

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

No. F.DE.15 (1044)/PSB/2022/ 9524-9528

Dated: 21/11/22

**Order**

WHEREAS, A.G.D.A.V Centenary Public School, Model Town, Delhi-110009 (School ID - 1309234), (hereinafter referred to as "**the School**"), run by the DAV College Managing Committee (hereinafter referred to as "**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.

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 Delhi School Education Act, 1973 (hereinafter read as "**the Act**") with the Director. Such statement will indicate estimated income of the school derived from fees, estimated current operational expenses towards salaries and allowances payable to employees etc in terms of Rule 177(1) of the Delhi School Education Rules, 1973 (hereinafter read as "**the Rules**").

AND WHEREAS, as per section 18(5) of the Act read with section 17(3), 24 (1) of the Act and Rule 180 (3) of the DSEA & R, 1973, responsibility has been conferred upon the Director (Education) to examine the audited financial, account and other records maintained by the school at least once in each financial year. The Section 18(5) and Section 24(1) of the Act and Rule 180 (3) 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 hike proposal submitted by the private unaided recognized schools which have been allotted land by the DDA/ other land-owning agencies with the condition in their allotment to seek prior approval from Director (Education) before any increase in fee.



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

AND WHEREAS, it was also directed by the Hon'ble Supreme Court to the Director of Education in the aforesaid matter titled Modern School Vs. Union of India and others in Para 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 Director of Education to ensure the compliance of term, if any, in the letter of allotment regarding the increase of the fee by all the recognized unaided schools which are allotted land by DDA/ land owing agencies.

AND WHEREAS, accordingly, the DoE vide Order No. F.DE-15(40)/PSB/2019/4440-4412 dated 08.06.2022, directed all the private unaided recognized schools, running on the land allotted by DDA/other land-owning agencies at 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 enhancement of fee for the academic session 2022-23. Accordingly, this Order dispenses the proposal for enhancement of fee submitted by school for the academic session 2022-23.

AND WHEREAS, in order to ensure that the proposals submitted by the schools for fee increase are justified or not, this Directorate has deployed teams of Chartered Accountants at HQ level who has evaluated the fee increase proposals of the school very carefully in accordance with the provisions of the DSEA, 1973, the DSER, 1973 and other orders/ circulars issued from time to time by DoE.

AND WHEREAS, in the process of examination of the fee hike proposal filed by the aforesaid school, necessary records and explanations were also called from the school through email and the school was also provided an opportunity to be heard on 16.08.2022 to present its justifications/clarifications on the fee increase proposal. Based on the discussion with the school during a personal hearing, the school was further asked to submit the necessary documents and clarification on





various issues noted. In the aforesaid personal hearing, compliance of Order No. F.DE.15/(610)/PSB/2022/3650-3654 dated 26.05.2022 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 the team of Chartered Accountants and the key suggestions noted for improvement by the school are hereunder:

**A. Financial Suggestion for Improvements**

1. *Section 18(5) of the DSEA, 1973 states "the managing committee of every recognized private school shall file every year with the Director such duly audited financial and other returns as may be prescribed, and every such returns shall be audited by such authority as may be prescribed". Further, Rule 180 (1) of DSER, 1973 states "every recognized private school shall submit returns and documents in accordance with Appendix-II".*

*Point No. (2) of the Appendix-II requires final accounts i.e., receipts and payments account, income and expenditure account and balance sheet of the preceding year should be duly audited by the Chartered Accountant.*

Accordingly, the DoE vide Order No. F.DE-15/ACT-I/WPC-4109/Part/13/7905-7913 dated 16.04.2016, specified the format of returns and documents submitted to be submitted by the private unaided recognized schools. As per this order the format of the financial statements shall be such as specified by the Institute of Chartered Accountants of India (ICAI), established under Chartered Accountants Act, 1949 (38 of 1949) in Guidance Note-21 'Accounting by Schools (2005)' as amended from time to time by ICAI.

Based on the abovementioned provisions, every private unaided recognized school is required to get its accounts audited by the Chartered Accountant before submission of return under Rule 180(1) of DSER, 1973. The documents submitted by the school were taken on record. Review of the audited financial statements and Independent Auditors Report for FY 2019-20; 2020-21 & 2021-22 the following was noted:

- a. The audit report has been issued in Form 10B under the Income Tax Act, 1961 which is not in conformity of the above-mentioned provisions.
- b. In the audit report the auditor has not given reference to "Receipt & Payment Account." However, the same has been attested by the auditors.
- c. In the audit report the auditor has mentioned 'profit and loss account' whereas the school is required to prepare 'income and expenditure account'

In view of the above, the school is hereby directed to get its accounts audited in accordance with above mentioned provisions and resolve all queries raised by the statutory auditor before completion of the audit. The compliance with this direction will be examined while evaluating the fee hike proposal of the subsequent year. However, for the purposes of evaluation of fee hike proposal for academic session 2022-23, balance sheet and income and expenditure submitted by the school has been considered.



2. Clause 14 of the Order No. F.DE/15 (56)/ Act/2009/778 dated 11.02.2009 "*Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixtures and equipment.*" Thus, the development fee/funds should not be utilized for any other purposes other than those specified in Clause 14 of the Order dated 11.02.2009.

From a review of the audited financial statements of FY 2020-21 and FY 2021-22, it has been noted that the school has been collecting the development fee from students. However, from FY 2020-21 onwards it has been treating this as revenue receipts instead of capital receipts. The audited financial statement of FY 2021-22 revealed that the school has maintained a development fund balance of INR 2,00,65,669 as on 31.03.2022 against having a liquid funds/investment in form of FDR of INR 2,07,93,219 as on 31.03.2022.

During the personal hearing, the school explained that due to paucity of funds it has utilized all the funds for payment of salary and salary related cost. During the hearing the school was asked provided find wise collection and utilization which the school has not provided. Accordingly, the development fee collected by the school in last two financial years (examination restricted to last three years only) was not in accordance with clause 14 of the order dated 11.02.2009.

The school is hereby directed to ensure the collection and utilization of development fee/ fund in accordance with above cited Clause 14 of the order dated 11.02.2009. As per Clause 14 of the order dated 11.02.2009, the development fund/fee can only be used for purchase upgrade and replacement of furniture fixture and equipment not for other purposes.

3. Clause No. 2 of Public Notice dated 04.05.1997 states "*It is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school becomes the sole property of the society*". Additionally, Hon'ble High Court of Delhi in its judgement dated 30.10.1998 titled Delhi Abibhavak Mahasangh concluded states "*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.*"

Also, 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. 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 aforementioned provisions, 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 should not be utilized for this purpose.

The Directorate in its Order No. F.DE.15/ (610)/PSB/2022/3650-3654 dated 26.05.2022 issued for FY 2019-20 and Order No. F.DE.15/ (675)/PSB/2018/30858-862 dated 24.12.2018 issued for FY 2017-18, noted that the school had incurred capital expenditure towards construction of school building of INR 1,73,77,083 during FY 2015-16 & FY 2016-17 and INR 1,69,52,490 during FY 2018-19.

The department also noted that the school incurred the above expenditure without complying with the provisions of Rule 177 of DSER, 1973. Given the fact that the school did not implement the recommendation of the 7<sup>th</sup> CPC fully and invest an amount in plan asset to protect the statutory dues of the employee towards gratuity and leave encashment. Accordingly, the school was directed to recover this amount from the Society which is still pending for recovery.

Further, as per fee hike order of FY 2019-20, the school submitted that *"it was related to repair and maintenance of the building. Since, the amount was huge it was capitalized under the head 'building' but in fact, there was no actual addition to the building was done"*. The contention of the school was already rejected in the order because *"the financial statements were already audited by its statutory auditor wherein the auditor has performed all audit procedures to provide an opinion on the financial statements. Based on the information submitted by the school, the statutory auditor would have considered this as a capital expenditure"*.

Further, from review of the audited financial statements of FY 2021-22, it has been noted that the school has taken a loan from society to meet its operational expenditure. And as per the audited financial statements, INR 88,48,166 is payable to DAV CMC as on 31.03.2022. Accordingly, the net amount of INR 2,54,81,407 utilized by the school for construction of school building after adjustment of amount payable to the DAV CMC, has been included while deriving the fund position of the school with the direction to the School to recover the same from the society within 30 days from the date of issue of this order. Further, the capital expenditure of INR 30,00,000 proposed by the school towards building and lift has also not been considered in the budgeted expenditure. The amount recoverable from society is provided below.

Particulars	Amount (INR)
Amount recoverable as per Fee hike order of FY 2019-20	3,43,29,573
Less: Amount payable to the DAV CMC as on 31.03.2022 as per audited financial statements of FY 2021-22	88,48,166
<b>Balance Amount Recoverable from Society</b>	<b>2,54,81,407</b>

Non-compliance with this directive would be taken seriously, and the department would take appropriate action against the school under Section 24(4) of the DSEA, 1973 without giving any further opportunity to the school.

4. Clause 14 of this Directorate's 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, up gradation and replacement of furniture, fixtures and equipment. Development Fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made from this fund, will be kept in a separately maintained Development fund Account."*

Para 99 of Guidance Note-21 'Accounting by school' issued by the Institute of Chartered Accountants of India (ICAI), relating to restricted fund, *"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"*.

Taking the cognisance from the above para, the school needs to create the 'Development Fund Utilisation Account' as deferred income to the extent of cost of assets purchased out of development fund and then this deferred income should be amortised in the proportion of the depreciation charged to revenue account. By following the aforesaid accounting treatment for development fund, development fund utilisation account and depreciation on assets purchased out of development fund as per para 99 of GN-21, the depreciation reserve fund would be mere an accounting head and school do not require creation of equivalent investments against the depreciation reserve.

From review of presentation of the audited financial statements of FY 2021-22, it has been noted that the school upon purchase of assets out of the development funds, transfers an amount equivalent to the cost of the assets to General Funds instead of transferring to deferred income which may be written off in proportion of depreciation charged on the assets. As the school has not been following correct accounting treatment with respect development fund utilization resulting incorrect reporting of General Reserve. Accordingly, the operation loss of INR 0.94 crores in FY 2021-22 reported by the school in the audited financial statements is not correct and misleading to the reader of financial statements due to involvement of notional amount.

5. Para 7.14 of AS-15 *"Employee Benefit"* issued by the Institute of Chartered Accountants of India (ICAI) states 'Plan Assets as:
- a. assets held by a long-term employee benefit fund; and
  - b. qualifying insurance policies."

Further, the para 57 of the AS-15 states *"an enterprise should determine the present value of defined benefit obligations and the fair value any plan assets with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date."*

Review of the audited financial statements of FY 2021-22 revealed that the school has not disclosed provision for gratuity and leave encashment separately in the audited financial statements.





Therefore, provision made by the school towards retirement benefit obligation cannot be ascertained from the audited financial statements. Therefore, the School is hereby directed to present its obligation towards retirement benefit which is identifiable separate from other liability of the school from subsequent financial years.

Further, school has invested INR 3,75,11,237 with LIC as on 31.03.2022 and submitted the investment proof. The investment with LIC qualifies as plan assets within the meaning of AS-15. Therefore, amount invested by the school has been considered while deriving the fund position of the school with the direction to the school to deposit the remaining amount in plan assets and submit the compliance report within 30 days from the date of issue of this order.

6. The submissions of the school regarding payment of administrative charges @ 4% of basic pay (as per 6<sup>th</sup> CPC) of staff were taken on record and included in Directorate's order no. F.DE 15/ACT-I/WPC-4109/PART/13/ 958 dated 13.10.2017. Further, the school was directed vide order No. F.DE.15(675)/PSB/2018/30858-862 dated 24.12.2018 post implementation of the recommendations of 7<sup>th</sup> CPC, the school should not incur administrative charges beyond 2% of the basic salary which the school has started following.

However, while evaluating the fee hike proposal for academic session 2019-20, it was noted that the school had paid administrative charges to DAV CMC @ 7% on salary (Basic pay + Grade pay) for FY 2017-18 & 2018-19 respectively. Accordingly, the school was directed to recover the excess administrative charges paid to DAV CMC amounting INR 60,81,386 and which is still pending for recovery.

The review of the audited financial statements, it has been noted that the school has charged recognized "service charges @ 5% of basic pay" payable to DAV CMC.

The aforesaid 5% is in excess of @ 2% administrative charges allowed to school as per the previous order. Thus, the school has not followed the direction mentioned in Order No. F.DE.15(675)/PSB/2018/30858-862 dated 24.12.2018. The school further explained that from FY 2019-20, it has only provided the above expenditure in the books of accounts and has not made any payment in this regard. Therefore, the excess liability booked by the school towards service charges payable to DAV CMC i.e., (5% of basic pay) need to be reversed. Further, the amount proposed by the School of INR 39,28,000 towards 5% service charges has not been considered as budgeted expense for FY 2022-23.

Further, excessive administrative charges already paid by the school to DAV CMC as per the previous order of FY 2019-20 amounting to INR 60,81,386 which is still recoverable from society has been included while deriving the fund position of the school with the direction to the school to recover this amount from society within 30 days from the date of issue of this order.

Non-compliance with the above direction would be reviewed seriously, and appropriate action against the school under Section 24(4) of the DSEA, 1973 will be taken without giving any further opportunity.



## B. Other Suggestion for Improvements

1. As per Clause 19 of Order No. F.DE/15(56)/Act/2009/778 dated 11.02.2009 *"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 *"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."*

And as per clause 22 of Order No. F.DE. /15(56)/ Act/2009/778 dated 11.02.2009 *"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."*

As per Rule 176 of the DSER, 1973 *"Income derived from collections for specific purposes shall be spent only for such purpose."*

Further, sub-rule 3 of Rule 177 of DSER, 1973 provides *"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)." And, 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."*

However, as per audited financial statements of FY 2019-20, it has been noted that the school charges earmarked levies in the form of Transport Fees, Science fee, Computer Charges, Other Activity Charges, Diary receipts. However, the school has not maintained separate fund accounts for these earmarked levies and has been generating surplus from earmarked levies, which has been utilised for meeting other expenses of the school or has been incurring losses (deficit) which has been met from other fees/income.

The aforementioned Guidance Note also 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). However, the school has not been following fund-based accounting in accordance with the principles laid down by the aforesaid Guidance Note.

Based on the above provisions, the school is required to maintain a separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from students. Unintentional surplus, if any, generated from earmarked levies has to be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies during subsequent proposal for enhancement of fees, ensuring that the proposed levies are calculated on a no-profit no-loss basis and not to include fees collected





from all students as earmarked levies. Accordingly, the school is directed to comply with the above-mentioned provisions.

2. As per Order No. DE.15/Act/Duggal.Com/ 203/99/23033-23980 dated 15.12.1999, indicated the heads of fee/ fund that recognised private unaided school can collect from the students/ parents, which include:

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

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

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

It was noted that the school's fee structure includes pupil fund, which is collected from all students and based on details submitted by the school, it has been utilised towards varied expenses of the school including co-curricular, repairs and maintenance, printing, and stationery etc.

Based on the fact that the fee head of 'Pupil Fund' has not been defined for recognised private unaided school and the purpose for which the school has been utilising this may be get covered either from annual charges/ Tuition fee. Also, the school is directed not to collect pupil fund from students with immediate effect. Similar observation was also noted while evaluating the fee increase proposal for FY 2019-20.

3. As per the Director's order no. F.DE.15/ (610)/PSB/2022/3650-3654 dated 26.05.2022 issued for FY 2019-20, it was observed that the school has not prepared Fixed Asset Register (FAR). During personal hearing the school submitted that it has formed a team for physical verification of fixed assets and all the data has been captured in Microsoft excel post physical verification of fixed assets.

The fixed asset register normally includes basic details such as asset description, date, supplier name, invoice number, manufacturer's serial number, location, purchase cost, other costs incurred, depreciation, asset identification number, etc. to facilitate identification of assets and documenting complete details of assets at one place. Therefore, the school is directed to prepare and submit the fixed assets register at the earliest. The same shall be verified at the time of evaluation of the fee proposal of the school for the next academic session.

4. Para 102 of the Guidance Note on 'Accounting by Schools' issued by the Institute of Chartered Accountants of India 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 balance;
- (d) Restrictions, if any, on the utilization of specific assets."

From the presentation made in the audited financial statements, it was noted that the school is only reporting the opening and closing balances of various fund namely:

- a) Development Fund
- b) Depreciation Reserve Fund
- c) Caution Money Fund
- d) Transportation Fund. etc.

The School has not reported details like additions, deductions/utilizations, adjustments, with details of corresponding investment, etc. in the above funds.

The school is directed to ensure compliance with regard to the disclosure requirements cited in para 102 above and provide complete details in relation to development fund in its financial statements.

5. The School is not complying with the DoE Order No.F.DE.15/Act-I/08155/2013/5506-5518 dated 04.06.2012 as well as the conditions specified in the land allotment letter require to provide 25% reservation for children belonging to a EWS category. Therefore, the school is directed to ensure admission in accordance with the aforesaid order. From the records provided by the school, the percentage of EWS has been calculated below:

Particulars	FY 2022-23
Total Students	3,003
EWS Students	509
% of EWS students	16.95%

6. Clause 24 of DoE Order dated 11.02.2009 states *"Every recognized unaided school covered by the Act, shall maintain accounts on the principles applicable to a non-business organization/ not-for-profit organization as per Generally Accepted Accounting Principles (GAAP). Such schools shall prepare their financial statement consisting of a Balance Sheet, P&L Account and Receipt & Payment account every year."*

Further, Appendix-III (Part-I-General instructions and accounting principles) of Guidance Note-21 states:

1. *"the financial statement of the Schools should be prepared on accrual basis.*
2. *a statement of all significant accounting policies adopted in the preparation and presentation of the balance sheet and income and expenditure account should be included in the School's Balance sheet.....*



3. *accounting policies should be applied consistently from one financial year to the next. Any change in the accounting policies which has a material effect in the current period, or which is reasonably expected to have a material effect in later periods should be disclosed....”.*

Review of the audited financial statements of FY 2020-21, revealed that the school has been recording income on cash basis while expenses are being recoded on accrual basis. Thus, the school is not following Generally Accepted Accounting Principles (GAAP). Therefore, the school is hereby directed, to maintain its books of account in accordance with GAAP from subsequent financial years and made necessary adjustment in its books of accounts accordingly. The compliance with this direction shall be verified while evaluating the fee increase proposal 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 22,71,13,091** out of which cash outflow for the FY 2022-23 is estimated to be **INR 23,33,07,600**. This results in deficit of **INR 61,94,509** after meeting all expenditures. The details are as follows:

Particulars	Amount (INR)
Cash and Bank balances as on 31.03.2022 as per Audited Financial Statement	7,23,94,661
Current account balance with DAV CMC	1,75,39,204
Investments as on 31.03.2022 as per Audited Financial Statements	3,75,11,234
<b>Liquid fund as on 31.03.2022</b>	<b>12,74,45,099</b>
Add: Recovery from the society for construction of building (Refer Financial Suggestion No.3)	2,54,81,407
Add: Recovery of excess admin charges paid to the Society (Refer Financial Suggestion No. 6)	60,81,386
Add: Fees for FY 2021-22 as per Audited Financial Statements (Refer Note 1)	11,52,71,089
Add: Other income for FY 2021-22 as per audited Financial Statements (Refer Note 1)	65,21,814
Add: Additional income of annual charges and development fund (Refer Note 1)	38,89,202
<b>Total available funds for FY 2022-23</b>	<b>28,46,89,997</b>
Less: Depreciation reserve fund (Refer Note 2)	-
Less: Development Fund as on 31/03/2022 (Refer Financial Suggestion No. 2)	2,00,65,669
Less: Investment made with LIC against provision made for retirement benefits (Refer Financial Suggestion No. 5)	3,75,11,237
<b>Estimated Available Funds for FY 2022-23</b>	<b>22,71,13,091</b>
Less: Budgeted expenses for the session 2022-23 (Refer Note 3 & 4)	20,56,66,600
Less: Salary arrears as per Budget for FY 2022-23	2,76,41,000
<b>Estimated Deficit</b>	<b>61,94,509</b>

**Note 1:** 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.
- (iii) The above arrangement will also be applicable with respect to collection of fees for academic session 2021-22.

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

Particulars	Income as per AFS of FY 2021-22	Income Considered in the Above Table	Remarks
Tuition Fee	9,02,71,319	9,02,71,319	
Annual Charges	86,49,150	86,49,150	
Development fund	1,33,89,660	1,57,52,541	The school has recorded 85% of the annual charges and development fee as per DoE order. Therefore, it has been grossed up while calculating the fund position of the school. Accordingly, INR 38,89,202 has been included in the above table.

**Note 2:** As per the Duggal Committee report, there are four categories of fees that can be charged by a private unaided school. The first category of fee comprised of "Registration fee and all one Time Charges" levied at the time of admissions such as admission charges and caution money. The second category of fee comprises 'Tuition Fee' which is to be fixed to cover the standard cost of the establishment and to cover the expenditure of revenue nature for the improvement of curricular facilities like library, laboratories, science, and computer fee up to class X and examination fee. The third category of the fee should consist of 'Annual Charges' to cover all expenditure not



included in the second category and the fourth category consist of all 'Earmarked Levies' for the services rendered by the school and be recovered only from the 'User' students. These charges are transport fee, swimming pool charges, Horse riding, tennis, midday meals etc. This recommendation has been considered by the Directorate while issuing order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and order No. F.DE./15(56)/Act/2009/778 dated 11.02.2009.

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

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

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

Accordingly, the depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue account) is mere of an accounting head for the appropriate accounting treatment of depreciation in the books of account of the school in accordance with Guidance Note -21 issued by the Institute of Chartered Accountants of India. Thus, there is no financial impact of depreciation reserve on the fund position of the school. Accordingly, the depreciation reserve fund as reported by the school in its audited financial statements for the FY 2021-22 has not been considered while deriving the fund position of the school.

**Note 3:** All budgeted expenditure of the school has been considered while deriving the fund position of the school except the following:

Head of Expenditure	FY 2022-23	Amount Disallowed (INR)	Remarks
Salary arrear payable to staff	2,76,41,000	2,76,41,000	Considered separately



Head of Expenditure	FY 2022-23	Amount Disallowed (INR)	Remarks
Transportation Expense	3,09,74,000	3,09,74,000	Neither income nor expenditure has been considered
Service Charges	39,28,000	39,28,000	Refer Financial suggestion No. 6
Building and Lift	30,00,000	30,00,000	Refer Financial suggestion No. 3

**Note 4:** While evaluating the fee hike proposal, department considers that how much liquid funds would require the school for a particular session for smooth operation without compromising with the quality of education. Thus, while deriving the fund position of the school all legitimate expenditures revenue as well as capital in accordance with the provisions DESAR, 1973 and pronouncement of Courts judgment have been considered. Therefore, balance of the other current assets other and current liabilities has not been considered. Because it is clear that the current assets, loans and advances and current liabilities are cyclic in nature and the same have already been considered in the form of budgeted income and expenditure of the school in the earlier years. Thus, current assets, loans and advances and current liabilities will always reflect in the financial statements at the end of the financial year.

- ii. In view of the above examination, it is evident that the school does not has adequate funds for meeting all the operational expenditures for the FY 2022-23. In this regard, the directions issued by the Directorate of Education vide circular no. 1978 dated 16.04.2010 states that,

*"All Schools must, first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase."*

AND WHEREAS, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants along with certain financial suggestions that were identified (appropriate financial impact has been taken on the fund position of the school) and certain procedural suggestions which were also noted (appropriate instructions against which have been given in this order), that the sufficient funds are not available with the School to carry out its operations for the academic session 2022-23. Accordingly, the fee increase proposal of the school may be accepted.

AND WHEREAS, it is noticed that the school has incurred INR 2,54,81,407 in contravention of clause 14 of order dated 11.02.2009 and the school has paid excessive admin charges of INR 60,81,386 in contravention of order No. F.DE.15(675)/PSB/2018/30858-862 dated 24.12.2018. 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 this order. Non-compliance with this direction shall be viewed seriously as per the provision of DSEAR, 1973 without providing any further opportunity of being heard.





AND WHEREAS, considering the financial situation and existing deficiencies and keeping in view that salary and other employee's benefits can be paid to the teachers and staff smoothly, the fee hike is allowed to the school with the suggestions for improvement. The school is hereby further directed that the additional income received on account of increase fee should be utilized at first instance only for payment of salary and salary arrears and submit the compliance report within 30 days from the date of issue of this order

AND WHEREAS, it is relevant to mention charging of any arrears on account of fee for several months from the parents is not advisable, not only because of the additional sudden burden fall upon the parents/students but also as per the past experience, the benefit of such collected arrears is not passed to the teachers and staff in most of the cases as was observed by the Justice Anil Dev Singh Committee (JADSC) during the implementation of the 6<sup>th</sup> 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 05% to be effective from 01 October 2022.

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 2022-23. Hence, for smooth payment of salaries and other employee's benefit, the fee hike is required to the School.

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 this order to the D.D.E (PSB)

Accordingly, it is hereby conveyed that the proposal for fee hike of **A.G.D.A.V Centenary Public School, Model Town, Delhi-110009 (School ID - 1309234)** filled 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 accepted by the Director (Education) with the above conclusion and suggestions and the school is hereby allowed to increase the fee by 05% to be effective from 1 October, 2022.

Further, the management of said School is hereby directed under section 24(3) of DSEAR 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  
A.G.D.A.V Centenary Public School,  
Model Town, Delhi-110009  
(School ID - 1309234)

No. F.DE.15 ( 1044)/PSB/2022 / 9524-9528

Dated: 21/11/22

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 A) 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