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

No. F.DE.15 (188)/PSB/2023/ 1079-1084 **Dated:** 02/02/23

Order

WHEREAS, **Indian Convent School (School ID-1413278), Pocket-3, Sector-24, Rohini, Delhi-110085** (hereinafter referred to as "**the School**"), run by the Bhagwan Education Society (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 21.12.2022 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.

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. As per Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/ 883-1982 dated 10.02.02005 issued by this Directorate states *"Capital expenditure cannot constitute a component of the financial fee structure."*

Additionally, 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".*

Further, 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.

On review of the audited financial statements from FY 2019–20 to FY 2021–22, it has been noted that the school had purchased three cars by taking a secured loan from HDFC Bank. These cars were purchased without complying with the provisions of Rule 177 of DSER, 1973. The school was asked to provide relevant details such as the date of purchase, cost of the car, the user of the car, the number of cars owned by the school before the purchase of these cars, and the need for these cars via mail dated 5.12.2022, 16.12.2022, 22.12.2022, and 16.01.2023. However, the school failed to provide these details. In the absence of necessary information, the payment made by the school towards the purchase of these cars, including the interest cost, is recoverable from society. The school fund utilized by the school for the purchase of these cars is based on recipient accounts of the school.

FY	Principal Repayment	Interest Paid	Total (INR)
2019-20	9,79,260.00	3,41,590.00	**13,20,850.00**
2020-21	9,66,422.00	1,93,486.00	**11,59,908.00**
2021-22	9,79,260.00	1,28,231.00	**11,07,491.00**
Total	**29,24,942.00**	**6,63,307.00**	**35,88,249.00**

It is also pertinent to mention here that the school has yet to implement the recommendation of the 7th CPC and has to invest an amount in plan assets for the payment of retirement benefits admissible to its employees. Therefore, the school, instead of paying salary to its staff in accordance with the latest pay commission, has preferred to incur capital expenditures, for which the school is not able to offer any justification. Therefore, the total school funds used by the school in the purchase of cars totaling INR 35,88,249 have been considered as funds available to the school when calculating the fund position, with the school being directed to recover this amount from the society within 30 days of the date of issue of this order. Accordingly, the amount of INR 1,46,183 proposed by the school in the budgeted expenditure for FY 2022–23 has not been considered while determining the fund position.

2. 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*".

Based on the above-mentioned provisions, upon utilization of development funds, the school needs to create the '*Development Fund Utilisation Account' (or by any other name),* which may be treated as deferred income. And this deferred income should be written off in proportion to the depreciation charged to the revenue account. By following the aforesaid accounting treatment specified in Paragraph 99 of GN-21, the depreciation reserve fund would be merely an accounting head, and the school need not require the creation of equivalent investments against the depreciation reserve.

From the review of the presentation of the audited financial statements from FY 2019–20 to FY 2021–22, it has been noted that the school collected development fees from the students and treated the same as revenue receipts. Further, the school neither created a depreciation reserve fund nor followed Paragraph 99 of Guidance Note 21 issued by the ICAI.

The issue was discussed with the school during a personal hearing, and the school stated in its submission that, due to a lack of funds, it treated the development fund as a revenue receipt and used it to pay salaries. The school was asked to submit details of the development fund, which is used for the payment of salaries; however, the school failed to offer any such details. Therefore, the school is hereby directed to treat the development fund as a capital receipt and utilised the same as per Clause 14 of the Order dated 11.02.2009 and create a depreciation reserve fund, and also follow Paragraph 99 of Guidance Note 21 issued by the ICAI. Compliance with the same will be assessed when evaluating the fee increase proposal for the following years.

3. As per AS-15 on 'Employee Benefits' issued by the Institute of Chartered Accountants of India (ICAI) states that "*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 AS-15 states that *"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 recognized in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date."*

   A review of the audited financial statements of FY 2021–22 revealed that the school has neither created provisions for retirement benefits (gratuity and leave encashment) nor invested any amount in plan assets as defined in AS-15 for payment of retirement benefits admissible to the employees. During the personal hearing, this was discussed with the school, and it was agreed that going forward, it would get an actuarial valuation for its retirement benefits and report the same in its audited financial statements.

   Therefore, the school is hereby directed to get the actuarial valuation report for its retirement benefits, report the same in the audited financial statements, and invest an equivalent amount in plan assets as defined in AS-15. Compliance with this direction will be evaluated as part of the school's fee increase proposal for the following year.

B. Other Suggestion for Improvements

1. From a review of documents submitted by the school post personal hearing, the following has been noted with respect to the Fixed Asset Register (FAR) maintained by the school:

   - No tagging of the assets has been done in Fixed Assets Register (FAR) and location is not identified due to which assets could not be physically verified.
   - Depreciation for the individual assets is not recorded in the FAR, only cost of the assets is available in the FAR and WDV of the assets is not available.
   - Invoice number, manufacturer's serial number and location of the asset is not mentioned in the fixed assets register.

