB/2022/6061-6065 dated 28.07.2022 issued for FY 2019-20 were also discussed with the school and the school's submissions were taken on record.

AND WHEREAS, on receipt of clarification as well as documents uploaded on the web portal for the fee hike post personal hearing, the fee hike proposal was evaluated by DOE and the key suggestions noted for improvement by the school are hereunder:

A. Financial Suggestions for Improvement

1. As per Rule 177 of DSER,1973 states *"income derived by an unaided private 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 1he 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. The abovementioned savings shall be arrived at after providing/or 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.*

    The Directorate in its Order No. F.DE-15/(588)/PSB/2018/30924-29 dated 30.11.2018 issued for FY 2017-18, Order No. F.DE. 15/(876)/PSB/2022/6056-6060 dated 28.07.2022 issued for FY 2018-19 and Order No. F.DE. 15/(875)/PSB/2022/6061-6065 dated 28.07.2022 issued for FY 2019-20 noted that the school had spent INR 13,81,769 for purchase of car out of the school funds without complying with the requirements of Rule 177 of DSEAR, 1973 and the school was directed to recover this amount from the society. However, this amount is still pending for recovery.

    The school in its compliance report dated 04.05.2023 has mentioned that the expenditure was incurred for the purpose of transportation of students. Although, the school in its previous reply submitted that *"the said treatment was done according to fund-based accounting principles and does not involve any misappropriation/deviation of funds as such".* The contention of the school is incorrect because Rule 177 of DSER, 1973 clearly specifies the manner in which the school fee/funds should be utilized.

    Based on the above-mentioned provisions and reply submitted by the school, INR 13,81,769 has been added to the funds available with the school 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 the order.

2. Clause 2 of Public notice dated 04.05.1997 states *"Schools are not allowed to charge building fund and development charges when the building is complete or otherwise, as it is the responsibility of the society. Society should raise such fund from their own sources because the immovable property of lhe School become the sole property of the society. Therefore, the students should not be burdened by way of collecting the building fund or development charges".*

Moreover, the Hon'ble High Court of Delhi in its Judgment dated 30.10.1998 in case of Delhi Abibhavak Mahasangh concluded that *"Tuition Fee cannot be fixed to recover capital expenditure to be incurred on the properties of the Society".* Also, clause (vii) 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 financial fee structure.*

Rule 177 of DSER,1973 states *"income derived by an unaided private 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 Schoof is run. The abovementioned 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 abovementioned provisions and pronouncement of court's judgement, the cost relating to land and construction of the School building has to be met by the society, being the property of the society and School funds i.e., fee collected from students is not to be utilised for the same.
The Directorate in its Order no. F.DE-15/(588)/PSB/2018/30924-29 dated 30.11.2018 issued for FY 2017-18, Order No. F.DE. 15/(876)/PSB/2022/6056-6060 dated 28.07.2022 issued for FY 2018-19 and Order No. F.DE. 15/(875)/PSB/2022/6061-6065 dated 28.07.2022 issued for FY 2019-20 noted that the school incurred expenditure for addition to auditorium, furnishing work related to building and lift elevator from FY 2014-15 to 2017-18 amounting to INR 1,68,88,475 and the school was directed to recover this amount from the society. However, the recovery is still pending.

The school in its compliance report has mentioned that the said capital expenditure is not on construction of building but only on renovation of the school. It is pertinent to mention here that previously, the school had submitted that *"the captioned expenditure has been incurred duly under* *the legal framework. The school is allowed to spend the tuition fee on the said development purposes on availability calculated under Rule 177 of DSER' 1973".* The school has been different response just to waive-off the observation of the department and to avoid the recovery from the society. The contention of the school is incorrect because, in accordance with the aforementioned provisions, the school is not allowed to meet the responsibility of the society.

On review of the audited financial statements of FY 2019-20 to FY 2021-22, it has been noted that the school has again incurred an additional expenditure on auditorium and furnishing work related to building which was also not in accordance with the above-mentioned provisions. Details of capital expenditure incurred by the school are provided below:

Particulars	**FY 2019-20 (INR)**	**FY 2021-22 (INR)**
Auditorium	-	6,25,500
Furnishing work	5,06,762	-
Office & Administrative Block	-	17,67,109
Total	**5,06,762**	**23,92,609**

Accordingly, the total expenditure amounting to INR 1,97,87,846 (INR 1,68,88,475 as directed in the previous orders plus INR 5,06,762 plus INR 23,92,609) incurred by the school on building has been added to the fund availability 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 the order.

3. As per Accounting Standard 15 – 'Employee Benefits' issued by the Institute of Chartered Accountants of India states *"'Accounting for defined benefit plans is complex because actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses."* Further, the Accounting Standard defines Plan Assets (the form of investments to be made against liability towards retirement benefits) as:

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

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

    The Directorate in its Order No. F.DE. 15/(876)/PSB/2022/6056-6060 dated 28.07.2022 issued for FY 2018-19 and Order No. F.DE. 15/(875)/PSB/2022/6061-6065 dated 28.07.2022 issued for FY 2019-20 directed the school to make investment in the plan assets defined in the AS-15 equivalent to the provision for gratuity and leave encashment.

    On review of the audited financial statements for FY 2019-20 to 2021-22, it is noted that the school has made provision for gratuity and leave encashment based on the actuarial valuation report. The total liability as per the actuarial valuation report was INR 1,16,76,447 for gratuity and INR

24,72,173 for leave encashment as on 31.03.2022. However, no amount is invested in the plan assets.

Accordingly, the school is again directed to deposit the amount in the plan assets with LIC (or other agency) as determined in actuary valuation report for gratuity and leave encashment and ensure that the amount deposited in plan assets is equivalent to the provision for gratuity and leave encashment.

Further, INR 30,00,000 proposed by the school for retirement benefits in its budget for FY 2022-23 has not been considered while deriving the fund position of the school.

4. Para 14.2 of the Accounting Standard 10- Fixed asset states that *"items of fixed asset that have been retired from the active use and are held/or disposal are stated at the lower of their net book value and net realisable value and are shown separately in the financial statement. Any expected loss is recognised immediately in the profit and loss account"*

On review of the audited financial statements of FY 2019-20 to FY 2021-22, it is noted that the school has reported sale of fixed assets as reduction from the gross value of the fixed assets which is not in accordance with the accounting treatment specified in AS-10 issued by ICAI. Accordingly, the cost of fixed assets reported by the school in its audited financial statements is not in accordance with accounting treatment specified in the Accounting Standard (AS-10).

Further, the Directorate's Order No. F.DE.15/(588)/PSB/2018/30924-29 dated 30.11.2018 issued for FY 2017-18, Order No. F.DE. 15/(876)/PSB/2022/6056-6060 dated 28.07.2022 issued for FY 2018-19 and Order No. F.DE. 15/(875)/PSB/2022/6061-6065 dated 28.07.2022 issued for FY 2019-20, noted similar observations and directed the school to pass the necessary rectification entries in the books of accounts and report the same in the audited financial statements. But the school has not complied with the above-mentioned directions.

Therefore. the school is hereby again directed to make necessary changes to the carrying amount of the fixed assets and submit the compliance report within 30 days from the date of issue of the order.

B. Other Suggestions for Improvement

1. Clause 19 of Order No. F.DE./15(56)/Act/2009/778 dated 11 Feb 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.*"

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

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

On review of audited financial statements for FY 2019-20 to 2021-22, it is noted that the school charges earmarked levies in the name of Transport Fee, IT Fee and Smart Class Fee and the school have maintained fund-based accounting for Transport Charges and IT Fee only. However, the receipts and expenditure against the Transport Charges and IT Fee are not routed through the income and expenditure account and the fund balance has been directly shown in the balance sheet. Further, the school has been generating surplus 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. The details of surplus/deficit of earmarked levies during FY 2019-20 to 2021-22 are as under:

Particulars	Transport Fee	Smart class Fee	IT Fee
For the year 2019-20			
Fee Collected during the year (A)	1,17,02,758	24,01,800	9,65,950
Expenses during the year (B)	1,21,28,357	24,83,549	9,13,642
Difference for the year (A-B)	**-4,25,599**	**-81,749**	**52,308**
For the year 2020-21			
Fee Collected during the year (A)	1,27,850	-	-
Expenses during the year (B)	5,04,850	9,93,587	3,63,440
Difference for the year (A-B)	**-3,77,000**	**-9,93,587**	-3,63,440
For the year 2021-22			
Fee Collected during the year (A)	3,850	-	400
Expenses during the year (B)	3,89,756	6,33,406	3,51,695
Difference for the year (A-B)	**-3,85,906**	**-6,33,406**	-3,51,295

Similar observations were also noted in the Directorate's Order No. F.DE. 15/(876)/PSB/2022/ 6056-6060 dated 28.07.2022 issued for FY 2018-19 and Order No. F.DE. 15/(875)/PSB/2022/ 6061-6065 dated 28.07.2022 issued for FY 2019-20.

Further, as per the Duggal Committee report, there are only four categories of fee that can be charged by a school. The first category of fee comprises of "registration fee and all One Time Charges" which is levied at the time of admission such as Admission and Caution Money. The second category of fee comprise of "Tuition Fee" which is to be fixed to cover the standard cost of the establishment and also to cover expenditure of revenue nature for the improvement of curricular facilities like Library, Laboratories, etc., and Science and Computer fee up to class X and examination fee. The third category of the fee should consist of "Annual Charges" to cover all expenditure not included in the second category and the fourth category should consist of all "Earmarked Levies" for the services rendered by the school and to be recovered only from the 'User' students. These charges are Transport Fee, Swimming Pool Charges, Horse Riding, Tennis, Midday Meals etc.

Based on the above-mentioned provisions, earmarked levies are to be collected only from the user students availing of 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 charging of unwarranted fee or charging of any other amount/fee under different heads other than prescribed and accumulation of surplus fund thereof prima-facie is considered as collection of capitation fee in other manner and form. The school is charging Smart class fee and IT Fee from the students of class pre-school to X which lose its character of earmarked levies. Therefore, the school is directed not to charge I.T. Fee and Smart Class fee from all the students.
Accordingly, 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. 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.

Unintentional surplus, if any, generated from earmarked levies must be utilized or adjusted against earmarked fees collected from the users in the subsequent year.

2. Clause 14 of the order no F.DE./15(56)/ Act/2009/778 dated 11.02.2009 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, fixture and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with income generated from the investment made out of this fund will be kept in a separately maintained Development Fund Account"*. Thus, the above direction provides for:

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

Also, para 99 of Guidance Note-21 'Accounting by School' issued by the Institute of Chartered Accountants of India states *"Where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year.*

Further para 67 of GN-21 States *"the financial statement should disclose, inter alia, the historical cost of fixed assets."*

On review of the audited financial statements of FY 2019-20 to FY 2021-22, it is noted that the school has not been charging depreciation in the income and expenditure account and the school randomly transfer some amount from general fund to deprecation reserve fund which is not in accordance with the clause 14 of the order dated 11.02.2009.

Further, upon utilization of development funds, the school transfers an amount equivalent to the assets purchased out of development fund to general funds, which is not in accordance with the accounting treatment specified in para 99 of the Guidance Note 21 cited above. The school, instead of treating this as a deferred revenue income, transferred the same to general funds, resulting in overstatement of the general fund balance with the notional amount.
Similar observations were noted in the Directorate's Order No. F.DE. 15/(876)/PSB/2022/6056-6060 dated 28.07.2022 issued for FY 2018-19 and Order No. F.DE. 15/(875)/PSB/2022/6061-6065 dated 28.07.2022 issued for FY 2019-20.

Further, during FY 2019-20 to 2021-22, it is noted that the school has utilized development fund for purchase of assets other than furniture, fixtures and equipment thereby not complying with the provisions of clause 14 of the order dated 11.02.2009. The details of misutilization of development fund is given below:

Particulars	**FY 2019-20**	**FY 2020-21**	**FY 2021-22**
Auditorium Fittings	-	-	6,25,500
Function Dresses	1,49,850	-	-
Furnishings	5,06,762	-	-
Library Books	30,553	-	-
Car	5,15,110	-	-
Furnishings - Office & Administrative Block	-	-	17,67,109
Artificial Grass	-	2,23,496	-
Total	**12,02,275**	**2,23,496**	**23,92,609**

Accordingly, the school is again directed to maintain the deprecation reserve fund as per clause 14 of the order dated 11.02.2009 and pass necessary rectification entries in its books of accounts. Also, the school is directed to utilize development fund for purchase, upgradation and replacement of furniture, fixtures and equipment and to comply with the provisions of Para 99 of Guidance Note 21 issued by ICAI.

3. The Fixed Asset Register should capture the details of the asset name, date of purchase and the amount serial number, location, invoice number, supplier, identification number, depreciation, etc. to facilitate identification of asset and documenting complete details of assets at one place.

The Directorate in its Order No. F.DE. 15/(876)/PSB/2022/6056-6060 dated 28.07.2022 issued for FY 2018-19 and Order No. F.DE. 15/(875)/PSB/2022/6061-6065 dated 28.07.2022 issued for FY 2019-20 noted that the school had not prepared Fixed Asset register (FAR) in proper format and captured the asset name, date of purchase and the amount in the FAR. Also, the school had not included complete details in the FAR such as amount, serial number, location, invoice number, supplier, identification number, depreciation, etc. to facilitate identification of asset and documenting complete details of assets at one place.

The school in its compliance report has mentioned that the school shall comply with the said direction and submit the requisite documentation at the earliest. This has been taken on record.

Accordingly, the school is again directed to prepare the FAR with relevant details mentioned above and the same shall be verified at the time of examination of fee proposal for next financial year. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

4. It was noted that the school was not complying with the DOE Order No.F.DE.15/Act-I/08155/2013/5506-5518 dated 04.06.2012 and condition mentioned at S. No. 18 in the land allotment letter which provides for 25% reservation to children belonging to EWS category.

Particulars	**FY 2019-2020**	**FY 2020-21**	**FY 2021-22**
Total Strength	1,910	1,864	1,788
EWS	294	321	337
% EWS to the total number of students	15.39%	17.22%	18.85%

As per table above, it can be noted that the school has not been complying with the directions of the Directorate and conditions of land allotment letter.

Similar observations were also noted in Directorate's Order No. F.DE. 15/(876)/PSB/2022/6056-6060 dated 28.07.2022 issued for FY 2018-19 and Order No. F.DE. 15/(875)/PSB/2022/6061-6065 dated 28.07.2022 issued for FY 2019-20.

Therefore, the concerned DDE (District) is requested to look into this matter and ensure compliance with the above directions.

5. As per clause 103 on Related Patty Disclosure, contained in Guidance Note 21 on 'Accounting by Schools', issued by the ICAI, there is requirement that keeping in the view the involvement of public funds, Schools are required to disclose the transactions made in respect of related parties.

The Directorate in its Order No. F.DE. 15/(876)/PSB/2022/6056-6060 dated 28.07.2022 issued for FY 2018-19 and Order No. F.DE. 15/(875)/PSB/2022/6061-6065 dated 28.07.2022 issued for FY 2019-20 noted that the School has not made any disclosure relating to related party transactions in its audited financial statements and the school was directed to comply with the above-mentioned provisions.

On review of the audited financial statements of FY 2019-20 to 2021-22, it is noted that the school has not made any disclosure relating to related party transactions in its audited financial statements. In the absence of such details, the purpose and genuineness of transactions entered between the related pa1ties cannot be determined. Therefore, the School is again directed to include such details in audited financial statements of the subsequent year.

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

i. The total funds available for the FY 2022-23 amounting to **INR 9,52,75,193** out of which cash outflow in the FY 2022-23 is estimated to be **INR 9,10,42,106.** This results in surplus of **INR 42,33,087** for FY 2022-23 after all payments. The details are as follows:

Particulars	**Amount (in INR)**
Cash and Bank balances as on 31.03.22 as per Audited Financial Statements	6,78,655
Investments as on 31.03.22 as per Audited Financial Statements	23,52,075
Liquid Funds as on 31.03.2022	30,30,730
Add: Recovery from society towards amount spent on building in contravention of clause 2 of Public notice dated 04.05.1997 and Rule 177 of DSEAR, 1973 (Refer Financial Suggestion No. 2)	1,97,87,846
Add: Recovery from society for purchase of vehicle in contravention of Rule 177 of DSEAR, 1973 (Refer Financial Suggestion No. 1)	13,81,769
Add: Fees for FY 2021-22 as per Audited Financial Statements (Refer Note 2 Below)	6,36,06,700
Add: Other Income for FY 2021-22 as per Audited Financial Statements (Refer Note 2 Below)	9,41,395
Add: Additional Income of Annual Charges and Development Fund (Refer Note 3 Below)	18,60,550
Add: Additional Fees due to increase in fee @12% from 01.07.2022 (Refer Note 4 Below)	58,00,746

Particulars	Amount (in INR)
Less: Arrears of Annual Charges and Development Charges of FY 2020-21 collected in FY 2021-22	-
Total Available Funds for FY 2022-23	**9,64,09,736**
Less: Fixed Deposit in the joint name of Dy Director Education and Manager of the school as on 31.03.2022 (Refer Note 1 Below)	11,34,543
Net Available Funds for FY 2022-23 (A)	**9,52,75,193**
Less: Budgeted expenses for the session 2022-23 (Refer Note 5 Below)	7,83,45,247
Less: Salary Arrears of 7th CPC (Refer Note 6 Below)	1,26,96,859
Total Estimated Expenditure for FY 2022-23 (B)	**9,10,42,106**
Net Surplus (A-B)	**42,33,087**

Note 1: The detail of fixed deposit held by the school as per the audited financial statements for the FY 2021-22 is provided below:

Particulars	Amount (in INR)	Remarks
FDR in the joint name of Dy Director Education and Manager of the school	11,34,543	Deducted while calculating available funds of the school.
Total	**11,34,543**	

Note 2: All the fee and other income as per audited financial statements for the FY 2021-22 has been considered with the assumption that the amount received in FY 2021-22 will at least accrue during FY 2022-23.

Note 3: The Department vide its Order No.F.No.PS/DE/2020/55 dated 18.04.2020 and Order No.F.No.PS/DE/2020/3224-3231 dated 28.08.2020 had issued guidelines regarding the chargeability of fees during the pandemic COVID 2019. The department in both the above-mentioned orders directed to the management of all the private schools not to collect any fee except the tuition fee irrespective of the fact whether running on the private land or government land allotted by DDA/other land-owning agencies and not to increase any fee in FY 2020-21 till further direction.

The department in pursuance of the order dated 31.05.2021 in WPC 7526/2020 of Single Bench of the Hon'ble High Court of Delhi and interim order dated 07.06.2021 in LPA 184/2021 of the Division Bench of Hon'ble High Court of Delhi and to prevent the profiteering and commercialization, again directed to the management of all the petitioners private unaided recognized schools through its Order No. F. No. DE.15 (114) /PSB /2021 /2165-2174 dated 01.07.2021:

(i) *"to collect annual school fee (only all permitted heads of fees) from their students as fixed under the DSEAR,1973 for the academic year 2020-21, but by providing deduction of 15% on that amount in lieu of **unutilized facilities** by the students during the relevant period of academic year 2020-21"*. And if the school has collected the fee in excess to the direction issued by the Hon'ble Court, the same shall be refunded to the parents or adjusted in the subsequent month of fee or refund to the parents.

(ii) The amount so payable by the concerned students be paid in six equal monthly instalments w.e.f. 10.06.2021.

From review of the audited financial statements for the FY 2021-22 and based on the further information provided by the school post personal hearing, it has been noted that the school has reported 100% of the tuition fees and 85% of the annual charges and development fees collected by the school in FY 2021-22. Therefore, the income collected by the school during the FY 2021-22 with respect to tuition fee, annual charges and development fees has been grossed up to make comparative income with the FY 2022-23. The detailed calculation has been provided below:

Particulars	Income as per Audited Income & Expenditure Account for the FY 2021-22	Income Considered while deriving the fund position for the FY 2022-23	Remarks
Tuition fee	5,20,49,067	5,20,49,067	As per reconciliation provided by the school, Annual Charges and Development Charges collected in FY 2021-22 at the rate of 85% in compliance of the Directorate's order dated 01.07.2021 and thus, difference amount of INR 18,60,550 has been considered.
Annual Charges	51,38,006	60,44,713	
Development Charges	54,05,111	63,58,954	
Total	**6,25,92,184**	**6,44,52,734**	

Note 4: The school was allowed to increase fee 12% vide Order No. F.DE. 15/(875)/PSB/2022/6061-6065 dated 28.07.2022 issued for FY 2019-20 from 1st July, 2022. The school has submitted that it has increased the fee @12% from 1st July 2022. Accordingly, additional income on account of fee increase will also accrue to the school in FY 2022-23 and thus, following amount has been considered as funds available with the school:

Fee heads	Actual receipt in FY 2021-22	Grossed Up	Total Estimated Fee	Increased fee (with fee increase @12% for 9 months)
Tuition fees	5,20,49,067	-	5,20,49,067	5,67,33,483
Annual Charges	51,38,006	9,06,707	60,44,713	65,88,737
Development Fee	54,05,111	9,53,843	63,58,954	69,31,260
Total	**6,25,92,184**	**18,60,550**	**6,44,52,734**	**7,02,53,480**
Impact of fee increase				**58,00,746**

Note 5: All budgeted expenditure proposed by the school amounting to INR 11,38,65,000 has been considered while deriving the fund position of the school except the following:

Head of Expenditure	2022-23 (in INR)	Amount disallowed (in INR)	Remarks
Salary - Teaching and Non-teaching staff	5,75,00,000	53,76,379	Restricted to 130% of expenditure incurred in FY 2021-22.
Gratuity & Leave encashment	30,00,000	30,00,000	Refer Financial Suggestion No. 2
Educational Expenses	27,50,000	5,16,657	Restricted to 110% of the expenditure incurred in FY 2021-22
Examination Fees	14,00,000	8,82,317	
Staff Welfare Expenses	14,00,000	4,08,778	
Electricity & Water Expenses	12,00,000	3,36,691	
Printing & Stationery Expenses	15,00,000	4,68,730	
Function Expenses	20,00,000	17,70,064	
Students Welfare	12,50,000	9,91,397	
EWS Expenses	8,00,000	8,00,000	Neither Income nor expense in respect of EWS students has been considered
Transportation Fees	1,33,50,000	1,33,50,000	Neither Income nor expense has been considered on the assumption that earmarked levies are collected on no profit no loss basis
IT Fees	10,00,000	10,00,000	
Smart class Fee	25,00,000	25,00,000	
Capital Expenditure	1,10,50,000	41,18,740	Restricted to development fee expected to be received in FY 2022-23
Total	**10,07,00,000**	**3,55,19,753**	

Note 6: In accordance with Section 10(1) of Delhi School Education Act 1973, scales of pay and allowance, medical facilities, pension gratuity, provident fund, and other prescribed benefits of the employees of a recognized private school shall not be less than those of the employees of the corresponding status in schools run by the appropriate authority.

Further, Directorate of Education has adopted the Central Civil Serviced (Revised Pay) Rules, 2016 vide Circular No 30-3(17)/(12)/VII pay Comm./2016/11006-11016 dated 19.08.2016 and No. 30-3 (17)/(12)/VII pay Comm./Coord./2016/12659-12689 dated 14.10.2016 for employees of Government Schools.

Further, in exercise of the powers conferred under clause (xviii) of Rule 50 of the Delhi School Education Rules, 1973, vide Competent Authority order No DE.15 (318)/PDB/2016/18117, dated 25.08.2017, the managing committees of all Private unaided Recognized Schools have already been directed to implement central Civil Services (Revised Pay) Rule, 2016 in respect of the regular employees of the corresponding status with effect from 01.01.2016 (for the purpose of pay fixation and arrears). Further, guidelines/detailed instructions for implementation of 7thCPC recommendations in Private Un-aided Recognized Schools of Delhi has been issued vide DOE order dated 17.10.2017.

Salary arrears amounting to INR 2,22,42,838 for the period Jan 2016 to March 2019 has already been allowed in the Directorate's Order No. F.DE. 15/(876)/PSB/2022/6056-6060 dated 28.07.2022 issued for FY 2018-19 and Order No. F.DE. 15/(875)/PSB/2022/6061-6065 dated 28.07.2022 issued for FY 2019-20. Further, salary arrears for the period 01.04.2020 to 31.03.2022 amounting to INR 1,26,96,859 separately provided by the school and same has been considered while evaluating the funds availability position of the school.

ii. In view of the above examination, it is evident that the school have adequate funds to carry on its operation for the academic session 2022-23 on the existing fee 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 the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, the proposal of the school for the session 2022-23 have been evaluated and certain financial suggestions have been identified (appropriate financial impact has been taken on the fund position of the school) and certain procedural suggestions which were also noted (appropriate instruction against which have been given in the order) that the sufficient funds are available with the school to carry out its operations for the academic session 2022-23.

AND WHEREAS, the fee proposal of the school 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 sufficient funds are available with the school for meeting financial implication for the academic session 2022-23.

AND WHEREAS, it is noticed that the school has incurred INR 2,11,69,615 in contravention of Rule 177 and other provisions of DSEAR, 1973 and other orders issued by the departments from time to time. Therefore, the school is directed to recover the aforesaid amount from society/ management. The receipts along with copy of bank statements showing receipt of the above-mentioned amount should be submitted with DoE, in compliance of the same, within 30 days from the date of issue of the order. Non-compliance with this direction shall be viewed seriously as per the provision of DSEA&R, 1973 without providing any further opportunity of being heard.

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

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

Accordingly, it is hereby conveyed that the proposal for fee hike of **Saai Memorial School, Sai Bhawan, Facility Centre, Geeta Colony, Delhi - 110031 (School ld: 1003239)** filed by the school in response to the Order No. F.DE.-15(40)/PSB/2019/4440-4412 dated 08.06.2022 for the academic session 2022-23, is rejected by the Director (Education) with the above conclusion and suggestions.

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

1. Not to increase any fee/charges during FY 2022-23. In case, the school has already charged increased fee during FY 2022-23, the School should make necessary adjustments from future fee/refund the amount of excess fee collected, if any, as per the convenience of the parents.

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

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

Non-compliance of the 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.

(Jai Parkash)
Deputy Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi

To
The Manager/ HoS
Saai Memorial School,
Sai Bhawan, Facility Centre, Geeta Colony,
Delhi - 110031 (School ld: 1003239)

No. F.DE.15 (1594)/PSB/2023 | 8902-8906 **Dated: 18|10|23**

Copy to:

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

(Jai Parkash)
Deputy Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi