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

**No. F.DE.15 (1277)/PSB/2023/** 2023-2028 Dated: 02/03/23

## Order

WHEREAS, **Delhi Police Public School (School ID- 1719116) B-4, Safdarjang Enclave, New Delhi- 110029,** (hereinafter referred to as **"the School"**), run by the **Police Foundation For Education Delhi** (hereinafter referred to as the "**Society")**, is a private unaided school recognized by the Directorate of Education, Govt. of NCT of Delhi (**hereinafter referred to as "DoE"),** under the provisions of Delhi School Education Act & Rules, 1973 (**hereinafter referred to as "DSEAR, 1973"**). The school is statutorily bound to comply with the provisions of the DSEAR, 1973 and RTE Act, 2009, as well as the directions/guidelines issued by the DoE from time to time.

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

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

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

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

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

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

AND WHEREAS, in pursuance to order dated 08.06.2022 of the DOE, the school submitted its proposal for fee increase for the academic session **2022-23** though the condition to seek prior approval of DOE for increase in fee is not there. Accordingly, this order dispenses the proposal for fee increase submitted by the 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



2/3/23

provisions of the DSEA, 1973, the DSER, 1973 and other orders/ circulars issued from time to time by this Directorate for fee regulation.

AND WHEREAS, in the process of examination of fee 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 14.12.2022 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.

AND WHEREAS, on receipt of clarification as well as documents uploaded on the web portal for fee increase and subsequent documents submitted by the school as a result of the personal hearing, were evaluated thoroughly by the team of Chartered Accountants. After evaluation of fee proposal of the school and its subsequent clarifications and submissions, following key suggestions for improvement were noted:

**A. Financial Suggestions for Improvement**

1. As per Clause 8 of order No. DE 15/ Act/ Duggal.Com /203 /99 /23033-23980 dated 15.12. 1999, Clause 23 of Order No. F.DE./15(56)/Act/2009/778 dated 11.02.2009 and Section 18(4) of DSEA, 1973 read along with Rule 176 and 177 of Delhi School Education Rules, 1973, *"Fees/funds collected from the parents/students shall be utilized strictly in accordance with rules 176 and 177 of the Delhi School Education Rules, 1973. No amount whatsoever shall be transferred from Private Recognized Unaided School Fund to the society or the trust or any other institution."*

   The above position was subsequently amended through judgement of the Supreme Court in the matter of Action Committee, Un-Aided Private, Schools & Ors. vs Director of Education, Delhi & Ors. on 07.08.2009, whereby words *"except under the management of the same society or trust" were added to the last sentence of the above para. Thus, the new sentence is read as follows; "No amount whatsoever shall be transferred from the recognized unaided school fund of a school to the society or the trust or any other institution except under the management of the same society or trust."*.

   On review of the audited financial statements for FY 2021–22 revealed that the school reported INR 4,22,879 as a receivable balance from branches and divisions. During the personal hearing, the school explained that it was given to meet their operational need, which is recoverable from them.

   In view of the above, INR 4,22,879, which is receivable from the branches and divisions, has been included while calculating the fund position of the school with the direction to the school to recover this amount within 30 days from the date of issue of this order and restrain itself from transferring school funds to the trust in the future.

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 Utilization 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 para 99 of GN-21, the depreciation reserve fund would be mere an accounting head, and school need not the require creation of equivalent investments against the depreciation reserve.

From the review of the presentation of the audited financial statements for FY 2019–20 to FY 2021–22, it has been noted that the school has been collecting development fees from the students. Further, it has been noted that the school purchases fixed assets from development funds, which is not in accordance with clause 14 of the order dated February 11, 2009.

Moreover, There is condition of clause 14 is that the school is required to create a depreciation reserve if it collects development fees. However, based on a review of the school's accounts, it appears that the depreciation reserve funds were established solely for compliance purposes because the school is not following the correct accounting treatment specified in Paragraph 99 of Guidance Note 21 issued by the ICAI with respect to the collection and utilization of development funds/fee.

Also, it has also been noted that the school has accumulated and reported a development fund balance of INR 8,21,28,738 in the audited financial statements of FY 2021–22. The correct balance of the development fund cannot be determined because the school is not using the correct accounting treatment for the collection and utilization of the development fee, as mentioned above. As a result, the school's fund position has been calculated without considering accumulated development fund balance as on 31.03.2022. However, the instead of disallowing the entire development fund balance of INR 8,21,28,738, the development fund collected by the school of INR 78,34,474 in FY 2021-22 has been considered while calculatingthe fund position of the school.

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."*

On review of the audited financial statements for FY 2021–22 revealed that the school has neither recorded the liability for retirement benefits nor obtained the actuarial valuation report for the same. Accordingly, the school is hereby directed to obtain the actuarial valuation report for its retirement benefits, report the same in the financial statements. In order to secure the statutory dues of the employee, the school is also required to invest in plan assets an amount equal to the liability determined by the actuary. The compliance with this directive will be verified while evaluating the proposed fee hike for the subsequent year.

4. 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.*"

On review of the financial statements from FY 2019–2020 to FY 2021–22, it has been noted that the school has been collecting caution money from the students. However, only the principal amount is being refunded to the students at the time of his or her leaving from the school, which is not in accordance with clause 18 of the order dated 12.2.2009 and clause 3 of the public notice dated 04.05.1997. The school is hereby directed to comply with the above-mentioned provisions with respect to caution money collected from the student. Further, the amount refundable of INR 19,02,708 as per the audited financial statements of FY 2021–22 has been considered while calculating the fund position of the school.

**B. Other Suggestions for improvement**

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, DoE specified vide Order No. F.DE-15/ACT-I/WPC-4109/Part/13/7905-7913 dated 16.04.2016, the format of returns and other documents required to be submitted by the private unaided recognized schools. The aforesaid order also specified format for the financial statements to 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.

Based on the aforesaid provisions, every private unaided recognized school is required to get its accounts audited by a Chartered Accountant before submitting a return under Rule 180(1) of DSER, 1973. The documents submitted by the school for evaluation of the fee hike proposal were taken on record. Review of the audited financial statements and Independent Auditors Report for FY 2021-22 the following was noted:

a. The Independent Audit Report was not issued in the format prescribed by Standard on Auditing 700 (SA-700), as defined by the Institute of Chartered Accountants of India (ICAI). Because the majority of the content of the Independent Auditors' Report was missing, such as the auditors' and management's responsibilities.

b. In the audit report the auditor has not given reference to "Receipt & Payment Account." Although, the same has been attested by the auditors, raising a doubt as to whether receipt & payment audit has been carried out or not.

c. The auditor has provided some of the observation as part of the audited financial statements. However, the auditor has not mentioned Financial Impact of that in its auditors' report.

In light of the foregoing, the school is hereby directed to strengthen its process for preparation and presentation of financial statements in accordance with the above-mentioned provisions. However, the audited financial statements submitted by the school have been considered for the evaluation of the fee hike proposal of the school.

2. 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.

However, the audited financial statements of the school revealed that the school has not been following para 99 of the GN 21. Because upon incurrence of the capital expenditure out of the development fund, the school has created development fund utilisation account but has not transferred any amount from deferred income to the credit of income and expenditure account.

Thus, the school is hereby directed to follow accounting treatment specified in para 99 of the Guidance Note 21 with respect to the collection and utilization of development fund and make necessary adjustment in the general reserve account.

3. 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.

4. As per Order No. F.DE-15/ACT-I/WPC-4109/Part/13/7905-7913 dated 16 April 2016 *"The director hereby specify that the format of return and documents to be submitted by schools under rule 180 read with Appendix-II of the Delhi School Education Rules, 1973 shall be as per format specified by the Institute of Chartered Accountants of India, established under Chartered Accountants Act, 1949 (38 of 1949) in Guidance Note on Accounting by Schools (2005) or as amended from time to time by this Institute"*

   On review of the audited financial statements for the FY 2019-20 to 2021-22, it has been noted that the school did not prepare the financial statements as per the format prescribed in the order dated 16 April 2016 since the school failed to mention previous year's figures in Balance Sheet, Income and Expenditure Account.

   The school is directed to ensure that the financial statements are prepared as per the requirements of aforementioned order of the Directorate.

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 which require that the school should provide 25% reservation for children belonging to EWS/DG category. Therefore, the school is directed to ensure admission in accordance with the aforesaid order. Further, the school is also required to provide uniform and textbooks to the EWS/DG category students. Therefore, the concerned Deputy Director Districted are requested to ensure compliance with this regard by the school. From the information provided by the school, the percentage of admission allowed to the school to EWS is provided below.

| Particulars | FY 2022-23 |
|---|---|
| Total Students | 1,844 |
| EWS Students* | 391 |
| % of EWS students | 21.20% |

6. 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 2022, it has been 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 into 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.

7. And Section 24 (2) of DSA. 1973 states "The Director may arrange special inspection of any school on such aspects of its working as may, from time to time, be considered necessary by him".

   Whereas Appendix-II to Rule 180 specify that "final accounts i.e., receipts, and payment account, income and expenditure and balance sheet of the preceding year should be duly audited by Chartered Accountant.

   And it has been noticed that Financial Documents/ Certificates Attested by third person misrepresenting themselves as CA Members are misleading the Authorities and Stakeholders. ICAI is also receiving number of complaints of signatures of CAs being forged by non CAs.

To curb such malpractices, the Professional Development Committee of ICAI has come out with an innovative concept of UDIN i.e., Unique Document Identification Number which is being implemented in phased manner. It will secure the certificates attested/certified by practicing CAs. This will also enable the Regulators/Banks/Third parties to check the authenticity of the documents. Accordingly, the Council in the 379th meeting of ICAI held on 17.12.2018 and 18 .12. 2018, made mandatory for all practicing member to obtain 18 digits UDIN before issuing any audits reports/ certification etc. in the following manner:

- All Certification done by Practicing CAs w.e.f. 01.02.2019.
- All GST & Tax Audit Reports w.e.f. 01.04.2019.
- All other attest functions w.e.f. 01.07.2019.

The review of the audited financial statements for the FY 2019-20 to FY 2021-22, it has been noted that the financial statements of the school were certified by the Chartered Accountant without mentioning the UDIN as required by the council. This being the procedural observation therefore, the school management are directed to ensure this compliance from the Auditor of the school.

8. 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."*

Clause 21 of Order No. F.DE. /15(56)/Act/2009/778 dated 11.02.2009 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."*

Clause 22 of Order No. F.DE /15(56)/ Act/2009/778 dated 1.02.2009 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."*

Clause 6 of Order No. DE 15/ Act/ Duggal.Com /203 /99 /23033-23980 dated 15.12.1999 states *"Earmarked levies shall be charged from the user student only."*

Rule 176 states *"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."*

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

Further, the Guidance Note-21 lays down the concept of fund-based accounting for restricted funds, whereby upon incurrence of expenditure, the same is charged to the Income and Expenditure Account and a corresponding amount is transferred from the concerned restricted fund account to the credit of the Income and Expenditure Account.

From the information provided by the school post personal hearing, it has been noted that school charges earmarked levies in the form of (i) Transport fees, (ii) Magazine fees, (iii) Sports fees, (iv) Science fees and (v) Computer fees (vi) Smart Class Fees (vii) IP Fees (viii) NCC Fees (ix) PTA Fees from the students but has not maintained fund-based accounting. The surplus/deficit generated by the school from these earmarked levies in the last three financial years are as under:

| Particulars | Computer Fee | Science Fee | Sports Fee | Magazine Charges | Smart Class Fee | IP Fee | NCC Fee | Transport Fee | PTA Fee |
|---|---|---|---|---|---|---|---|---|---|
| **For the year 2019-20** | | | | | | | | | |
| Fee Collected during the year (A) | 7,07,180 | 1,72,800 | 9,70,900 | 2,45,638 | 17,52,250 | 1,18,730 | 16,875 | 94,96,192 | 2,45,638 |
| Expenses during the year (B) | 43,489 | 91,012 | 3,24,792 | - | 9,49,122 | - | 26,440 | 96,82,585 | 71,144 |
| **Difference for the year (A-B)** | **6,63,691** | **81,788** | **6,46,108** | **2,45,638** | **8,03,128** | **1,18,730** | **(9,565)** | **(1,86,393)** | **1,74,494** |
| **For the year 2020-21** | | | | | | | | | |
| Fee Collected during the year (A) | 8,550 | - | 38,775 | 21,600 | 20,400 | - | - | - | 21,600 |
| Expenses during the year (B) | 30,245 | 51,361 | 1,650 | - | 9,45,600 | - | - | 11,72,961 | 32,838 |
| **Difference for the year (A-B)** | **(21,695)** | **(51,361)** | **37,125** | **21,600** | **(9,25,200)** | **-** | **-** | **(11,72,961)** | **(11,238)** |
| **For the year 2021-22** | | | | | | | | | |
| Fee Collected during the year (A) | 14,400 | 21,240 | 31,200 | 30,900 | 40,200 | 4,56,060 | - | - | 31,050 |
| Expenses during the year (B) | 27,609 | 27,083 | - | - | 5,40,000 | - | - | 11,95,443 | 54,368 |
| **Difference for the year (A-B)** | **(13,209)** | **(5,843)** | **31,200** | **30,900** | **(4,99,800)** | **4,56,060** | **-** | **(11,95,443)** | **(23,318)** |
| **Total (Surplus)** | **6,28,787** | **24,584** | **7,14,433** | **2,98,138** | **(6,21,872)** | **5,74,790** | **(9,565)** | **(25,54,797)** | **1,39,938** |

In view of the above the earmarked levies are to be collected only from the user students availing the services, and if any service/facility has been extended to all the students at the school, a separate charge cannot be levied towards these services by the school as the same would get covered either from tuition fee (expenses on curricular activities) or annual charges (expenses other than those covered under tuition fee). Accordingly, charging earmarked levies in the name of Sports fees, magazine fees, smart class fees and PTA fees from all the students loses its character of earmarked levy. Thus, the school is directed not to charge Sports fees, magazine fees, smart class fees and PTA fees as earmarked fee with immediate effect and should incur the expenses relating to these from tuition fee and/or annual charges.

The school is also directed to maintain separate fund account depicting clearly the amount collected, amount utilized and balance amount for each earmarked levy collected from students. Unintentional surplus/deficit, if any, generated from earmarked levies must be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies in the subsequent proposal of fee increase by ensuring that the proposed levies are calculated on no-profit no-loss basis and not to include fee collected from all students as earmarked levies.

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

**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 **18,41,74,560** out of which cash outflow in the FY 2022-23 is estimated to be INR **15,72,55,209.** This results in surplus of INR **2,69,19,351** for FY 2022-23 after all payments. The details are as follows:

| Particulars | Amount (INR) |
|---|---|
| Cash and Bank balances as on 31.03.22 as per Audited Financial Statements of FY 2021-22 | 3,88,90,691 |
| Investments as on 31.03.22 as per Audited Financial Statements of FY 2021-22 | 7,78,79,627 |
| **Liquid Funds as on 31.03.2022** | **11,67,70,318** |
| Add: Fees for FY 2021-22 as per Audited Financial Statements **(Refer Note No. 2 Below)** | 8,69,15,104 |
| Add: Other income for FY 2021-22 as per audited Financial Statements **(Refer Note No. 2 Below)** | 13,85,258 |
| Add: Additional income of annual charges and development fund **(Refer Note No. 2 Below)** | 20,64,359 |
| Add: Advance given to the branches as per Audited Financial statements of FY 2021-22 **(Refer Financial Suggestion No. 1)** | 4,22,879 |
| **Total Available Funds for FY 2022-23** | **20,75,57,918** |
| Less: FDs in the name of DoE & Manager as on 31.03.2022 | 29,16,072 |
| Less: Transport fund deposit as on 31.03.2022 | 93,47,550 |
| Less: Development Fund as per Audited Financial Statements of FY 31.03.2022 **(Refer Financial Suggestion No. 2)** | 92,17,028 |
| Less: Investment made with LIC against provision made for retirement benefits **(Refer Financial Suggestion No. 3)** | - |
| Less: Caution Money as on 31.03.2022 **(Refer Financial Suggestion No. 4)** | 19,02,708 |
| Less Depreciation reserve fund as on 31.03.2022 **(Refer Note No. 3 Below)** | - |
| **Net Available Funds for FY 2022-23 - (A)** | **18,41,74,560** |
| Less: Budgeted Expenditure for FY 2022-23 **(Refer Note No. 4 and 5 Below)** | 14,56,35,209 |
| Less: Arrears of 7th CPC as provided by the school **(Refer Note No. 6 Below)** | 1,16,20,000 |
| **Total Estimated Expenditure for FY 2022-23 - (B)** | **15,72,55,209** |
| **Net Surplus (A-B)** | **2,69,19,351** |

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

| S. No | Particulars | Amount (INR) | Remarks |
|---|---|---|---|
| 1 | Cation Money Deposit | 31,08,759 | As on 31.03.2022 caution money due was INR 19,02,708. Therefore, the same has been considered separately. |
| 2 | FDR in Joint name of Manager and Directorate of Education | 29,16,072 | Considered separately. |
| 3 | FDR for scholarship | 43,51,424 | Considered separately. |
| 7 | Transport Fund Deposit | 93,47,550 | Considered separately. |
| 4 | Terminal Benefit Deposit | 1,71,60,369 | Part of the funds position as it is available with the school for utilization. |
| 5 | FDR in the name of school | 1,42,03,977 | |

| S. No | Particulars | Amount (INR) | Remarks |
|---|---|---|---|
| 8 | FDR In the name of school | 2,00,000 | |
| 6 | Development Fund Deposit | 2,65,91,476 | INR 92,17,028 has been considered as separately. And INR 1,73,74,448 has been considered as part of the funds position available with the school for utilization. |
| | **Total** | **7,78,79,627** | |

**Note 2**: 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 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 government land owing agencies and not to increase any fee in academic session 2020-21 till further direction.

Further, 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 commercialisation, directed to the management of all the petitioners private unaided recognised 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 for 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 and development charges its audited financial statements of FY 2021-22. Therefore, the income collected by the school during the FY 2021-22 with respect to annual charges and development fee has been grossed up in order after deducting the income of FY 2020-21 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 | 6,10,36,859 | 6,10,36,859 | |
| Annual Charges | 38,63,559 | 45,45,364 | The school recorded 85% of these income as per DoE order. Therefore, it has been grossed up in order to determine the normal income of the school. |
| Development fund | 78,34,474 | 92,17,028 | |

**Note 3:** 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 4:** All budgeted expenditure of the school has been considered while deriving the fund position of the school except the following:

| Particulars | Expense as per Budgeted of FY 2022-23 | Disallowed | Remarks |
|---|---|---|---|
| Transportation Expenses (In respect of vehicles not owned by school)- Private Operators & DTC | 1,13,60,000 | 1,13,60,000 | School has introduced new head of expense for which no explanation has been provided |
| Arrear of DA & Increment FY 21-22 | 1,16,20,000 | 1,16,20,000 | Considered separately |

**Note 5:** 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 6**: As the school has implemented the 7CPC recommendation partially. Therefore, arrears budgeted by the school of INR 1,16,20,000 has been considered while calculating the fund position of the school for academic session 2022-23.

ii. In view of the above examination, it is evident that the school has sufficient 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 above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that along with certain financial and other irregularities, that the sufficient funds are 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, recommendation of the team of Chartered Accountants along with relevant materials were put before the Director of Education for consideration and who after considering all the material on the record, and after considering the provisions of section 17 (3), 18(5), 24(1) of the DSEA, 1973 read with Rules 172, 173, 175 and 177 of the DSER, 1973 has found that the school has sufficient funds for meeting financial implication for the academic session 2022-23. Therefore, Director (Education) has rejected the proposal submitted by the school to increase the fee 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 of fee increase of **Delhi Police Public School (School ID- 1719116) B-4, Safdarjang Enclave, New Delhi- 110029** is rejected by the Director of Education. 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 in pursuance to the proposal submitted by school on any account for the academic session 2022-23 and if the fee is already increased and charged for the academic session 2022-23, the same shall be refunded to the parents or adjusted in the fee of subsequent months.

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

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

Non-compliance of this order or any direction herein shall be viewed seriously and will be dealt with in accordance with the provisions of section 24(4) of Delhi School Education Act, 1973 and Delhi School Education Rules, 1973.

This is issued with the prior approval of the Competent Authority.

Nandini

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

**To:**
**The Manager/ HoS**
**Delhi Police Public School (School ID- 1719116)**
**B-4, Safdarjang Enclave,**
**New Delhi- 110029**

No. F.DE.15(171)/PSB/2023/ 2023-2028 Dated: 02/03/23

**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 (South) 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**