   Therefore, the School is hereby directed to prepare a FAR, which should include details such as asset description, purchase date, supplier name, invoice number, manufacturer's serial number, location, purchase cost, other costs incurred, depreciation, asset identification number, etc. to facilitate identification of asset and documenting complete details of assets at one place. The school is further directed to comply with the directions for preparing FAR with relevant details mentioned above according to the process for periodic physical verification of assets and documenting the results of physical verification of assets. The same shall be verified at the time of evaluation of the fee hike proposal for subsequent years. This being a procedural finding, no financial impact is warranted on the fund position of the school.

2. 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:

4. *"the financial statement of the Schools should be prepared on accrual basis.*
5. *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……………*
6. *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 the school 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.

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

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

Rule 176 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 11.02.2009 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 the students are a form of the restricted funds, which, according to the Guidance Note-21 'Accounting by Schools' issued by the Institute of Chartered Accountants of India, are required to be credited to a separate fund account when the amount is received and reflected separately in the Balance Sheet.

The aforementioned Guidance Note-21 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).

The review of the audited financial statements from 2019-20 revealed that the school has been collecting earmarked levies in the name of transport fee, Smart class fees, pupil fund, welfare fund. It has also been noted that school has not been following fund-based accounting as the school has incurred deficit/surplus from earmarked levies.

Thus, the earmarked levies are to be collected only from the user students availing of the service/facility. In other words, if any, service/facility is extended to all the students. A separate charge should not be levied for those services/facilities. Because the same would get covered either under the tuition fee (expenses on curricular activities) or under the annual charges (expenses other than those covered under tuition fee). The charging of unwarranted fee or any other amount/fee under different heads other than the prescribed heads of fee and the accumulation of surplus fund therefrom is prima-facie considered a collection of capitation fee in other manner and form.

However, the analysis of the financial statements of the school revealed that the school has smartly included all these earmarked levies in its fee structure in order to generate extra funds without considering the requirement and income and expenditure for each type of levy. Therefore, based on the nature the Welfare fund should not be charged from the students as these may get covered either from the tuition fee or annual charges collected from the students. Therefore, the school is hereby directed do not Welfare fund apart from the transport fee, science fees, Sport fees, Computer fees and maintain the fund base accounting.

4. 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 operational expenses of the school.

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 utilizing this may be get covered either from annual charges/ Tuition fee. Therefore, the school is directed not to collect pupil fund form students with immediate effect.

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

   From review of the audited financial statements of 2021-22, it has been noted that the school has not made any disclosure in its audited financial statements related to related parties disclosure. In the absence of such details, the purpose and genuineness of transactions entered between the related parties cannot be determined. Therefore, the School is hereby directed to include such details in audited financial statements of the subsequent year.

6. Para 58(i) of Guidance Note-21 'Accounting by schools' issued by the Institute of Chartered Accountants of India (ICAI) states "A school should charge depreciation according to written down value method at rates recommended in appendix 1 to the Guidance note". During personal hearing the school explained that the books of accounts are maintained in accordance with the Income Tax Act 1961 and the rates of depreciation prescribed there under are used.

   Therefore, the school is directed to make necessary adjustments and ensure that depreciation is charged on fixed assets at the rate prescribing in Appendix 1 to Guidance Note-21. The above being a procedural finding, no financial impact is warranted for deriving fund position of the school.

7. As per clause 3 of the public notice dated 04.05.1997 published in the Times of India states "*No security/ deposit/ caution money be taken from the students at the time of admission and if at all it is considered necessary, it should be taken once and at the nominal rate of INR 500 per student in any case, and it should be returned to the students at the time of leaving the school along with the interest at the bank rate.*"

Further, Clause 18 of Order no F.DE/15(56)/Act/2009/778 dated 11.02.2009 states "*No caution money/security deposit of more than five hundred rupees per student shall be charged. The caution money, thus collected shall be kept deposited in a scheduled bank in the name of the concerned school and shall be returned to the student at the time of his/her leaving the school along with the bank interest thereon irrespective of whether or not he/she requests for refund.*"

Review of the audited financial statement of FY 2021-22, it has been noted that the school only refunds the principal amount of caution money to the students at the time of their leaving from the school which is not accordance with the above-mentioned provisions.

Therefore, the school is directed to comply with the above-mentioned provision and refund the caution money along with the interest earned thereon. However, the caution money of INR 6,38,135 (payable within 12 months) reported by the school in the audited financial statements of FY 2021-22 has been adjusted while deriving the fund position of the school.

8. *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 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 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 in accordance with above mentioned provisions and resolve all queries raised by the statutory auditor before completion of the audit. The compliance this direction will be examined while evaluating the fee hike proposal of the subsequent years. 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.

9. It is also pertinent to mention here that, post personal hearing, necessary documents and explanations were requested from the school via email dated December 22, 2022. However, the school neither submitted the requested documents nor communicated with the department about the non-submission of all these details. The Department of Education, taking a more lenient stance, sent repeated emails on January 16 and 19, 2023, requesting the school submit the required documents and explanation. However, like earlier, nobody from the school turned up. Therefore, it appears that the school has nothing to offer the department with respect to the clarifications sought from it. In the absence of detailed information, the proposed fee increase for the school has been assessed using the documents on file with the department. The list of documents that the school has not provided is given below:

   a. Complete details of loan taken by the school including agreement, repayment schedule
   b. Copy of Registration Certificate (RC) for the all the cars owned by the school including the new cars purchased during from FY 2019-20 to FY 2021-22.
   c. Ledger account of society maintained in schoolbooks for last three financial years.
   d. Calculation of 7th CPC arrears employee wise and years wise.
   e. Repair and maintenance ledger for last three financial years.
   f. Details of income and expenditure incurred against earmarked levies for last three financial years.
   g. Fee reconciliation statement of the school for last three financial years.

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 amount to **INR 4,10,90,200** out of which cash outflow for the FY 2022-23 is estimated to be **INR 3,22,56,522.** This results in a surplus of **INR 94,71,813** 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 Statements for 2021-22	42,61,263
Investments as on 31.03.2022 as per Audited Financial Statements for 2021-22	47,79,605
Liquid Funds as on 31.03.2022	**90,40,868**
Add: Amount recoverable from Society for purchase of Vehicle **(Refer Financial Suggestion No- 1)**	35,88,249
Add: Fees for FY 2021-22 as per Audited Financial Statements **(Refer Note No. 1 Below)**	2,52,00,388
Add: Other income for FY 2021-22 as per Audited Financial Statements **(Refer Note No. 1 Below)**	38,98,830
Estimated total funds for FY 2022-23	**4,17,28,335**
Student Security as on 31.03.2022 **(Refer Other Suggestion No. 7)**	6,38,135
Depreciation reservation fund **(Refer Note No. 2 Below)**	-
Retirement Benefit obligation **(Refer Financial Suggestion No. 2)**	-
Estimated availability of funds for FY 2022-23	**4,10,90,200**

Particulars	Amount (INR)
Less: Budgeted expenses for the session 2022-23 **(Refer Note No. 3,4 and 5 Below)**	**3,22,56,522**
Net Surplus	**94,71,813**

Note 1: The fee and income recorded by the school in its audited financial statements for FY 2021-22 has been considered assuming that this will be the minimum amount recorded by the school during FY 2022-23.

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

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

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

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

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

Accordingly, the depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue account) is mere of an accounting head for the appropriate accounting treatment of depreciation in the books of account of the school in accordance with Guidance Note -21 issued by the Institute of Chartered Accountants of India. Thus, there is no financial impact of depreciation reserve on the fund position of the School. Accordingly, the depreciation reserve fund 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	Expenditure proposed in budget of 2022-23	Amount disallowed	Remarks
Interest on Loan	1,46,183	1,46,183	Refer financial suggestion No. 1
Depreciation	15,46,468	15,46,468	Being non-cash expense.

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.

Note 5: The school was asked to submit the arrears details on account of the implementation of the 7th CPC employee-wise via email dated December 22, 2022, January 16, 2023, and January 19, 2023, but the school did not submit such details to the department. In the absence of necessary information, no amount with respect to 7th CPC arrears has been considered while calculating the fund position of the school.

ii. In view of the above examination, it is evident that the school 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 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 rejected.

AND WHEREAS, it is noticed that the school has utilised INR 35,88,249 towards repayment of loan and interest thereon taken for purchase of cars in contravention to the 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 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, 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 available with the school for meeting financial implication for the academic session 2022-23.

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 **Indian Convent School (School ID-1413278), Pocket-3, Sector-24, Rohini, Delhi-110085** 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 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 DSEAR 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 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.

Nandini

(Nandini Maharaj)
Additional Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi

To
The Manager/ HoS
Indian Convent School (School ID-1413278),
Pocket-3, Sector-24, Rohini, Delhi-110085

No. F.DE.15 (1188)/PSB/2023 | 1079-1084 Dated: 02/02/23

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 (North West B) ensure the compliance of the above order by the school management.
4. DE's nominee concerned.
5. In-charge (I.T Cell) with the request to upload on the website of this Directorate.
6. Guard file.

Nandini

(Nandini Maharaj)
Additional Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi