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

No. F.DE.15(439) / PSB / 2022/ 2127 - 2131 Dated: 21/04/22

ORDER

WHEREAS, **De Indian Public school, (School ID-1413294), Rohini, Delhi- 110085,** (hereinafter referred to as **"the School"**), run by the **M. D. Education Society** (hereinafter referred to as the "**Society"**), is a private unaided school recognized by the Directorate of Education, Govt. of NCT of Delhi (**hereinafter referred to as "DoE"),** under the provisions of Delhi School Education Act & Rules, 1973 (**hereinafter referred to as "DSEAR, 1973"**). The School is statutorily bound to comply with the provisions of the DSEAR, 1973 and RTE Act, 2009, as well as the directions/guidelines issued by the DoE from time to time.

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

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

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

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

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

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

AND WHEREAS, 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 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 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/ land owning agencies.

AND WHEREAS, accordingly, the DoE vide order No. F.DE.15 (40)/PSB/2019/2698-2707 dated 27.03.2019, directing all the private unaided recognized schools, running on the land allotted by DDA/other land-owning agencies on 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 session 2018-19 and 2019-20.

AND WHEREAS, in pursuance to order dated 27.03.2019 of the DOE, the **De Indian Public school, (School ID-1413294), Rohini, Delhi- 110085** submitted the proposal for fee increase for the academic session **2018-19**. Accordingly, this order dispenses the proposal for enhancement of fee submitted by the School for the academic session **2018-19**.

AND WHEREAS, in order to examine that 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 very carefully in accordance with the provisions of the DSEAR, 1973, and other Orders/ Circulars issued from time to time by the DoE for fee regulation.

AND WHEREAS, in the process of examination of fee hike proposal filed by the aforesaid School for the academic session 2018-19, necessary records and explanations were also called from the school through email. Further, the school was also provided an opportunity of being heard on 05.11.2019 to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues. During the aforesaid hearing compliances against Order no. F.DE-15(273)/PSB/2019/1500-1504 dated 04.04.2019 issued for academic session 2017-18 were also discussed and school submissions were taken on record.

AND WHEREAS, the reply of the school, documents uploaded on the web portal for fee increase together with the subsequent documents/ clarifications submitted by the school were thoroughly evaluated by the team of Chartered Accountants and the key findings noted are as under:

A. Financial Observations

1. Clause 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, the Hon'ble High Court of Delhi in its judgement dated 30.10.1998 in the case of Delhi Abibhavak Mahasangh concluded that "*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.*"

   Further, clause 7.24 of the Duggal Committee Report states "*it is be ensured that the schools, do not discharge 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 than is the contribution of the society that professes to run the School*".

   Based on the aforementioned public notice and High Court judgement, the cost relating to land and construction of the school building has to be met by the society, being the property of the society and school funds i.e., fee collected from students cannot to be utilised for the same.

   The Directorate's in its order no. F.DE-15(273)/PSB/2019/1500-1504 dated 04.04.2019 issued post evaluation of proposal for increase in fee for FY 2017-18 observed that the school incurred expenditure for construction of building and swimming pool out of school funds and capitalised these expenditures of INR 2,30,34,717 in the FY 2014-15 to FY 2016-17. The school incurred these expenditures without complying with the directions of orders mentioned above and Rule 177 of DSER, 1973. In the reply submitted by the school post personal hearing, the school mentioned that the school does not charge 'Building fund' or 'development charges' from the students therefore it has complied with Rule 177 of DSER, 1973 while incurring the aforesaid capital expenditure on building out of the school savings.

   Further, the school provided justification for increase of fee for 2018-19, wherein the school has mentioned that "*it is having difficulty in paying salaries and allowances to staff as per recommendations of 7th Central Pay commission due to shortage of funds.*" Thus, the school has submitted the contradictory statements on the one hand school is embarking that it does not have sufficient fund to pay the salary to the staff as per the recommendation of 7th CPC, on the other hand it has been incurring capital expenditure on contraction of school building, which is the liability of the society, with the clearcut intention to exhaust the school fund and then get the fee hike from the department. Thus, the justification provided by the school is not correct and the school is liable to recover this amount from the society within 30 days from the date of issue of this order. Accordingly, this amount of INR 2,30,34,717 has been included while deriving the fund position of the school on the assumption that same is available with the school.

2. As per the Directorate's Order No. DE 15/Act/Duggal.com/203/ 99/23033/23980 dated 15.12.1999, *"the management is restrained from transferring any amount from the recognized unaided school fund to society or trust or any other institution"*. The Supreme Court also through its judgement on a review petition in 2009 restricted transfer of funds to the society.

The Directorate in its Order no. F.DE-15(273)/PSB/2019/1500-1504 dated 04.04.2019 issued post evaluation of proposal for increase in fee for FY 2017-18, observed that INR 13,23,412 was receivable from Golden Bells School (another school under the management of the same society), which had been carried over from previous financial years. The school explained that this amount is related to the fraud which occurred in 2011, for which school had filed a FIR. The school already recovered this amount however, due to some accounting error the ledger of Golden Bells School could not be adjusted and therefore, amount is still reflecting recoverable. However, the record submitted by the school for recovery of this amount did not substantiate that this amount was recovered. Therefore, this amount is still recoverable.

During the personal hearing, the school has again submitted that due to some accounting issues this amount has been reflected in the Financial Statements as recoverable from Golden Bells School and the same has been rectified in FY 2017-18. However, the school has not submitted any evidence which substantiate the recovery of aforesaid amount. As this amount has been pending for recovery since long and school is not able to provide the proof of the recovery of the said amount. Therefore, this has been included in the fund position of the school 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. The Director through its Order no. F.DE-15(273)/PSB/2019/1500-1504 dated 04.04.2019 issued post evaluation of proposal for increase in fee for FY 2017-18, observed that the school had paid INR 99,00,000 to M.D. Education Society in FY 2016-17. While the school had submitted that this amount is pertaining to the repayment of amount taken in FY 2011 for furniture and equipment. However, the school could not substantiate receipt of such amount from the society in FY 2011.

Further, the review of the audited Financial Statements for the FY 2017-18 revealed that the school has further repaid INR 23,36,715 to the M. D. Education Society for which the school could not provide any justification and repeated the same justification which was provided by the school during the evaluation of fee increase proposal for the FY 2017-18. This indicate that the school is trying to hide some financial transaction between the school and the society. Therefore, total amount of INR 1,22,36,715 (i.e., INR 99,00,000+ INR 23,36,715) transferred by the school to the society is recoverable from the society and has been included while deriving the fund position of the school, considering the same is available with the school, with the direction to the school to recover this amount from the society within 30 days from the date of issue of this order.

4. Order dated 19.01.2016 issued by the Hon'ble High Court of Delhi state *"every recognized unaided schools to whom land was allotted by DDA shall not increase the rate of fees without the prior sanction of Director, Education"*. Further, as per the directions of Supreme Court in ***Modern School vs. Union of India & Ors.*** (supra), a Circular dated 16.04.2010 has been issued reiterating as under:

   a) It is reiterated that annual fee-hike is not mandatory.
   b) School shall not introduce any new head of account or collect any fee thereof other than those permitted. Fee/funds collected from the parents/students shall be utilized strictly in accordance with rules 176 and 177 of the Delhi School Education Rules, 1973.
   c) If any school has collected fee in excess of that determined as per procedure prescribed, the school shall refund/adjust the same against subsequent instalments of fee payable by students.

Also, Clause no. 17 of Letter of Allotment of Land issued by DDA states that *"The school shall not increase the rates of tuition fee without prior sanction of the Directorate of Education, Delhi Admn. and shall follow provisions of Delhi School Education Act/ Rules, 1973 and other instructions issued from time to time."*

The Directorate in its order no. F.DE-15(273)/PSB/2019/1500-1504 dated 04.04.2019 issued to the school post evaluation of proposal for enhancement of fee for FY 2017-18, noted that school has increased the fees for academic session 2016-17 without prior approval of the Directorate despite the fact that the fee increase proposal of the school for 2016-17 was rejected by the Director of Education vide Order No. F.DE-15/ACT-I/WPC-4109/PART/13/964 dated 13.10.2017. In the aforesaid order the Directorate gave the direction to the school that in case increased fee has already been charged from the parents, the same has to be refunded/adjusted. Based on the information provided by the school, an amount of INR 11,57,280 on account of increased tuition fee and INR 4,46,040 on account of increased development fee totalling to INR 16,03,320 was collected by the school during the FY 2016-17. However, the same was neither refunded nor adjusted against the future dues of the students.

During the personal hearing the school has confirmed that it has not rolled backed it increase fee and has been continuing collecting such increase fee from the students. However, the school has not provided the impact of amount collected by the school during FY 2017-18 & 2018-19 on account of increased fee. Therefore, the amount collected by the school during FY 2016-17 has been considered as base to arrive the amount collected by the school for FY 2017-18 & 2018-19. Accordingly, INR 48,09,960 (16,03,320 x 3) has been considered in the calculation of fund position of the school. The school is further, directed to take immediate steps to either refund the excess fee collected or adjust the same against the future dues of the students and submit the compliance report within 30 days from the date of issue of this order. Non-compliance with this direction, necessary action against the school shall be taken U/s 24(4) of the DSEA, 1973.

5. The Directorate in its order no. F.DE-15(273)/PSB/2019/1500-1504 dated 04.04.2019 issued to the school post evaluation of proposal for enhancement of fee for FY 2017-18, noted difference between the income reported in audited Financial Statements and income computed based on the fee structure submitted by the school for FY 2016-17. For which the school could not provide proper justification for such differences and the reconciliation for such differences. The details of such differences are as follows:

(Amount in INR)

Particulars	As per Income and Expenditure A/c (A)	Computed figure based on details provided by the school (B)	Income recorded on account of increased fee (C)	Derived difference (A-B-C)
Tuition fee	2,58,44,448	2,33,62,200	11,57,280	13,24,968
Development fee	64,58,674	64,42,800	4,46,040	(4,30,166)
Annual Charges	77,97,950	61,95,000	-	16,02,950

In the aforesaid order the school was directed to perform a detailed reconciliation of the amount collected/ income from the students and income as computed on the basis of fee structure of the school and number of fee students enrolled in the school. During the personal hearing, the school was asked to provide details of such finding along with the reason for the same which the school has not provided till date. Therefore, it appears that there is serious internal control lapses over the income collected and in accounting system adopted by the school for this purpose. The school is hereby directed to take this matter seriously and submit the compliance report within 30 days from the date of issue of this order.

6. Para 49 of Accounting Standard 15 'Employee Benefits' issued by The Institute of Chartered Accountants of India states *"Accounting for defined benefit plan 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, para 57 states "*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 recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date*". Also, para 7 of the Accounting Standard defines Plan Assets as:

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

The review of the audited Financial Statements for the FY 2018-19 and submission made by the school post personal hearing, it has been noted that the school for the first time has got the actuarial valuation from LIC for gratuity and reported the same in the audited financial statement for FY 2018-19. Therefore, the amount of INR 39,03,838 invested by the school in plan has been included while deriving the fund position of the school and the provisions made by the school of INR 8,56,171 for FY 2018-19 has been excluded to avoid duplicity of the expenditure.

Apart from the above, the school has not got the actuarial valuation for leave encashment liability. Therefore, the school is hereby directed to get the actuarial valuation for leave encashment and report the same in the audited financial statements.

7. The Directorate of Education, in its 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 & Others.

   Further, as per Section 13 of Right to Education Act, 2009, the school should not charge capitation fee from the students at the time of admission. Further, the Supreme Court in its Judgement dated 2 May 2016 in the matter of Modern Dental College and Research Centre Vs. State of Madhya Pradesh [Medical Council of India] held that education is a noble profession. "*Every demand of capitation fee by educational institutions is unethical & illegal. It emphasised that the commercialization and exploitation is not permissible in the education sector and institutions must run on 'no-profit-no-loss' basis*".

   Hon'ble Supreme Court categorically held that "Though education is now treated as an 'occupation' and, thus, has become a fundamental right guaranteed under Article 19(1) (g) of the Constitution, at the same time shackles are put in so far as this particular occupation is concerned, which is termed as noble. Therefore, profiteering and commercialization are not permitted, and no capitation fee can be charged. The admission of students has to be on merit and not at the whims and fancies of the educational institutions,"

   From review of the documents submitted by the school, it has been noted that the school has been charging additional fee as 'operational charges' of INR 7,500 from the students at the time of admission. Levy of this additional without prior approval of Directorate was not in compliance with the provisions of DSEA & R, 1973 and the directions of Hon'ble Courts. Hence, school is directed not to collect any one-time fee, by whatever name called from the students admitted to the school and adjust/refund the fee so collected during against the future dues of the students.

While during the FY 2018-19, it has been noted that school has charged 'operational charges' totalling to INR 13,62,375. The school submitted that operational charges are collected to meet operating expenses or day to day basis. As per the explanation provided by the school these types of expenditures are required to be met out of the annual charges. Therefore, the school once again has added another fee in its fee structure without obtaining prior approval from the Director of Education in contravention of the above-mentioned provisions. Accordingly, the amount collected as 'operational fee' amounting INR 13,62,375 has been adjusted while deriving the fund position with the direction to the school to refund/adjust the same against the future dues of the students and submit the evidence of the same within 30 days from the date of issue of this order.

B. Other Observations

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

   Further, as per Sub-rule 3 of Rule 177 of DSER, 1973 "*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.*"

   Earmarked levies collected from students are a form of restricted funds, which, according to Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India, are required to be credited to a separate fund account when the amount is received and reflected separately in the Balance Sheet. Further, the aforementioned Guidance Note 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).

   On review of audited Financial Statements of the school for FY 2016-17, FY 2017-18 and 2018-19, it has been noted that the school charges earmarked levies in the name of Transportation fee, Science fee, Computer fee, Activity fee and Informatics Practices fee. Computer fee, Activity fee and IP fee are being collected from each fee-paying student. It has also been noted that school has not maintained separate fund accounts for earmarked levies collected by it and has been generating surplus from earmarked levies, which has been utilised for meeting other expenses of the school or has been incurring losses (deficit), which has been met from other fees/income. Details of calculation of surplus/deficit, based on breakup of expenditure provided by the school for FY 2016-17, FY 2017-18 and FY 2018-19 are given below:

(Amount in INR)

Particulars	Transportation Fee^	Computer Fee	Science Fee	Activities Fee	IP Fee
For the year 2016-17					
Fee Collected during the year (A)	31,65,600	7,49,760	36,000	85,57,330	32,400
Expenses during the year (B)	18,51,945	2,86,384	3,15,140	0*	0*
1) Difference for the year (A-B)	**13,13,655**	**4,63,376**	**-2,79,140**	**85,57,330**	**32,400**
For the year 2017-18					
Fee Collected during the year (A)	33,29,750	8,76,660	41,400	1,01,49,600	41,400
Expenses during the year (B)	17,97,260	5,82,221	24,250	0*	0*
2) Difference for the year (A-B)	**15,32,490**	**2,94,439**	**17,150**	**1,01,49,600**	**41,400**
For the year 2018-19					
Fee Collected during the year (A)	39,45,600	10,70,582	61,200	1,25,20,003	52,200
Expenses during the year (B)	37,48,376	48,844	45,006	0*	0*
3) Difference for the year (A-B)	**1,97,224**	**10,21,738**	**16,194**	**1,25,20,003**	**52,200**
Total=1+2+3	**30,43,369**	**17,79,553**	**-2,45,796**	**3,12,26,933**	**1,26,000**

^ The school has not apportioned depreciation on vehicles used for transportation of students in the expenses stated in table above for creating fund for replacement of vehicles, which should have been done to ensure that the cost of vehicles is apportioned to the students using the transport facility during the life of the vehicles.

* Details of expenses incurred against earmarked levies collected from students was not provided by the school.

During the personal hearing, the school has submitted that tuition fee collected from students is not sufficient to meet the establishment cost and annual charges are also not sufficient to meet other revenue expenses of the school. Thus, the surplus generated from earmarked levies has been applied by the school for meeting establishment cost/ other revenue expenses of the school on account of which fund balance of earmarked levies could not be separated from the total funds maintained by the school. Accordingly, total fees (including earmarked fee) have been included in the budgeted income and budgeted expenses (included those for earmarked purposes) have been considered while deriving the fund position of the school.

Similar observation was also noted in Order No. F.DE.15(273)/PSB/2019/1500-1504 dated 04.04.2019 issued for academic session 2017-18 wherein it was noted that school had not maintained fund-based accounting for earmarked levies and also, was using surplus earned from earmarked levies for other expense.

Thus, the school is again directed to maintain separate fund account against each amount collected, utilised and the balance amount for each earmarked levy collected from students. Unintentional surplus/deficit, if any, generated from earmarked levies has to be utilized or adjusted against earmarked fees collected from the users in the subsequent year with evaluation being made against each earmarked levy in such way that the revised fee structure for earmarked levies during subsequent proposal for enhancement of fee indicates no-profit no-loss.

2. As per Para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India "*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."

As per para 67 of the Guidance Note on Accounting by Schools issued by Chartered Accountants of India, "*The financial statements should disclose, inter alia, the historical cost of fixed assets.*"

The Directorate in its Order No. F.DE.15(273)/PSB/2019/1500-1504 dated 04.04.2019 issued for academic session 2017-18, noted that the school transferred an amount equivalent to purchase cost of the assets from development fund to general reserve, which was not in compliance with the accounting treatment of development fund indicated in the guidance note issued by the Institute of Chartered Accountants of India. Further, the school did not prepare fixed assets schedule separately for assets purchased against development fund and those purchased against out of other school funds for one-to-one reconciliation of amounts reported in the Financial Statement for FY 2016-17.

Further the review of the audited Financial Statements for FY 2016-17, FY 2017-18, and FY 2018-19, revealed that the school has not created deferred income account equivalent to the amount utilised for purchase of fixed assets out of development fund and transferred the amount from deferred income account to the credit of income and expenditure account in proportion of the depreciation charged. Also, school has not considered impact of fixed assets purchased out of development fund in past years on the development utilization account. Further, school has not been maintaining depreciation reserve fund equivalent to the accumulated depreciation presented in the fixed asset schedule.

Therefore, the school is again directed to follow para 99 for accounting and presentation of development fund account, development utilisation account and depreciation reserve fund in audited financial statements of the school. This, being procedural issue not financial impact has been given while deriving the fund position of the school.

3. It has been noted that school has not submitted Fixed Asset Register (FAR) with its submission after hearing for verification. An ideal Fixed asset register should capture asset name, date, quantity, supplier name, invoice number, manufacturer's serial number, location, purchase cost, other costs incurred, depreciation, identification number, etc. to facilitate identification of asset and documenting complete details of assets at one place.

   Hence, the school is directed to submit FAR maintained by the school and update the FAR with relevant details mentioned above (if not made already). This being a procedural finding, no financial impact is warranted in the fund position of the school.

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

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

   Further, from review of the audited financial statements for FY 2017-18 and FY 2018-19, it has been noted that school has not been refunding interest on caution money along with refund of caution money to the students at the time of leaving the school. Therefore, the school is directed to comply with the directions given by the Directorate to refund/adjust any excess caution money in hand of the school and treat unclaimed caution money as income in accordance with the directions issued by the Directorate. Therefore, balance outstanding as on 31.03.19 has been considered while deriving the fund position 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 Academic session 2018-19 amounting to INR **14,30,34,244** out of which cash outflow in the Academic session 2018-19 is estimated to be INR **8,23,11,947**. This results in net surplus of INR **6,07,22,297**. The details are as follows:

Particulars	Amount in INR
Cash and Bank balances as on 31.03.18 as per Audited Financial Statement	27,93,427

Particulars	Amount in INR
Investments as on 31.03.18 as per Audited Financial Statements	3,95,58,357
Liquid funds as on 31.03.18	**4,23,51,784**
Add: Recovery from the society for amount spent on additions to building in contravention of Rule 177 of DSER, 1973 **(Refer point no 1 of financial observations)**	2,30,34,717
Add: Recovery from Golden Bells School **(Refer point no 2 of financial observations)**	13,23,412
Add: Recovery from society for amount transferred during FY 2016-17 **(Refer point no 3 of financial observations)**	1,22,36,715
Add: Fees for FY 2018-19 as per Audited Financial Statements **(Refer Note 1 below)**	7,85,83,929
Add: Other income for FY 2018-19 as per audited Financial Statements **(Refer Note 1 below)**	38,41,222
Available funds for FY 2018-19	**16,13,71,779**
Less: Investment with Secretary, CBSE **(As per School's Submission)**	86,362
Less: Salary/contingency Reserve **(Refer Note 2 below)**	76,00,000
Less: Refund/adjustment of increased fee collected without permission **(Refer point no 4 of financial observations)**	48,09,960
Less: Refund/adjustment of increased fee collected without permission from DoE **(Refer point no 7 of financial observations)**	13,62,375
Less: Caution money as on 31.03.2019 (as per audited financial statements for FY 2018-19) **(Refer point no 4 of other observations)**	5,75,000
Less: Investment made for Gratuity **(Refer point no 6 of Financial observations)**	39,03,838
Less: Depreciation Reserves **(Refer Note 3 below)**	-
Net Available funds for FY 2018-19	**14,30,34,244**
Less: Audited expenses for the session 2018-19 **(Refer Note 4 below)**	7,41,54,633
Less: Arrears for Implementation of 7th CPC **(Refer Note 4 below)**	81,57,314
Net Surplus	**6,07,22,297**

Note 1: Fee and other income are taken from the audited financial statements of FY 2018-19.

Note 2: Amount invested by the school in the joint name of the manager and department towards salary reserve has been considered while deriving the fund position of the school.

Note 3: 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 from this fund will be kept in a separately maintained Development Fund Account*". Thus, the above direction provides for:

a. Not to charge development fee for more than 15% of tuition fee.
b. Development fee will be used for purchase, upgradation and replacement of furniture, fixtures, and equipment.
c. Development fee will be treated as capital receipts.
d. 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, it is not required to deduct from the calculation of the fund position of the school.

Note 4: All expenditure of the school as per the audited financial statements has been considered while deriving the fund position of the school except the depreciation being non-cash items and provision for, gratuity of INR 8,56,171 to avoid the duplicity because total investment made by the school in plan assets has already been considered. Also, arrears payable on account of 7th CPC INR 81,57,314 as per the previous year order has been considered in the above calculation.

ii. The School has sufficient funds to carry on the operation of the School for the academic session 2018-19 on the existing fee structure. In this regard, Directorate of Education has already issued directions to the Schools vide order dated 16.04.2010 that,

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

AND WHEREAS, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that along with certain financial and other findings, that the sufficient funds are available with the school to carry out its operations for the academic session 2018-19. Accordingly, the fee increase proposal of the school may be rejected.

AND WHEREAS, the school is liable to collect INR 2,30,34,717 which has been used for construction of building during the FY 2014-15 to FY 2016-17 in contravention of clause 2 of Public Notice dated 04.05.1997, Rule 177 of DSER, 1973 and the decision of Hon'ble High Court of Delhi in its judgement dated 30.10.1998 in the case of Delhi Abibhavak Mahasangh and Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/ 883-1982 dated 10.02.2005 issued by this Directorate. The school is also required to collect INR 1,35,60,127 from the society on account of diversion of funds. The school is hereby directed to recover the aforesaid amount and submit the copy receipt of this amount along with bank statement showing the receipt of above-mentioned with DoE, in compliance of the same, within 30 days from the date of issue of this order. Non-compliance of this shall be taken up as per DSEA & R, 1973

AND WHEREAS, 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.

AND WHEREAS, recommendation of the team of Chartered Accountants along with relevant materials were put before the Director of Education for consideration and who after considering all the material on the record, and after considering the provisions of section 17(3), 18(5), 24(1) of the DSEA, 1973 read with Rules 172, 173, 175 and 177 of the DSER, 1973 has found that the school has sufficient funds for meeting financial implication for the academic session 2018-19. Therefore, Director (Education) has rejected the proposal submitted by the school to increase the fee for the academic session 2018-19.

AND WHEREAS, the school is directed, henceforth to take necessary corrective steps on the financial and other observations noted during the above evaluation process and submit the compliance report within 30 days from the date of this order to the D.D.E (PSB).

Accordingly, it is hereby conveyed that the proposal for enhancement of fee for session 2018-19 of **De Indian Public School (School ID-1413294), Sector 24, Rohini** has been rejected by the Director of Education.

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

1. Not to increase any fee/charges during FY 2018-19. In case, the school has already charged increased fee during FY 2018-19, the school should make necessary adjustments from future fee/refund the amount of excess fee collected, if any, as per the convenience of the parents.

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

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

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

This order 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
De Indian Public School **(School ID-1413294)**
Sector 24, Rohini, New Delhi
No. F.DE.15(439) / PSB / 2022/ 2127 - 2131 Dated: 21/04/22

Copy to:

1. P.S. to Principal Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. DDE (North West-B) 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