

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

No. F.DE.15 (1268)/PSB/2023/ 2040-2045

Dated: 02/03/23

Order

WHEREAS, **Venkateshwar International School, Sector-10, Dwarka, New Delhi-110075, (School ID: 1821189)** (hereinafter referred to as "**the School**"), run by the **Sri Venkateshwar 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 fee increase for the academic session 2022-23. Accordingly, this Order dispenses the proposal for fee increase 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 increase 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 08.12.2022 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. During the aforesaid hearing, compliances against Order No. F.DE-15/(581)/PSB/2022/3418-3422 dated 24.05.2022, issued for academic session 2019-20, was also discussed and submissions 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. 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.”

The documents submitted by the school were taken on record. A review of the documents submitted by the school revealed that the school has reported liabilities of INR 6,60,21,599 towards gratuity and INR 2,63,25,419 towards leave encashment in the audited financial statements for FY 2021-22 based on the actuarial valuation report. However, the school has not invested any funds in plan assets in accordance with AS-15 issued by ICAI in response to the aforementioned liabilities. During the personal hearing, the school explained that, due to a paucity of funds, it could not invest any amount in plan assets.

Gratuity and leave encashment are statutory liabilities that the school is required to pay to the eligible employees at the time of retirement or resignation, as the case may be. However, over the years, the department has noticed that most of the schools have been recording liabilities for retirement benefits in their financial statements without making investments in Plan Asset, either due to paucity of funds or otherwise. Therefore, many of the schools are keeping the retirement benefit unfunded, which is not in the true spirit of the law and also defeats the objectives of maintaining books of accounts as per generally accepted accounting principles (GAAP) as directed by the Hon’ble Supreme Court in its landmark judgement titled Modern School vs. Union of India and Ors. Therefore, it has been felt that in order to protect the statutory dues of the employees, instead of disallowing the full liability on account of non-investment in Plan Asset, it would be rational to spread this liability over the period of 14 years on the assumption that normally a student studies 14 years in the school. This will not only allow the schools a breather to make an investment in Plan Asset gradually but also lower down the sudden financial burden of fee on the parents/students on account of huge liability for retirement benefits.

Accordingly, an amount of INR 65,96,216 (i.e., 1/14 of (INR 6,60,21,599 plus INR 2,63,25,419)) has been considered while deriving the fund position of the school, with the direction to the school to invest the aforesaid amount in plan assets in accordance with AS-15 and submit the compliance report within 30 days from the date of issue of this order.

2. 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.”

Clause 7.24 of Duggal committee report states “school should be prohibited from discharging any of the functions, which rightly fall in the domain of the society out of the fees and other charges collected from the students; or where the parents are made to bear, even in part, the financial burden for the creation of facilities including building, on a land which had been given to the society at concessional rates for carrying out a “philanthropic activity. One only wonders what then is the contribution of the society that professes to run the school”.



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.*

Therefore, based on the above-mentioned provisions, the cost relating to land and construction of the school building should be borne by the society running the school and school funds, i.e., fees collected from the students should not be used for the purchase of land and construction of the school building. In this regard, it is also important to mention that society was allotted an institutional land at lower cost compared to the price of commercial and residential land in nearby location. The reason for allotment of land at very low cost was the society came up with the offer to do noble work in the field of education and run the school in Delhi on charity and on a "no profit and no loss" basis. In its offer society also undertook to execute this work from its resources or by arranging funds through donations, subscriptions, or any other legal possible manner. Based on the noble grounds, the DoE had recommended to the land-owning agencies for allotment of land to society which would otherwise not be possible for the society to have such a prime land at this cost in such posh location.

The Directorate, in its Order No. F.DE-15/(581)/PSB/2022/3418-3422 dated 24.05.2022, issued for the academic session 2019–20, and F.DE.15(187)/PSB/2019/1065–1069 dated 14.03.2019 issued to the School post evaluation of the fee increase proposal for FY 2017–18, directed the School to recover INR 1,60,21,407 (INR 1,39,58,156 and INR 20,63,251) from society for the construction of the road, auditorium, and washroom incurred in FY 2014–15 and 2016–17, which is still pending for recovery.

Further, on review of the audited financial statements for FY 2021–22, it has been noted that school funds of INR 1,12,93,763 has been used for construction of toilet blocks, finishing, and furnishing of buildings. The school has incurred this expenditure without complying with the above-mentioned provisions and Rule 177 of the DSER, 1973. Because the school has not implemented the recommendation of the 7th CPC and has not invested any in plan assets for payment of the retirement benefits.

Therefore, the total amount of INR 2,73,15,170 i.e., (INR 1,60,21,407 *plus* INR 1,12,93,763) utilized by the school towards construction of school building in contravention of above-mentioned provisions has been considered as fund available with the school while deriving the fund position with the direction to the school to recover this amount from the society within 30 days from the date of issue of this order.

3. Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/883-1982 dated 10.02.2005 issued by this directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*" Also, Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/ 883-1982 dated

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10.02.2005 issued by this Directorate states "Capital expenditure cannot constitute a component of the financial fee structure."

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.*

The Directorate, in its Order No. F.DE-15/(581)/PSB/2022/3418-3422 dated 24.05.2022, issued for the academic session 2019-20, noted that during FY 2016-17 to FY 2018-19, the school had purchased buses by taking a loan from HDFC Bank without complying with the above-mentioned provisions. The school had used its net fund of INR 34,94,754 towards repayment of the loan and interest thereon. Accordingly, the school was directed to recover INR 34,94,754 from society, which is still pending for recovery.

In addition, a review of the audited financial statements from FY 2019-20 to FY 2021-22 revealed that the school neither collected transportation income nor charged expenses to the income and expenditure account. Instead, the school adjusts transportation income and expenses from the General Fund Account. It has also been noted that the school charges lumpsum expenses related to transportation activity from the general fund account, which is not only an incorrect treatment of accounting but also conceals some of the basic information related to transport expenditure.

Apart from the above, it has been noted that the school has purchased multiple buses amounting to INR 96,63,003 in FY 2019-20 and INR 2,77,60,250 in FY 2021-22 by taking secured loan from HDFC bank and repaid principal amount and interest cost of INR 32,80,709 in FY 2019-20, INR 43,64,148 in FY 2020-21 and INR 52,71,029 in FY 2021-22.

Therefore, the expenditure incurred by the school on purchase of vehicles totalling to INR 5,38,33,893 (INR 34,94,754 plus INR 96,63,003 plus INR 2,77,60,250 plus INR 32,80,709 plus INR 43,64,148 plus INR 52,71,029) without complying with the above mentioned provisions has been considered as fund available with the school while deriving the fund position with the direction to the school to recover the same from the society within 30 days from the date of issue of this order.

4. Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/883-1982 dated 10.02.2005 issued by this directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*"

The Directorate in its Order No. F.DE-15/(581)/PSB/ 2022/3418-3422 dated 24.05.2022, issued for academic session 2019-20 and F.DE.15(187)/PSB/2019/1065-1069 dated 14.03.2019, issued to the school post evaluation of proposal for enhancement for the FY 2017-18, noted that an inspection of the school was carried out by a team constituted under the directions of Director (Education). As per the inspection report, the school was directed to recover the following amounts from the Society.

S. No	Particulars	Amount (INR)
1	Additions to Buildings (From FY 2009-10 to FY 2017-18)	4,78,05,522
2	School funds utilized for payment of bus loans (From FY 2010-11 to 2016-17)	2,08,82,460
3	School funds utilized for payment of loan taken (from FY 2010-11 to 2016-17)	2,91,82,647
4	School funds utilized for purchase of luxury car (FY 2011-12)	12,57,614
5	School funds utilized for repairs of luxury car (paid to Galaxy Automobiles Pvt. Ltd.)	1,57,222
6	School funds utilized for repairs of luxury car (paid to T&T Motors Ltd.)	3,31,405
Total		9,96,16,870
Less: Recovery already considered		1,60,21,407
Balance amount to be recovered from School		8,35,95,463

On review of documents submitted by the school post personal hearing, it has been noted that school has not complied with the above-mentioned directions and the aforesaid recovery is still pending. Therefore, the school is again directed to comply with the above-mentioned direction, to recover this amount of INR 8,35,95,463 from the society within 30 days from the date of issue of this order. Accordingly, the amount has been included in calculation of fund availability with the school.

5. 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.

B. Other Suggestion for Improvements

1. 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. However, from the audited financial statements, the expenditure incurred by the school towards uniform and textbooks cannot be determined. 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	3,026
EWS Students*	462
% of EWS students	15.27%

*Included EWS and other non-fee paying students.

2. 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.

3. 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:

6. "*the financial statement of the Schools should be prepared on accrual basis.*"
7. "*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.....*"

8. *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 recorded 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.

4. 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 (i) Communication Skill Development Fees (ii) Computer Fees (iii) Medical & Insurance (iv) Mid-Day Meals Fees (v) Science fees (vi) Sports fees and (vii) Pupil fees. It has also been noted that school has not been following fund-based accounting. The surplus/deficit generated by the school from these earmarked levies in the last three financial years are as under:

Particulars	Communication Skill Development	Computer Fees	Medical & Insurance	Mid Day Meals	Science Fees	Sports Fees	Pupil Fees
For the year 2019-20							
Fee Collected during the year (A)	42,50,666	65,28,740	48,79,217	51,57,900	5,66,764	65,27,466	53,93,400
Expenses during the year (B)	46,33,200	72,80,710	48,48,226	61,30,820	8,44,871	62,41,413	66,25,598
Difference for the year (A-B)	(3,82,534)	(7,51,970)	30,991	(9,72,920)	(2,78,107)	2,86,053	(12,32,198)
For the year 2020-21							
Fee Collected during the year (A)	38,478	13,794	10,317	-	-	13,794	11,400
Expenses during the year (B)	18,000	40,46,484	-	-	5,30,842	11,07,425	16,62,900
Difference for the year (A-B)	20,478	(40,32,690)	10,317	-	(5,30,842)	(10,93,631)	(16,51,500)
For the year 2021-22							
Fee Collected during the year (A)	-	-	-	-	-	-	-
Expenses during the year (B)	54,64,053	1,17,93,528	6,44,683	-	8,29,947	27,63,432	87,90,568
Difference for the year (A-B)	(54,64,053)	(1,17,93,528)	(6,44,683)	-	(8,29,947)	(27,63,432)	(87,90,568)
Total (Surplus)	(58,26,109)	(1,65,78,188)	(6,03,375)	(9,72,920)	(16,38,896)	(35,71,010)	(1,16,74,266)

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 Communication Skill development fees, Medical & Insurance fees, Sports fees, Pupil fees and Mid-Day Meal fees from all the students loses its character of earmarked levy. Thus, the school is directed not to charge Communication Skill development fees, Medical & Insurance fees, Sports fees, Pupil fees and Mid-Day Meal 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.

5. 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.

6. 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 2019-20 the following was noted:

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- 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. Further, the school has not been able to submit the audit report for FY 2020-21 and 2021-22. However, the financial statements submitted by the school has been considered while evaluating fund position of the school.

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.

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 39,15,28,958** out of which cash outflow for the FY 2022-23 is estimated to be **INR 42,36,12,924**. This results in a deficit of **INR 3,20,83,966** 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 FY 2021-22 (Refer Note No. 1 Below)	5,64,570
Investments as on 31.03.2022 as per Audited Financial Statements for FY 2021-22	21,53,692
Total liquid funds as on 31.03.2022	27,18,262
Add: Recovery from society towards construction of the building (Refer Financial Suggestion No. 2)	2,73,15,170
Add: Recovery from society towards purchase of buses (Refer Financial Suggestion No. 3)	5,38,33,893
Add: Amount recoverable from the society (based on inspection carried out) (Refer Financial Suggestion No. 4)	8,35,95,463
Add: Fee in FY 2021-22 as per audited financial statement for FY 2021-22 (Refer Note No. 1 Below)	25,86,28,960
Add: Other income in FY 2021-22 as per audited financial statement for FY 2021-22	25,35,441
Less: Income for FY 2020-21 recorded in FY 2021-22	3,61,86,826
Add: Additional income of development fee and annual charges (Refer Note No. 2 Below)	88,30,678
Less: Non-cash income / Non-recurring income	9,11,212
Total gross funds available for FY 2022-23	40,03,59,829
Less: FDR in Joint name with DDE	21,53,692
Less: ATL Fund as on 31.03.2022	8,234
Less: Development fund as on 31.03.2022	72,730
Less: Depreciation reserve fund (Refer Note No. 3 Below)	-
Less: Gratuity and leave encashment (Refer Financial Suggestion No. 1)	65,96,216
Total availability of funds for FY 2022-23	39,15,28,958
Less: Budgeted expenses for the session 2022-23 (Refer Note No. 4 and 5 Below)	34,94,20,364
Less: Salary arrears (Refer Note no. 6 Below)	7,41,92,560
Net Deficit	3,20,83,966

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Note 1: As per Audited Financial Statements for FY 2021-22, the bank balance of the School is of INR (1,24,12,990) which includes balance of Saving bank account of Yes Bank (A/c No. 0263946600000202) of INR (1,29,57,201). It has been reviewed that the school intentionally reduce its Salary payable for the month of March from this savings account to reduce its liquid fund to negative. Therefore, this balance has been excluded from the above balance.

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 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:

1. "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.
2. The amount so payable by the concerned students be paid in six equal monthly instalments w.e.f. 10.06.2021.
3. 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 and development fee in the audited financial statements for FY 2021-22. Therefore, the income collected by the school during the FY 2021-22 with respect to annua charges and development fee 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	17,22,09,439	17,22,09,439	
Annual Charges	2,96,12,533 (after adj. arrears)	3,48,38,274	The school recorded 85% of the income. Therefore, this has been grossed up.
Development fund	2,04,27,977 (after adj. arrears)	2,40,32,914	

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

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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:

Expenditure	Amount proposed in the budget	Amount disallowed	Remarks
Salaries	22,50,00,000	8,25,57,174	Excessive amount proposed by the School without any proper justification. Therefore, this expense

Expenditure	Amount proposed in the budget	Amount disallowed	Remarks
			has been restricted to 130% of previous year expense.
Housekeeping expense	3,30,00,000	1,17,97,463	The school has claimed excessive increase of 87% in its budgeted expenditure as compared to previous year without any proper justification. Therefore, this expense has been restricted to 120% of previous year expense.
School Repair and maintenance expense	4,40,00,000	4,40,00,000	The School has claimed a huge bogus expense of INR 4.4 crore in its budget for which no justification has been submitted by the school. Further, this expense also denotes to capital expenditure which is out of preview of the School. Therefore, this expenditure has not been considered while deriving the fund position.
Vehicle Running and maintenance	6,00,00,000	6,00,00,000	It's a new head of expense introduced by the school in its budget without any justification. Further, the School has not treated Transportation fund in its income and expenditure account. Therefore, this expense has not been considered while deriving the fund position.
Vehicle Loan and insurance	41,00,000	41,00,000	Refer Financial Suggestion No. 3
Science Lab block	60,00,000	60,00,000	As per Clause 7.24 of Duggal Committee and Clause No. 2 of Public Notice dated 04.05.1997, this expense should be borne by the Society.
Building Finishing and Furnishing	61,00,000	61,00,000	

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: The salary arrears of INR 7,41,92,560 for FY 2020-21 and FY 2021-22 as submitted by the school has been considered while calculating the fund position of the school.

- 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,

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"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 utilised INR 2,73,15,170 towards construction of school building in contravention of Clause 7.24 of Duggal Committee and Clause No. 2 of Public Notice dated 04.05.1997 and INR 5,38,33,893 in contravention of Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/883-1982 dated 10.02.2005 and Rule 177 of DSEAR, 1973 and INR 8,35,95,463 in contravention of Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/883-1982 dated 10.02.2005 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, 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 6th CPC. Keeping this in view, and exercising the powers conferred under Rule 43 of DSER, 1973, the Director (Education) has accepted the proposal submitted by the school and allowed an increase in fee by 14% 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 **Venkateshwar International School, Sector-10, Dwarka, New Delhi-110075, (School ID: 1821189)** filled by the

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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 14% 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.



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

To
The Manager/ HoS
Venkateshwar International School,
Sector-10, Dwarka, New Delhi-110075,
(School ID: 1821189)

No. F.DE.15 (1268)/PSB/2023 / 2040-2045

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