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

No. F.DE.15 (714)/PSB/2022/4247-4249 **Dated: 06/06/22**

Order

WHEREAS, **Queen Mary's School, North End, Plot No. 4-A, Model town-III, Delhi-110009 (School ID-1309238),** (hereinafter referred to as "**the School**"), run by the Helen Jerwood Memorial Education Society of the Diocese of Delhi, Church on North India (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, every School is required to file a full statement of fees every year before the ensuing academic session under section 17(3) of the DSEA, 1973 to the DoE. Such full statement of fee is required to indicate estimated income of the School to be derived from the fees and estimated operational expenses to be incurred during the ensuing year towards salaries and allowances payable to employees etc in terms of Rule 177(1) of the DSER, 1973.

AND WHEREAS, as per Section 18(5) 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 objectives 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 recognized 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 the Writ Petition No. 4109/2013 in the matter of Justice for All vs. 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 private unaided recognized Schools to whom land has been allotted by the DDA/ land owning agencies.

AND WHEREAS, accordingly, the DoE vide order No. F.DE.15 (40)/PSB/2019/2698-2707 dated 27.03.2019, directed to all the private unaided recognized Schools, running on the land allotted by the 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 School submitted its proposal for enhancement of fee for the academic session 2019-20. Accordingly, this Order dispenses the proposal for enhancement of fee submitted by the School for the academic session **2019-20**.

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 for fee regulation.

AND WHEREAS, in the process of examination of fee hike proposal filed by the aforesaid School for the academic session 2019-20, necessary records and explanations were also called from the School through email. Further, the School was also provided an opportunity to be heard on 18.11.2019 to present its justifications/ clarifications on fee increase proposal including audited financial statements. Based on discussions, the School was further asked to submit necessary documents and clarification on various issues. During the aforesaid hearing, compliances against Order No. F.DE-15(415)/PSB/2018/1015-1019 dated 05.10.2018, issued for academic session 2017-18, was also discussed and submissions taken on record.

AND WHEREAS, the response of the School along with documents uploaded on the web portal for fee increase, and subsequent documents submitted by the School, were evaluated by the team of Chartered Accountants; the key observations noted are as under:

A. Financial Observations

1. As per direction no. 2 included in the Public Notice dated 04.05.1997, "*it is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school becomes the sole property of the society*".

Additionally, Hon'ble High Court of Delhi in its judgement dated 30.10.1998 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, Rule 177 of DSER,1973 states "*income derived by an unaided private recognised school by way of fees shall be utilised 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 utilised 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 recognised school, or assisting any other school or educational institution, not being a college, under the management of the same society or trust by which the first mentioned school is run*". The abovementioned saving shall be arrived at after providing for following:

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 student;

e) Reasonable reserve fund, not being less than ten percent, of such savings.

Based on the above-mentioned provisions and pronouncement of the High Court, the cost relating to land and construction of the school building should be met by the society, being the property of the society, not from the school funds.

As per Clause 14 of DoE's Order No. F.DE./15 (56) /Act /2009 / 778 dated 11.02.2009, "*the development fee shall be treated as capital receipt and it should be utilised for the purpose of supplementing the resources for purchase, upgradation and replacement of furniture, fixture and equipment*".

Review of the audited financial statements of FY 2018-19, revealed that the School has reported INR 4,38,54,270 under Capital WIP (4th floor). The school has utilized development fund of INR 3,47,31,339 during the FY 2018-19 to meet the cost of construction and balance amount of INR 91,22,931 was received from the Society during FY 2017-18. This capital expenditure was incurred by the school without complying with the requirements of Rule 177 of DSER, 1973. Further, as per clause 14 of the order dated 11.02.2009, the development fund can only be utilised for purchase, upgrade and replacement of furniture fixture and equipment not for any other purposes such as construction of building, etc.

Therefore, amount of INR 3,47,31,339 utilized by the school for construction of building is recoverable from the society being the obligation of the Society. Accordingly, this amount has been included while deriving the fund position of the school with the direction to the school to recover the said amount within 30 days from the date of the issue this order.

Further, the school has proposed capital expenditure of INR 7,29,00,000 in the budget for FY 2019-20 to be utilised for construction of building, bus parking and lift which are in contravention of above-mentioned provisions. Therefore, these expenditures have been excluded while calculating the fund position of the School.

2. 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. Salaries and allowances are revenue expenses incurred during the current year and therefore, have to come out of the fee of the current year while capital expenditure/investments have to come from savings.*" The same was also upheld by the Hon'ble Supreme Court of India in the matter of Modern School Vs Union of India & Ors.

Further, section 18(4) (a) of DSEA, 1973 states "*Income derived by unaided schools by way of fees shall be utilised only for such educational purposes as may be prescribed*".

Review of the audited financial statements of FY 2018-19, revealed that the School already had cars for INR 88,58,451 at the beginning of the financial year. The School has not provided the number of cars. Additionally, the school has purchased new car(s) amounting INR 27,67,231 by utilized the school funds. This capital expenditure was incurred by the school without complying with the requirements of Rule 177 of DSER, 1973. This indicates that the school funds are not being used for the educational purpose as the School is having fleet of cars. Further, the School has not provided any justification with respect to need of these cars and user of these cars. It has also been noted that the School has made provision of INR 2,10,33,840 for payment of arrears of 7th CPC and having a liability of INR 4,74,06,830 for retirement benefits as on 31.03.2019. The school instead of paying salary arrears to its staff and investing an amount in plan assets towards retirement benefit, has been utilizing its fund for purchase of cars and construction of the building with the intention to exhaust its funds and then submit the proposal for fee hike with an intent to get the fee hike from the DoE. This indicates that the school is indulge in commercialization of education which is not permitted to the School.

Therefore, the amount of INR 27,67,231 incurred by the school for purchase of car without complying with the above-mentioned provisions has been considered while deriving 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. As per Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "*Accounting for defined benefit plans is complex because actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses.*" Further, the Accounting Standard defines Plan Assets (the form of investments to be made against liability towards retirement benefits) as:
   a. Assets held by a long-term employee benefit fund; and
   b. Qualifying insurance policies

Para 57 of Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India, "*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.*"

Further, Clause 24 of Order No. F.DE./15 (56) /Act / 2009 / 778 dated 11.02.2009 states "Every recognized unaided school covered by the Act, shall maintain the accounts on the principles of account applicable to non-business organization/. not-for-profit organization as per Generally Accepted Accounting Principles(GAAP). Such schools shall prepare their Financial statement consisting of Balance Sheet, P&L Account and Receipt & Payment account every year.

On review of the record submitted by the school, it has been observed that the school has git the actuarial valuation for the retirement benefits and the total liability for gratuity and leave encashment was INR 5,41,02,449 as on 31.03.2019 which has been reported by the School in its audited financial statements. However, the School has not made any investments in Plan Assets against these liabilities as per the requirements of AS-15 issued by the ICAI.

Since, the School has not invested any amount in 'Plan Assets' in accordance with AS-15. Therefore, amount of INR 74,18,912 proposed by the school during the FY 2019-20 towards gratuity and leave encashment has not be considered in the total expenditure of the school. The school is hereby directed to make equivalent investment in the plan assets within 30 days from the date of issue of this order.

4. The DoE in its previous Order No. F.DE-15(415)/PSB/2018/1015-1019 dated 05.10.2018, issued for academic session 2017-18, note that eh school has utilized development fee for revenue expenditure and purchase of assets other than furniture fixtures and equipment. In the aforesaid order the school was directed, to rectify the said misutilization which the school has complied and has revised its audited financial statement 2017-18. However, it has also been noted that the development was utilized for purchase of vehicle of INR 69,74,150 during the previous year without complying with the provision of Clause 14 of the order dated 11.02.2009 and Rule 177 of DSER, 1973. Therefore, amount utilized by the school for purchase of vehicle of INR is recoverable form the Society and therefore has been included while deriving the fund position of the school.

B. Other Observations

1. Rule 176 - 'Collections for specific purposes to be spent for that purpose' of the DSER, 1973 states "*Income derived from collections for specific purposes shall be spent only for such purpose.*"

Para no. 22 of Order No. F.DE./15(56)/ Act/2009/778 dated 11 Feb 2009 states "*Earmarked levies will be calculated and collected on 'no-profit no loss' basis and spent only for the purpose for which they are being charged.*"

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

However, it has been noted that the school charges earmarked levies in the form of Transport fee, Smart Class Fees and Midday Meal Fees from students.

Also, 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).

The information provided by the school were taken on record, it has been noted that the school charges earmarked levies in the form of Bus Fees, Smart Class fees and Midday Meals, etc. from students. Therefore, the school is directed to maintain separate fund account clearly depicting the amount collected amount utilised and 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. Details of calculation of surplus/deficit, based on breakup of expenditure provided by the school is given below:

Particulars	**Mid Day Meal Fee**	**Bus Fee**	**Smart Class Fee**
For the year 2016-17			
Fee Collected during the year (A)	43,71,765	13,74,450	-
Expenses during the year (B)	40,12,740	11,25,308	12,54,000
Difference for the year (A-B)	**3,59,025**	**2,49,142**	**(12,54,000)**
For the year 2017-18			
Fee Collected during the year (A)	41,61,435	10,50,000	18,59,415
Expenses during the year (B)	40,12,740	21,94,398	12,66,915
Difference for the year (A-B)	**1,48,695**	**(11,44,398)**	**5,92,500**
For the year 2018-19			
Fee Collected during the year (A)	43,11,200	4,40,80,225	18,15,166
Expenses during the year (B)	50,32,950	5,17,50,331	12,49,352
Difference for the year (A-B)	**(7,21,750)**	**(76,70,106)**	**5,65,814**
Total	**(2,14,030)**	**(85,65,362)**	**(95,686)**

From FY 2018-19 the school has started maintaining separate fund based accounting in respect of Smart class and transport expenses. However, the receipts and expenditure against the earmarked levies are not routed through the income and expenditure account and the fund balance has been directly shown in the balance sheet. Therefore, the school is directed to follow the fund-based account in accordance with the guidance note-21 issued by the ICAI.

Based on the above provisions, 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). The school is charging Smart Class Fee from the students of all classes. Thus, the fee charged from all students loses its character of earmarked levy, being a non-user-based fees. Thus, based on the nature of the Smart Class Fee details provided by the school in relation to expenses incurred against the same, the school should not charge such fee as earmarked fee. The expenses relating to these services / facilities shall be incurred from tuition fee and annual charges, as the case maybe.

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.

Thus, the school is hereby directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from students. Unintentional surplus/deficit, if any, generated from earmarked levies shall 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 no-profit no-loss basis and not to include fee collected from all students as earmarked levies.

2. Para 99 of Guidance Note on Accounting by Schools (2005) 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.*" Further, Para 102 of the aforementioned 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/utilisation 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 utilisation of each fund balance;
(d) Restrictions, if any, on the utilisation of specific assets."

Basis the presentation made in the audited financial statements for FY 2017-18 and FY 2018-19 submitted by the school, it was noted that

- The school has transferred an amount equivalent to the purchase cost of assets from development fund and purchase cost of assets from general fund to capital fund. The closing balance of capital fund are equal to written down value of all assets, which is not in accordance with the guidance note as mentioned above.
- As per Para 99 of the guidance note the purchase cost of assets out of development only to be transfer to capital fund and treat it as deferred income to the extent of the cost of the asset, and transfer to the credit of the income and expenditure account in proportion to the depreciation charged every year.

This being a procedural finding, the school is instructed to make necessary rectification entries relating to capital fund/deferred income to comply with the accounting treatment indicated in the Guidance Note.

3. As per Order No. F.DE-15/ACT-I/WPC-4109/Part/13/7905-7913 dated 16.04.2016 "The Director hereby specify that the format of return and documents to be submitted by schools under rule 180 read with Appendix-II of the Delhi School Education Rules, 1973 shall be as per format specified by the Institute of Chartered Accountants of India, established under Chartered Accountants Act, 1949 (38 of 1949) in Guidance Note on Accounting by Schools (2005) or as amended from time to time by this Institute."

Further, Para 58(i) of the Guidance Note states "A school should charge depreciation according to the written down value method at rates recommended in Appendix I to the Guidance Note."

On review of audited Financial Statements for the FY 2018-19, it has been noted that the depreciation on fixed assets have been provided on written down value method at the rates prescribed in the Income Tax Rules, 1962. Therefore, the school is directed to provide depreciation on assets in accordance with the guidance note cited above.

4. The school has not prepared Fixed Assets Register (FAR) for keeping track of fixed assets purchased by it. The school should 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 complete details of assets at one place.

During the personal hearing, school mentioned that it will start preparing FAR from FY 2019-20 onwards. The school is directed to prepare the FAR with relevant details mentioned above. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

5. As per clause 3 of the public notice dated 04.05.1997 published in the Times of India states that "*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 that "*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, clause 3 and 4 of Order no. DE/15/150/Act/2010/4854-69 dated 09.09.2010 states that "*In case of those ex-students who have not been refunded the caution Money/security deposit, the Schools shall inform them (students) at their last shown address in writing to collect the said amount within thirty days. After the expiry of thirty days, the un-refunded Caution Money belonging to the ex-students shall be reflected as income for the next financial year & it shall not be shown as liability. Further, this income shall also be considered while projecting fee structure for ensuing Academic year.*"

It has been noted that caution money of INR12,90,075 was reflected as a liability as on 31/03/2017 but the same neither reflecting in Balance sheet of F.Y 2017-18 nor caution money has been refunded as per receipt and payment account of the FY 2017-18. It indicates that caution money may be merged with any other heads of liability.

Therefore, it is directed to the School to pass necessary rectification entry to reflect caution money liability separately in the audited financials and further, it is also directed to comply with the above-mentioned provision.

6. 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.

   It has been noted that no such disclosure for FY 2018-19 has not been available on records with us. It is directed to the School to provide such details in compliance with AS-18 (Related party disclosures) to us within 30 days from the date of issue of this order.

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

i. The total funds available for the FY 2019-20 amounting to INR **29,39,99,850** out of which cash outflow in the FY 2019-20 is estimated to be INR **30,73,80,342.** This results in net deficit amounting to INR **1,33,80,492** for FY 2019-20 after all payments. The details are as follows:

Particulars	**Amount in INR**
Cash and Bank balances as on 31.03.19 as per Audited Financial Statements of FY 2018-19	17,463,852
Investments as on 31.03.19 as per Audited Financial Statements of FY 2018-19	34,925,182
Liquid Fund as on 31.03.2019	**52,389,034**
Add: School Funds utilised for construction of 4th Floor recoverable from society (refer financial observation no.1)	34,731,339
Add: Recovery of amount of car purchased during the FY 2018-19 (refer financial observation no.2)	2,767,231
Add: Recovery of amount of vehicle purchase (refer financial observation no.4)	69,74,150
Add: Fees for FY 2018-19 as per Audited Financial Statements (we have assumed that the amount received in FY 2018-19 will at least accrue in FY 2019-20) (refer note no.1 below)	202,466,293
Add: Other income for FY 2018-19 as per Audited Financial Statements (we have assumed that the amount received in FY 2018-19 will at least accrue in FY 2019-20) (refer note no.1 below)	4,995,947
Total Available Funds for FY 2019-20	**30,43,23,994**
Less: FDR with joint name of School Manager and DOE as on 31.03.2019	350,000
Less: Development Balance as on 31.03.2019	9,974,144
Less: Staff retirement benefits- Gratuity (Investments with LIC) (refer financial observation no.3)	-
Less: Depreciation reserve fund (refer note no.2 below)	-
Net Available Funds for FY 2019-20	**29,39,99,850**

Particulars	Amount in INR
Less: Budgeted expenses as per the Budgeted Financial Statement for the Financial Year 2019-20. (after making adjustment) (Refer Note no.3 below)	**28,63,46,502**
Less: Arrears of salary from January 2016 to June 2017 on account of implementation of 7th CPC with effect from Jan 2016 (refer note no.4 below)	**21,033,840**
Estimated Deficit	**1,33,80,492**

Note 1: Fee and income as per audited Financial Statements of FY 2018-19 has been considered with the assumption that the amount received in FY 2018-19 will at least accrue during FY 2019-20.

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

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

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

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

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

Accordingly, the depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue account) is mere of an accounting head for the appropriate accounting treatment of depreciation in the books of account of the school in accordance with Guidance Note -21 issued by the Institute of Chartered Accountants of India. Thus, there is no financial impact of depreciation reserve on the fund position of the school. Accordingly, the depreciation reserve fund of INR 1,16,13,220 as reported by the school in the audited financial statements for the FY 2018-19 has not been considered while deriving the fund position of the school.

Note 3: All amount budgeted by the school has been considered while deriving the fund position of the school for the FY 2019-20 except the following expenditures.

Particulars	Amount in INR	Remarks
Capital Expenditure	8,82,00,000	Refer Financial observation no.1
Provision for gratuity and Leave encashment	74,18,912	Refer Financial observation no.3
Depreciation	55,00,000	Depreciation being non-cash expense.
Smart class programme	41,42,352	New head of expense is disallowed

Note 4: As per the details provided by the school, the school has implemented the recommendation of 7th CPC with effect from 1st July 2017. However, the arrears on account of the same for the period from 1 January 2016 to 30 June 2017 have not been paid. Therefore, the arrears amount of INR 2,10,33,840 on account of 7th CPC has been considered while deriving the fund position of the school.

ii. In view of the above examination, it is evident that the School does not have sufficient funds to carry on the operation of the School for the academic session 2019-20 on the existing fees 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."

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 though certain financial observations noted (appropriate financial impact of which has been taken on the fund position of the school) and certain other observation were also noted (appropriate instructions against which have been given in this order), the fee increase proposal of the school may be accepted.

AND WHEREAS, it has been noted that the School has paid INR 4,44,72,720 towards construction of building, purchase of car, vehicle, which is not in accordance with clause 2 of public notice dated 04.05.1997 and Rule 177 of DSER, 1973. Thus, the school is directed to recover INR 4,44,72,720 from the society. The receipt of the above amount along with the copy of the bank statement showing the receipt of above-mentioned amount should be submitted with DoE, in compliance of the same, within thirty days from the date of issuance of this order. Non-compliance of this shall be taken up as per DSEA&R, 1973.

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 2019-20.

AND WHEREAS, it is relevant to mention that Covid-19 pandemic had a widespread impact on the entire society as well as on general economy. Further, charging of any arrears on account of fee for several months from the parents is not advisable not only because of additional sudden burden fall upon the parents/students but also as per the past experience, the benefit of such collected arrears are not passed to the teachers and staff in most of the cases as was observed by the Justice Anil Dev Singh Committee 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 08% to be effective from 01 July 2022.

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 status 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 2019-20 of **Queen Mary's School, North End, Plot No. 4-A, Model town-III, Delhi-110009 (School ID-1309238),** has been accepted by the Director (Education) and the School is allowed to increase its fee by 08% to be effective from 01 July 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 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
Queen Mary's School (School ID-1309238),
North End, Plot No- 4A, Model Town III,
New Delhi-110009

No. F.DE.15(714)/PSB/2022/ 4247-4249 Dated: 06/06/22

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-A) 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