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

**No. F.DE.15 (**911**) / PSB / 2022 /** 6586-6590 **Dated:** 23/08/22

# ORDER

WHEREAS, **Airforce Bal Bharti School, Lodhi Road, New Delhi-03, School ID-1924138** (hereinafter referred to as " **the School**"), run by the Indian Airforce 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.

AND WHEREAS, the manager of every recognized school is required to file a full statement of fees every year for the ensuing academic session under section 17(3) of the DSEAR, 1973 with the Directorate. Such a statement is required to indicate the 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 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 recognized 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 recognized 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 authorized by the Director in this behalf and also by officers authorized 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 for some of the 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, 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 fees and other charges, with the objective of preventing profiteering and commercialization of education.

AND WHEREAS, it was also directed by the Hon'ble Supreme Court, that the DoE in the aforesaid matter titled Modern School Vs. Union of India and Others in paras 27 and 28 that in the case of private unaided schools situated on the land allotted by DDA/other land-owning agencies at concessional rates:

*"27 (c) It shall be the duty of the Director of Education to ascertain whether terms of allotment of land by the Government to the schools have been complied with...*

*28. We are directing the Director of Education to look into the letters of allotment issued by the Government and ascertain whether they (terms and conditions of land allotment) have been complied with by the schools.......*

*.....If in a given case, Director finds non-compliance of above terms, the Director shall take appropriate steps in this regard."*

AND WHEREAS, the Hon'ble High Court of Delhi vide its judgement dated 19.01.2016 in writ petition No. 4109/2013 in the matter of Justice for All versus Govt. of NCT of Delhi and Others, has reiterated the aforesaid directions of the Hon'ble Supreme Court and has directed the DoE to ensure compliance of terms, if any, in the letter of allotment regarding the increase of the fee by recognized unaided schools to whom land has been allotted by DDA/ other land-owning agencies.

AND WHEREAS, accordingly, the DoE vide Order No. F.DE.-15(40)/PSB/2019/4440-4412 dated 08.06.2022, directed all the private unaided recognized schools, running on the land allotted by DDA/other land-owning agencies at concessional rates or otherwise, with the condition to seek prior approval of DoE for increase in fee, to submit their proposals, if any, for prior sanction, for increase in fee for the academic session 2022-23.

AND WHEREAS, in pursuance to Order dated 08.06.2022 of the DoE, the School submitted its proposal for enhancement of fee for the academic session 2022-23. Accordingly, this Order dispenses the proposal for enhancement of fee submitted by school for the academic session 2022-23.

AND WHEREAS, in order to examine the proposals submitted by the schools for fee increase for justifiability or not, the DoE has deployed teams of Chartered Accountants at HQ level who has evaluated the fee increase proposals of the School carefully in accordance with the provisions of the DSEAR, 1973, and other Orders/ Circulars issued from time to time by the DoE.

AND WHEREAS, in the process of examination of the fee hike proposal filed by the aforesaid school, necessary records and explanations were also called from the school through email. Further, the school was also provided an opportunity of being heard on 26.07.2022 to present its justifications/ clarifications on the fee increase proposal and full statement of fees filed under section 17(3) of the DSEA, 1973. Based on the discussion, the school was further asked to submit necessary documents and clarification on various issues noted during the personal hearing with the school. During that hearing, the compliance of Order No. F.DE 15(267)/PSB/2021/4693-4698 dated 12.11.2021 issued for academic session 2019-20 were also discussed and the school's submissions were taken on record.

AND WHEREAS, on receipt of clarification as well as documents uploaded on the web portal for fee increase, and subsequent documents submitted by the school as a result of the personal hearing, were evaluated by the team of Chartered Accountants and key suggestions noted for improvement by the School are hereunder:

**A. Financial Suggestions for Improvement:**

1. 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 is then the contribution of the society that professes to run the school*".

Further, Clause 2 of Public Notice dated 04.05.1997 states that "*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, Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/ 883-1982 dated 10.02.2005 issued by DoE states that "*Capital expenditure cannot constitute a component of the financial fee structure.*"

Rule 177 of DSER, 1973 states that "*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,*
- *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".*

Based on the above-mentioned provisions, the cost relating to land and construction of school building should be met by society being property of society and school funds i.e. fee collected from students should not be used for the same. Further, as per Rule 177 of the DSER, 1973, income derived by way of fees shall be utilized at the first instance, for meeting the pay, allowance and other benefits admissible to the employee of the school. Provided that if there is any saving thereafter, it may be utilized by its management for the specified purposes provided under Rule 177(2) of the DSER, 1973. Further, the aforesaid savings shall be arrived at after providing the following.

- Pension, gratuity and other specified retirement and other benefits admissible to the employees of the school.
- The needed expansion of the school or any expenditure of a developmental nature.
- The expansion of the school building or for the expansion or construction of any building or establishment of hostel or expansion of hostel accommodation.
- Co-curricular activities of the students.
- Reasonable reserve fund, not being less than ten percent, of such savings.

Review of the audited financial statements for FY 2019-20 & FY 2020-21 and unaudited financial statements for FY 2021-22 revealed that the school incurred expenditures of INR 23,73,606 in FY 2019-20 and INR 3,74,821 in FY 2020-21 towards purchase and renovation and the same was capitalized under the head of building.

It has been further noted that the School incurred these expenditures out of the depreciation reserve fund which was not in accordance with the provision of DSEAR, 1973 and para 99 of the Guidance Note 21 'Accounting by School' issued by the Institute of Chartered Accountants of India (ICAI). As per Clause 7 of Order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and Clause 14 of Order No. F.D.E./ 15(56)/Act/2009/778 dated 11.02.2009. If the school collects development fees, then it is required to maintain a depreciation reserve fund equivalent to the depreciation charged to the revenue account. Further, para 99 of the Guidance Note-21 states where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which should be depreciated as per the recommendations contained in this Guidance Note. The depreciation reserve fund (that is to be created equivalent to the depreciation charged in the revenue account) is the 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 the depreciation reserve on the fund position of the school. During personal hearing, the school explained that it had incurred the above expenditure out of the depreciation reserve fund as the school had investment i.e., liquid funds against depreciation reserve funds. As per the Duggal Committee report, the school can collect the following heads of fee which are as under:

- Registration fee: INR 25 per student can be collected at the time of admission only.
- Admission fee: INR 200 per student can be collected at the time of admission only.
- Caution Money: INR 500 per student can be collected at the time of admission. It is not income, but a deposit, which is to be refunded to the student at the time of leaving the school.

- Tuition fee: It is required to determined so as to cover the standard cost of the establishment including terminal benefits and expenses of revenue nature concerning to curricular activities.
- Annual charges: expected to cover all other revenue expenditure of the school not covered from the tuition fee.
- Earmarked levies: are to be charged with respect to facilities provided to the user students only involving additional expenditure in the provision of the same. This is required to be charged on no profit no loss basis; and
- Development fee: It is to be treated as capital receipts and utilized towards purchase, upgradation and replacement of furniture, fixtures and equipment.

Thus, the accounting treatment followed by the school with respect to the creation of the deprecation reserve fund and its utilization is not correct. Accordingly, the assets purchased by the School out of the depreciation reserve fund shall be treated as the School has purchased these assets out of the school funds without complying with the requirement of Rule 177 of the DSER, 1973. Therefore, expenditure totaling to INR 27,48,427 ( i.e. INR 23,73,606 in FY 2019-20 and INR 3,74,821 in FY 2020-21) incurred by the school capitalized under the head building is recoverable from the society.

Further, DoE vide Order No. F.DE 15(267)/PSB/2021/4693-4698 dated 12.11.2021 issued to the school post evaluation of fee increase proposal for FY 2019-20 observed that the School incurred INR 19,38,856 for flooring & cladding in gym shed and interlocking concrete pave block without complying with the provision of Rule 177 of DSER, 1973 and incurred INR 30,80,814 for construction of fire stair and new play station for Jr. School playground out of development fund/deprecation reserve during the FY 2017-18 and 2018-19. Accordingly, the School was directed to recover INR 50,19,670 from society, which is still pending for recovery. Therefore, the total expenditure amounting to INR 77,68,097 incurred by the School has been included while deriving the fund position of the school with the direction to the school to recover this amount from society within 30 days from date of issue of this order and ensure compliance with Rule 177 of DSER, 1973 and Clause 14 of the order dated 11.02.2009 and pass the necessary rectification entries in its books of accounts.

Para 57 of Accounting Standard 15 (AS-15) 'Employee Benefits' issued by the Institute of Chartered Accountants of India 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.*" Further, Para 7.14 defines the Plan Assets as:

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

Further, Para 60 of Guidance Note-21 on 'Accounting by Schools' (2005) issued by the Institute of Chartered Accountants of India states that "*A defined benefit scheme is a scheme under which amounts to be paid as retirement benefits are determined usually by reference to employee's earnings and/or years of service*".

An appropriate charge to the income and expenditure account for a year should be made through a provision for the accruing liability. The accruing liability should be calculated according to actuarial valuation. However, if the school employs only a few persons, say less than twenty, it may calculate the accrued liability by reference to any other rational method. The ensuing amount of provision for liability should then be invested in *"plan assets"* as per AS-15 issued by ICAI.

On review of the unaudited financial statements for FY 2021-22 submitted by the school, it has been noted that the school has made a total provision of INR 9,79,22,318 and INR 3,78,18,876 towards gratuity and leave encashment respectively as on 31 Mar 2022 in accordance with the actuarial valuation report dated 31 January 2022 obtained by the school from an actuary for measuring its liability towards gratuity and leave encashment. The School further, submitted that it has invested INR 9,79,22,318 and INR 3,78,18,876 in an investment which qualifies as a plan asset within the meaning of AS-15 and reported the same in its unaudited financial statements. Therefore, the total amount invested by the School in planned assets towards gratuity and leave encashment of INR 9,79,22,318 and INR 3,78,18,876 respectively have been considered while deriving the fund position of the school.

3. Clause 14 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11.02.2009 states *"Development Fee not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture 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 out of this fund will be kept in a separately maintained Development Fund Account".*

Further, Para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India (ICAI) 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."*

And para 102 of the above cited Guidance Note-21 states *"In respect of funds, schools should disclose the following in the schedules/notes to accounts:*

a) *In respect of each major fund, opening balance, additions during the period, deductions/utilization during the period and balance at the end;)*
b) *Assets, such as investments, and liabilities belonging to each fund separately*
c) *Restrictions, if any, on the utilization of each fund balanced)*
d) *Restrictions, if any, on the utilization of specific assets."*

Based on the presentation made in audited financial statements for FY 2018-19, FY 2019-20 & FY 2020-21, it has been noted that the School has incurred INR 94,97,376 in FY 2019-20 & INR 6,89,080 in FY 2020-21 for DPL and honorarium paid to activity teachers and smart class. Thus, the school has utilized the development fund for revenue expenditures which was not in accordance with the provision of Clause 14 of the Order dated 11.02.2009. Further, the development fund balance was INR 6,32,67,584 as per the audited financial statements for FY 2020-21, while the yearly collection towards development fees comes to INR 1.5 Crores (approx.), which means the school had accumulated development funds more than its requirement for purchase, upgrade and replacement of furniture fixture and equipment over the years. However, during FY 2021-22, the school has utilized development of INR 4.12 Crores for investment in planned assets towards leave encashment and payment of leave encashment and INR 1.94 Crores for payment of salary leaving the closing balance of INR 2,06,66,763 as on 31.03.2022. Accordingly, the accumulated development funds used by the school for investment in planned assets and payment for salary to staff has been considered while deriving the fund position of the school.

4. Clause 10 of Form-II of the Right to Children to Free and Compulsory Education Act, 2009 requires the School to maintain liquidity in the form of investment for three month's salary and this investment should be in the joint name of Deputy director of Education and the Manager of the School. Generally, it is done in the form of FDR in any scheduled bank.

   While evaluating the fee increase proposal for FY 2019-20, the school was directed to create 03 months' salary reserve and investment the amount for that in accordance with the provision mentioned above.

   From review of the unaudited financial statements of FY 2021-22, it has been noted that the school has created provision of INR 6,22,66,667 towards three month's salary reserve and has invested an equivalent amount in accordance with the above-mentioned provisions. Therefore, amount of INR 6,22,66,667 invested by the school has been considered while deriving the fund position of the school.

**B. Other Suggestions for Improvement:**

1. Para 58(i) of Guidance Note-21 'Accounting by schools' issued by the Institute of Chartered Accountants of India (ICAI) states *"A school should charge depreciation according to written down value method at rates recommended in appendix 1 to the Guidance note"*. During personal hearing the school explained that the books of accounts are maintained in accordance with the Income Tax Act 1961 and the rates of depreciation prescribed there under are used. Therefore, the school is directed to make necessary adjustments and ensure that depreciation is charged on fixed assets at the rate prescribing in Appendix 1 to Guidance Note-21. The above being a procedural finding, no financial impact is warranted for deriving fund position of the school.

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

   Rule 176 of DSER, 9173 states *"Income derived from collections for specific purposes shall be spent only for such purpose."* Further, sub-rule 3 of Rule 177 of DSER, 1973 states *"Funds collected for specific purposes, like sports, co-curricular activities, subscriptions for excursions or subscriptions for magazines, and annual charges, by whatever name called, shall be spent solely for the exclusive benefit of the students of the concerned school and shall not be included in the savings referred to in sub-rule (2)."* Further, Sub-rule 4 of the said rule states *"The collections referred to in sub-rule (3) shall be administered in the same manner as the monies standing to the credit of the Pupils Fund as administered."*

   Also, earmarked levies collected from students are a form of restricted funds, which, according to Guidance Note-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 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 and a corresponding amount is transferred from the concerned restricted fund account to the credit of the Income and Expenditure Account.

On review of the financial statements submitted by the school, it has been noted that the School charges earmarked levies in the form of Bus Charges, Girls Hostel & Computer. Although, the School has been preparing separate income and expenditure for these earmarked levies. However, at the end of the financial year, the school transfers the surplus/ deficit earned from these earmarked levies to school funds, which means in case of surplus, the same is used by the school for meeting other expenditures of the school and, in case of loss, the same is met from the school funds. This clearly indicates that the school is not following fund-based accounting with respect to earmarked levies collected by it in the name of Computer, Bus charges and Girls Hostel. During the FY 2021-22, the school has transferred INR (5,97,731) for Bus charges, INR (92,775) for Girls Hostel and INR (42,54,862) for Computer to School funds.

Further, from the record submitted by the school, it has been noted the school has been collecting computer fees from INR 170 to 200 per student per month from all the students of the school and has reported the same under earmarked levies. The component of computer fee and expenditures are as under.

| **Particulars** | **FY 2021-22** | **FY 2020-21** |
|---|---|---|
| Income (not collected due to Covid Pandemic-19) | - | - |
| **Total** | - | - |
| **Expenditure (A)** | | |
| -Payment to contractor | 43,331 | - |
| -Computer lab expenses | 30,627 | 69,362 |
| -Depreciation | 1,21,414 | 2,02,356 |
| -Pay and Allowances* | 40,59,490 | 38,87,652 |
| -Anti Virus Computer Lab | - | 4,889 |
| **Total (B)** | **42,54,862** | **41,64,259** |
| Surplus/(deficit) transferred to Income and Expenditure Account **(A-B)** | **(42,54,862)** | **(41,64,259)** |

*Includes salary for one PGT, one TGT, two PRT, one LD and other temporary staff.

As the school has not been maintaining a separate bank account for the collection of these earmarked levies and all the money collected by the school is kept in common school's accounts from where all payments related to these earmarked levies are also made and then at the year-end, the School based on its judgement allocates some of the school's expenditures under these heads which in fact is not the correct accounting for earmarked levies.

The earmarked levies are to be collected only from the user students availing the service/facility. In other words, if any service/facility has been extended to all the students of the school, a separate charge should not be levied for the service/facility as the same would get covered either under tuition fee (expenses on curricular activities) or annual charges (expenses other than those covered under tuition fee).

Thus, the act of the school of charging an unwarranted fee or any other amount/fee under head other than the prescribed head of fee and accumulation of surplus funds therefrom are tantamount to profiteering and commercialization of education as well as charging of capitation fee in other forms. Unintentional surplus, 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 during subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on a no-profit no-loss basis and not to include fees collected from all students as earmarked levies

3. Para 99 of Guidance Note-21 issued by the Institute of Chartered Accountants of India (ICAI) states *"Where the fund is meant for meeting capital expenditure upon incurrence of the expenditure the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income to the extent of the cost of the asset and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year."* Further, Para 102 of the abovementioned Guidance Note states *"In respect of funds, schools should disclose the following in the schedules/notes to accounts:*

   a. *In respect of each major fund, opening balance, additions during the period, deductions/utilization during the period and balance at the end;)*
   b. *Assets, such as investments, and liabilities belonging to each fund separately*
   c. *Restrictions, if any, on the utilization of each fund balanced)*
   d. *Restrictions, if any, on the utilization of specific assets."*

From the presentation made in the unaudited financial statements for FY 2021-22, it has been noted that the School has created assets worth INR 8,31,30,134 out of the development funds and INR 3,40,54,330 out of the depreciation reserve funds, while it has reported INR 11,46,47,133 under 'Project Out of Funds' and INR 16,03,53,858 under "Depreciation Reserve Funds'. Therefore, it appears that the school has not been following correct accounting treatment specified under para 99 with respect to the assets purchased out development funds. Further, in FY 2021-22, the school has transferred INR 5.81 Crores to the salary reserve fund and INR 4.20 Crores to school funds (to the extent of investment) out of the depreciation reserve funds, leaving the closing balance of INR 16,03,53,858 as on 31.03.2022. Therefore, the school is hereby directed to pass the necessary rectifications in its books and accounts and rectify the closing balance of the project out of funds and depreciation reserve funds. These being the procedural findings required correction of internal funds moment therefore, no financial impact has been given while deriving the fund position of the school.

From review of documents submitted by the School with the proposal of fee hike for FY 2022-23, the following has been note 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.

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

From review of the audited financial statements of 2020-21, it has been noted that the School has not made any disclosure in its audited financial statements related to related parties disclosure. In the absence of such details, the purpose and genuineness of transactions entered between the related parties cannot be determined. Therefore, the School is hereby directed to include such details in audited financial statements of the subsequent year.

6. As per Section 18(5) of the DSEA, 1973, the management 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 return shall be audited by such authority as may be prescribed.

Further, Rule 180 of DSER, 1973 states " *(1) every unaided recognised private schools shall submit the returns and documents in accordance with Appendix-1, (2) Every return or documents referred to in sub-rule (1), shall be submitted to the Director by 31st day of July of each year.(3) The account and other records maintained by an unaided private recognized school shall be subject to examination by the auditors and inspecting officers authorised by the Director in this behalf and also by any officers authorised by the Comptroller and Auditor General of India*"

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 payments account, income and expenditure account and balance sheet of the preceding year should be duly audited by Chartered Accountant.

It has been noticed that Financial Documents/ Certificates Attested by third person misrepresenting themselves as CA Members are misleading the Authorities and the 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.

However, on examination of the financial statements submitted by the school for evaluation of fee increase proposal for FY 2020-21, it has been observed that although 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 finding therefore, the school management are instructed to ensure this compliance from the Auditor of the school.

**After detailed examination of all the material on record and considering the clarification submitted by the School, it has been finally evaluated/ concluded that:**

i. The total funds available with the school for FY 2022-23 amounting to **INR 21,05,61,547** out of which estimated expenditures (i.e., outflow) for the FY 2022-23 is to be **INR 24,03,24,080.** This results in net deficit amounting to INR **2,97,62,533** for the FY 2022-23 after making all payments. The details are as follows:

| Particulars | Amount (in INR) |
|---|---|
| Cash and Bank balances as on 31.03.2022 as per Unaudited Financial Statements of FY 2021-2022 | 2,49,71,421 |
| Investments as on 31.03.2022 as per Unaudited Financial Statements of FY 2021-2022 | 22,97,69,839 |
| **Liquid Funds Available with the School as on 31 March 2022** | **25,47,41,260** |
| Add: Recovery from Society for Expenditure Incurred on Construction of School Building (**Refer Financial Suggestion No. 1)** | 77,68,097 |
| Add: Revenue Expenditure Incurred out the Development Fund **(Refer Financial Suggestion No. 3)** | - |
| Add: Fees as per Unaudited Financial Statements of FY 2021-2022 **(Refer Note 1 below)** | 14,99,33,595 |
| Add: Other Income as per Unaudited Financial Statements of FY 2021-2022 **(Refer Note 1 below)** | 1,75,11,426 |
| **Gross Available Funds for FY 2022-2023** | **42,99,54,378** |
| Less: Investment towards Gratuity **(Refer Financial Suggestion No. 2)** | 9,79,22,318 |
| Less: Investment towards Leave Encashment **(Refer Financial Suggestion No. 2)** | 3,78,18,876 |
| Less: Development Fund Balance as on 31.03.2022 **(Refer Financial Suggestion No. 3 & Refer Note 2 below)** | 2,06,66,764 |
| Less: Investment towards Salary Reserve **(Refer Financial Suggestion No. 4)** | 6,22,66,667 |
| Less: Investment towards Earmarked Fund as on 31.03.2022 | 2,69,839 |
| Less: Depreciation Reserve Fund **(Refer Note 3 below)** | - |
| Less: Fee Refundable as on 31.03.2022 | 1,08,528 |
| Less: Security Refundable as on 31.03.2022 | 3,39,839 |
| **Net Available Funds for FY 2022-23** | **21,05,61,547** |
| Less: Budget expenses for FY 2022-23 **(Refer Note 4 below)** | **24,03,24,080** |

| Particulars | Amount (in INR) |
|---|---|
| Net Deficit | 2,97,62,533 |

**Note 1**: DoE through 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. In both the above-mentioned orders, the management of all the private schools were directed not to collect any other fee except the tuition fee irrespective of the fact whether the school is running on private land or government land allotted by DDA/other land-owning agencies and not to increase any fee for the academic session 2020-21 till further direction.

Subsequently, DoE 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, to prevent the profiteering and commercialization and subject to the outcome of the LPA 184/2021, directed to the management of all the petitioners private unaided recognized schools to comply with the following direction 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 session 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 session 2021-22. 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 to be paid in six equal monthly instalments w.e.f. 10.06.2021.

(iii) That pursuant to the order passed by the Division Bench of the Hon'ble (High Court of Delhi in LPA No. 184/2021, the above arrangement will be applicable in respect of collection of fees for the academic session 2021- 22.

From review of the documents submitted by the school, it has been noted that the school has collected tuition fee without providing any deduction while annual charges and development fee was collected after providing deduction of 15% during the academic session 2021-22. Therefore, development fee and annual charges has been grossed up while deriving the fund position on the assumption that income received/ receivable in the normal course will at least accrue to the school for the academic session 2022-23. The detailed calculation of which is provided as under:

| Particulars | Income as FS of FY 2021-22 | Revised Income for FY 2021-22 |
|---|---|---|
| Tuition Fee | 13,48,84,203 | 13,48,84,203 |
| Annual Fee | 1,35,96,985 | 1,59,96,453 |
| Development fund | 1,11,87,461 | 1,31,61,719 |
| Other Income* | 34,02,646 | 34,02,646 |
| **Total** | **16,30,71,295** | **16,74,45,021** |

*Does not include income pertaining to Transport, Girls Hostel and Computer. Similarly, expenditure relating to Transport, Girls Hostel and Compute Fee has not been considered.

**Note 2:** the Honorable Supreme Court in the matter of modern school held that development fee for supplementing the resources for purchase upgradation and replacement of furniture and fixtures and equipment can be charged from students by the recognized unaided schools not exceeding 15% of the total annual tuition fee. Further the DoE circular number 1978 dated 16 April 2010 states "all schools must first of all explore and exhaust the possibility of utilizing the existing funds reserves to meet any shortfall in payment of salary and allowances as a consequence of increasing the salary and allowance of the employees. A part of the reserve fund which has not been utilized for years together may also be used to meet the shortfall before proposing a fee increase." Over a number of years, the school has accumulated Development Fund and has reflected the closing balance more than its requirement for purchase and replacements of furniture and fixtures. Accordingly, the accumulated reserve of Development Fund created by the school by collecting development fee more than its requirement for purchase and replacements of furniture and fixtures and equipment has been considered as free reserve available with the school for meeting the financial implication of 7th CPC to be implemented by the school. However, Development Fund INR 2,06,66,764 has been considered while deriving the fund position of the school which is considered sufficient basis the spending pattern of the school in past.

**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 & INR: 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 of INR 16,03,53,858 as reported by the school in the unaudited financial statements for the FY 2021-22 has not been considered while deriving the fund position of the school.

**Note 4:** All budgeted expenditure of the school as per the school submission has been considered including capital expenditure of INR 1,07,54,800 ( as per projected financial statements) to the extent to development received by the school during FY 2022-23. However, neither income nor expenditure related to Transport, Girls Hostel and Computer has been considered in the above calculation.

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 April 2010 states.

*"All schools must, first of all, explore and exhaust the possibility of utilizing 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 utilized 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 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 utilized INR 77,68,097 in contravention of the provisions of DSEAR, 1973 and other orders issued by the departments from time to time. Therefore, the school is directed to recover the aforesaid amount from the society. 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.

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 18% 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 **Airforce Bal Bharti School, Lodhi Road, New Delhi-03, School ID-1924138** filled by the school in response to the Order No. F.DE.-15(40)/PSB/2019/4440-4412 dated 08.06.2022 for the academic session 2022-23, is accepted by the Director (Education) with the above conclusion and suggestions and the school is hereby allowed to increase the fee by 18% to be effective from 1 October, 2022.

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

1. To increase the fee only by the prescribed percentage from the specified date.

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

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

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

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

**(Yogesh Pal Singh)**
**Deputy Director of Education**
**(Private School Branch)**
**Directorate of Education, GNCT of Delhi**

To
The **Manager/ HoS**
Airforce **Bal Bharti School,**
Lodhi **Road, New Delhi-03, School ID-1924138**
No. F.DE.15 ( 911 )/PSB/2022/ 6586-6590 Dated: 23/08/22

Copy **to:**

1. P.S. to Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. DDE (South East) to ensure the compliance of the above order by the School Management.
4. In-charge (I.T Cell) with the request to upload on the website of this Directorate.
5. Guard file.

**(Yogesh Pal Singh)**
**Deputy Director of Education**
**(Private School Branch)**
**Directorate of Education, GNCT of Delhi**