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

No. F.DE.15(808) / PSB /2022/ 5226 - 5230 **Dated:** 29/06/22

ORDER

WHEREAS, **VSPK International School, (School ID-1413209), Sector 13, Rohini, Delhi, 110085** (hereinafter referred to as " **the School"**), run by the Giriaj Educational & Welfare 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 authorized 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/ other 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 & 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 very 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 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 of being heard on 22.10.2019 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 were noted.

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 findings noted are as under:

A. Financial Observations

1. 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*".

   From review of the ledger accounts and supporting documents for Computer Expenses and E-Learning Equipment & Material expenses submitted by the school for the FY 2016-2017 to 2018-19, it has been noted that these expenditures include a component of capital expenditure. But the School has reported this as revenue expenditure in the income and expenditure account. Out of the total expenditure of INR 25,09,887 and INR 24,47,453 which has been reported in the income and expenditure in FY 2016-2017 towards Computer Expenses and E-learning Equipment & Material expenses respectively. It has been noted that out of the aforesaid amounts of INR 24,70,930 and INR 23,26,784 were of capital nature.

   Further, out of total expenditures of INR 20,18,250 and INR 14,80,782 reported by the school for E-learning Equipment & Material in FY 2017-18 and 2018-19. It has been noted that out of the above expenditures INR 14,06,800 and 9,69,782 were of capital expenditure.

   It is also pertinent to mention here that in FY 2016-17, the school increased its fee. At the same time, The school has been incurring huge capital expenditure and submitting proposals for an increase in fee that translates constituent capital expenditure as a component of the fee structure. Further, this capital expenditure was incurred by the school without complying with the requirements of Rule 177 of DSER, 1973. Therefore, the school management is hereby directed to monitor and control over these expenditures and correctly bifurcate the nature of expenditures into revenue and capital while reporting the same in its financial statements.

2. On review of the audited Financial Statements for the FY 2018-19, it has been noted that the school has paid INR 15,00,000 to Mrs. Kasturin Pramanik for HR consultancy and INR 15,00,000 to Ispreet Kaur for parents counselling. From examination of documents submitted by the school, it appears that these expenditures were not reasonable and was not required for running the school. The school management could have easily avoided these types of expenditures and may be utilised for educational purposes say for payment of establishment expenditures. Therefore, the school is directed to recover INR 30,00,000 from the society/ school management within 30 days from the date of issue of this order. Accordingly, it has been considered while deriving the fund position of the school.

3. Para 49 of Accounting Standard15 '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, 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.

From the record submitted by the school, it has been observed that the school has got an actuarial valuation report dated 30.10.2019 regarding its liability towards retirement benefits (gratuity and leave encashment)/ However, the provision was not created in its books of accounts. As per the actuarial valuation report, the total liability for gratuity was INR 32,62,423 and for Leave Encashment was INR 22,01,995. This valuation was done with respect to 79 employees, whereas the school submitted a summary of staff on rolls 228 staff as of 02.04.2019. Based on the submissions made by the school, it appears that the school has got the actuarial valuation with respect to part of the employees working in the school. Thus, the valuation derived by the actuary could not be relied upon as the liability of the school would be much higher if all 228 staff are considered in the above valuation.

Further, the school has not invested an equivalent amount in a fund that qualifies as "plan assets" within the meaning of AS-15. Therefore, the liability towards retirement benefit has not been considered while deriving the funs position of the school. The school is hereby directed to report its liability in its audited financial statements by obtaining the correct valuation report for all the eligible employees and deposit this amount in funds that qualify as plan assets as per AS-15 within 30 days from the date of issue this order.

4. Rule 177 of DSER, 1973 states "*income derived by an unaided 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*". And 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.*

   Further, 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, 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.*"

   Therefore, in accordance with the abovementioned provisions of Rule 177, public notice and Judgement of the High Court, the cost relating to land and construction of school building has to be met by society being the property of society and should not be met out of the school funds.

On review of the audited financial statements of the school for the FY 2016-2017 to FY 2018-19, ledger accounts and the supporting documents in relation to repair and maintenance expenses submitted by the school. It has been noted that the school has incurred a huge amount on repair and maintenance of school building such as building and furnishing etc. Post personal hearing, the school submitted in its reply that these expenditures were incurred on regular repair and maintenance activities carried out in the school for the maintenance of assets in a functional and proper shape. During the last three financial years, the school has incurred INR 7,31,83,377 on various activities relating to repairs and maintenance which are as under:

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	Amount (in INR)
R&M Building	58,42,604	59,74,092	2,90,799	1,21,07,495
R &M Repairs & Maintenance	1,58,57,068	96,55,207	1,20,12,867	3,75,25,142
R & M Electrical	25,11,215	20,15,561	4,872	45,31,648
R &M Furniture & Fixture	20,32,425	8,39,099	6,76,061	35,47,585
R&M Other assets	34,035	7,86,152	2,36,472	10,56,659
Building whitewash	49,26,356	47,21,785	47,66,707	1,44,14,848
Total	**3,12,03,703**	**2,39,91,896**	**1,79,87,778**	**7,31,83,377**

From the above table and based on the reply submitted by the school, it appears that the above expenditure incurred by the school is of a capital nature, while the school has reported the same as revenue expenses in its Income and Expenditure account. Also, the school was allowed to increase its fee during FY 2016-2017 to meet its operational expenditure. However, the school has been incurring expenditure of capital nature and reported as of revenue expenditure. This translates constituent capital expenditure as a component of the fee structure, which is not as per the statutory provisions stated above. As per Rule 177 of DSER, 1973 capital expenditure can be incurred only from savings derived under Rule 177 and not from the fee collected from students. Further, this capital expenditure was incurred without complying with the requirements prescribed in Rule 177 of DSEAR, 1973.

Accordingly, the expenditure of INR 5,41,64,285 (INR 7,31,83,377 less INR 1,44,14,848 less INR 10,56,659 less INR 35,47,585) except expenditure incurred on R&M furniture fixture, R&M other assets, and building whitewash has been considered as capital expenditure related the building. Accordingly, it has been included in the calculation of available funds of the school with the direction to the school to recover this amount from society within 30 days from the date of issue of this order.

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

   Further, 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.

Section 18(4) of DSEA-1973, states "*(a) Income derived by unaided schools by way of fees shall be utilized only for such educational purposes as may be prescribed; and (b) Charges and payments realised and all other contributions, endowments and gifts received by the school shall be utilised only for the specific purpose for which they were realised or received*".

And Fees/ funds collected from the parents / students shall be utilised strictly in accordance with Rules 176 and 177 of the DSER,1973.

On review of the audited financial statements from 2016-17 to 2018-19, it has been noted that the school has been incurring excessive capital expenditure out of the school funds without complying with the above-mentioned provisions. Clause 2 of the public notice dated 04.05.1997 states that the responsibility for land and building lies with the Society who has established the school and for meeting other capital expenditure such as purchase, upgradation and replacement of furniture fixtures and equipment, the school is allowed to charge development fee upto 15% of the tuition fee. During the last three financial years, it has been noted that the school purchased capital assets, more than the amount of development fee collected by the school from the students. The same has been tabulated below:

Particulars	FY 2016-2017	FY 2017-2018	FY 2018-2019	Total in INR
Opening balance	-55,73,212	10,26,411	-3,49,629	-55,73,212
Fee received	1,62,29,400	1,74,81,753	1,76,63,725	5,13,74,878
Interest Received	13,497	15,429	10,184	39,110
Sale of Fixed assets	10,57,953	4,23,250	53,550	15,34,753
Total Development Fund Available	**1,17,27,638**	**1,89,46,843**	**1,73,77,831**	**4,73,75,529**
Less: Assets Purchased*	1,07,01,227	1,92,96,472	1,89,29,061	4,89,26,760
Closing Balance at the end of the Year	**10,26,411**	**-3,49,629**	**-15,51,231**	**-15,51,230**

From the above table it can be seen that the utilization of the development fund was more than the amount received by the school including the amount of the opening balance of the development fund. Thus, this shortfall was met either from the tuition fee or from the annual fee collected from the students, which is not in accordance with the above-mentioned provisions and the provision of Rules 176 and 177 of DESR, 1973 and section 18(4) of DSEA, 1973.Thus, the excess utilisation of development fund of INR 15,51,230 is recoverable form the Society accordingly it has been considered while deriving the fund position of the school.

*In addition to the above, the school purchased a Toyota Fortuner Car for INR 36,97,925 out of the development fund in FY 2016-17, which does not come under furniture, fixture and equipment, thus cannot be purchased out of the development fund. The school in its reply submitted, post personal hearing explained that this car was stolen, and insurance claim of INR 26,41,865 was received from the Insurance Company. Accordingly, the net amount INR 10,56,060 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 issue of this order. Further, the school is directed to ensure the utilisation of development fund/fee should be in accordance with clause 14 of the order dated 11.02.2009 as the same can only be utilised for purchase, upgrade and replacement of furniture, fixture, and equipment not for any other purposes.

B. Other Observations

1. Clause 19 of Order No. F.DE./15(56)/Act/2009/778 dated 11.02.2009 states "*The tuition fee shall be so determined as to cover the standard cost of establishment including provisions for DA, bonus, etc., and all terminal, benefits as also the expenditure of revenue nature concerning the curricular activities.*"

   Further clause 21 of the aforesaid order states "*No annual charges shall be levied unless they are determined by the Managing Committee to cover all revenue expenditure, not included in the tuition fee and 'overheads and expenses on play-grounds, sports equipment, cultural and other co-curricular activities as distinct from the curricular activities of the school.*"

   Rule 176 - '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 11.02.2009 states "*Earmarked levies will be calculated and collected on 'no-profit no loss' basis and spent only for the purpose for which they are being charged.*"

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

   Also, earmarked levies collected from 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).

   Based on the information provided by the school, it has been noted that the school charges earmarked levies in the name of Transport Fees and E-Learning Fee from students. However, the school has not maintained separate fund accounts for these earmarked levies and the school has been generating a 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. The details of calculation of surplus/deficit, based on breakup of expenditure provided by the school for FY 2018-2019 is given below:

Earmarked Fee	**Income**	**Expenses**	**Surplus/(Deficit)**
Transport Fee*	1,31,12,275	1,29,22,477	1,89,798
E-Learning Fee**	-	6,40,740	-
E-Learning Set-up Charges**	-	14,80,782	-
Midday Meals*		1,07,15,209	

*The school has not apportioned depreciation on vehicles used for the transportation of students in the expenses stated in the table above for creating a 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.

**The school has reported its income in the *income and expenditure account* and receipts and payment accounts as "Tuition and Other Fee" due to which fee/charge collected by the school against the abovementioned earmarked levies could not be determined. Also, the school did not provide the break of "Tuition and Other Fee" collected by the school. Further, the e-learning and setup charge includes capital expenditure. Refer point no.3 of financial findings above for details.

Thus, 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).

It is also important to mention that 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 thereof 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 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."

   Also, para 67 of the aforementioned Guidance Note states "*The financial statements should disclose, inter alia, the historical cost of fixed assets.*"

   Basis on the presentation made in the audited financial statements for FY 2018-2019 submitted by the school, it has been noted that the school has been utilizing depreciation reserve fund for the purchase of assets and transferring the amount equivalent to the purchase cost of asset to the general fund. Hence, the school has not reported depreciation reserve as on 31.3.2019 equivalent to the amount of accumulated depreciation reported in the fixed assets schedule annexed to the audited financial statements for FY 2018-2019. Also, the school is not crediting the amount equivalent to depreciation on assets purchased out of development fund as income as required by the guidance note cited above.

The school is instructed to make necessary rectification entries relating to the depreciation reserve fund to comply with the accounting treatment indicated in the Guidance Note-21 issued by ICAI.

3. During the personal hearing, the school confirmed that it was not preparing a Fixed Asset register (FAR). The school should prepare a FAR capturing details such as Asset Description, 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.

   The school confirmed that it will prepare the FAR as per the recommendations during FY 2020-21. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

4. From review of the audited Financial Statements of FY 2018-19, it has been noted that the school has taken an unsecured loan from the relative parties wherein members are interested, without having any written contract/ agreement. The school has further explained that all these unsecured loans are interest free and were taken to support the day to day needs of the school and for advancement of the infrastructure of the school but has not provided head wise summary of expenditures on which the same was incurred. The total outstanding balance of the unsecured loan as on 31.03.2019 is INR 11,09,89,008. In the absence of complete information, no adjustment has been done.

5. Order no. F. DE-15/ACT-I/WPC-4109/PART/13/882 dated 04.09.2017 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017, noted that the school had not deducted provident fund for non-teaching staff without obtaining necessary declaration.

   During personal hearing, the school submitted that it is deducting PF for all the eligible employees and have taken declaration from the employees where no deduction was being made. However, the school did not submit any documents to substantiate its claim.

   Accordingly, the school is directed to ensure that deduction and deposit of PF is made for all the employees. The above being a procedural finding, no financial impact is warranted for 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 year 2019-2020 amounting to **INR 25,62,70,229** out of which cash outflow for the year 2019-2020 is estimated to be INR **28,31,91,183**. This results in a net deficit of INR **2,69,20,954**. 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	49,59,724
Investments as on 31.03.19 as per Audited Financial Statements of FY 2018-19	2,48,903
Liquid Fund as on 31.03.2019	**52,08,627**

Particulars	Amount in INR
Add: Amount to be recovered from society/School management towards unreasonable expenditures incurred by the school **(Refer financial observation no. 2 for details)**	30,00,000
Add: Recovery from Society for capital expenditure incurred on building charged as revenue expenditure during **(Refer financial observation no. 4 for details)**	5,41,64,285
Add: Amount to be recovered from society towards excessive utilization of development fee **(Refer financial observation no.5 for details)**	15,51,230
Add: Amount to be recovered from society towards purchase of Toyota Fortuner Car out of development fee **[Refer financial observation no. 5 for details)**	10,56,060
Add: Fees as per audited Financial Statements of FY 2018-19 **(Refer note 1 below)**	19,08,23,704
Add: Other Income as per Audited Financial Statements of FY 2018-19 **(Refer note 1 below)**	7,02,310
Total Available Funds for FY 2019-20	**25,65,06,216**
Less: FDR with joint name of School Manager and DOE as on 31.03.2019	2,35,987
Less: Development Balance as on 31.03.2019 **(Refer financial observation no. 1 for details)**	-
Less: Staff retirement benefits Gratuity and leave encashment **(Refer financial observation no. 3 for details)**	-
Less: Depreciation Reserve Fund **[Refer note 2 below)**	-
Net Available Funds for FY 2019-20	**25,62,70,229**
Less: Budgeted Expenditure of FY 2019-20 after making adjustment **(Refer note 3 below)**	22,95,74,555
Less: Salary Arrears of 7th CPC till FY 2018-19 as per the School submission **(Refer note 4 below)**	5,36,16,628
Estimated Deficit	**2,69,20,954**

Note 1: Fee and income as per audited financial statements as per audited financial statements of FY 2018-2019 has been considered on the assumption that income accrued to the school during FY 2018-19 will at least accrue to the school 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 & OINR: 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, it 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 41,35,037 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 No. 3: All budgeted expenditures of 2019-20 have been considered except the following:

Heads	Amount (in INR)	Remarks
Depreciation	1,46,70,000	Being non-cash item.
Other Employee Cost	17,01,000	This has already been considered in salary expenditure.
Salary	1,52,29,000	This has been disallowed as the school has proposed higher expenditure for which the school has not provided details/justifications .
Provision for Salary reserve	2,29,44,500	The school has first time budgeted salary reserve without earmarking any investment in the joint name of concerned deputy director and principal/ manager of the school as per the requirement of Form-II of recognition condition. Therefore, this has not been considered.

Note 4: As per order No. DE.15 (318)/PDB/2016/18117, dated 25.08.2017, the Managing Committee of all the private unaided recognized schools were directed to implement the Central Civil Revised Pay Rules 2016 in respect of the regular employees of the corresponding status in their schools with effect from 01.01.2016 as adopted by the Government of NCT of Delhi vide its circulars No. 30-3(17)/(12)/VII Pay Comm./Coord./2016/110006-11016 dated 19.08.2016 and No. 30-3(17)/(12)/VII Pay Comm./Coord./2016/12659-12689 dated 14.10.2016. Further, vide order No. F.DE.15/ (318)/PSB/2019/11925-30 dated 09.10.2019, the managing committee of all Private Unaided Schools once again directed to implement the recommendation of 7th CPC with effect 01.01.2016 within 15 days from the date of issue of aforesaid order.

Further, section 10 of DSEA states *"the scales of pay and allowances, medical facilities, mention, gratuity, provident fund and other prescribed benefits of the employees of recognized private school shall not be less than those of the employees of the corresponding status in school run by the appropriate authority"*. Therefore, employees of all the private unaided recognized schools are entitled to get the revised pay commission. This legal position has been settled by the Hon'ble High Court long back at the in the matter of WPC 160/2017; titled as Lata Rana Versus DAV Public School & Ors vide order dated 06.09.2018 for implementation of sixth pay commission recommendations.

On review of audited financial statements and as per explanation provided by the School, the impact of salary arrears of INR 5,36,16,628 (provided by the school) which is still pending for payment has also been considered while deriving the fund position of the school with the direction to the school to implement the recommendations of 7th CPC in full within 30 days from the date of issue of this order. A strict action against the school would be initiated u/s 24(3) of DSEA, 1973 for non-compliance with the direction cited above.

ii. In view of the above examination, it is evident that the school does not have adequate funds for meeting all the operational expense for the financial year 2019-20. In this regard, the directions issued by the Directorate of Education vide circular no. 1978 dated 16 Apr 2010 states.

"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 sufficient funds are not available with the school to carry out its operations for the academic session 2019-20. Accordingly, the fee increase proposal of the school may be accepted.

AND WHEREAS, school has incurred INR 5,41,64,285 capital expenditure towards building and INR 30,00,000 towards unreasonable expenses. Also, it has utilized development fund in excess of INR 15,51,230 and INR 10,56,060 towards purchase of cars without complying with the provision of DSEAR 1973 and other order/ circular issued by Director of Education from time to time in this regard. Thus, the school is directed to recover INR 5,97,71,575 from the society. The amount of above receipt along with copy of bank statement showing the receipt of above-mentioned amount should be submitted with DoE, in compliance of the same, within 30 days from the date of issuance of this order.

AND WHEREAS, recommendation of the team of Chartered Accountants along with relevant materials were put before the Director (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 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 15% 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 of enhancement of fee for session 2019-2020 of **VSPK International School (School ID-1413209), Sector 13 Rohini, Delhi- 110085** has been accepted by Director (Education) and the school is allowed to increase its fee by 15% to be effective from 01 July 2022.

Further, the management of said school is hereby directed under section 24(3) of DSEA, 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
VSPK International School, (School ID-1413209),
Sector 13, Rohini,
Delhi, 110085

No. F.DE.15 (808)/PSB/2022 / 5226 - 5280 Dated: 29/06/22

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 (West B) 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