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

No. F.DE.15(695)/PSB/2022/ 4255-4259 **Dated:** 07/06/22

ORDER

WHEREAS, **Sachdeva Public School (School ID-1413217), Sec-XIII, Rohini, New Delhi-110085** (hereinafter referred to as "School"), run by the Shri Laxman Dass Sachdeva Memorial Educational 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 03.12.2019 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. During the aforesaid hearing, compliances against Order No. F.DE.15(254)/PSB/2019/1445-1449 dated 29.03.2019 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 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.*"

Rule 177 of DSER, 1973 states that "*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.

The DoE in its Order no. F.DE.15(253)/PSB/2019/1445-1449 dated 29.03.2019 issued post evaluation of fee increase proposal for FY 2017-18, noted that the School had purchased 2 Honda city cars of INR 21,68,222 and one WagonR of INR 4,18,000 out of school funds in FY 2016-17. This expenditure was incurred without complying with the requirement of Rule 177 of DSER 19173. In the aforesaid order the school was directed to recover this amount form society which still pending for recovery.

From the representation submitted by the school against above mentioned order, it has been taken on record as per the School that, "*All the three vehicles are being kept in pool of vehicles to be used to ferry students and staff for school activities i.e. educational and other related purposes. However, all rare occasion these vehicles are being used to ferry principal, Academic directors, HOD from one place to another during meetings and educational seminars*".

As per the SMC meeting, the school submitted that it could not implement the recommendation of the 7th CPC and deposit equivalent amount of its retirement liability in plan assets within the meaning of AS-15 due to shortage of funds. The school instead of making salary payment to its staff in accordance with 7th CPC has preferred to incur expenditure on purchase of luxury cars. Therefore, the contentions and arguments of the school are not correct, and the school should refrain itself from incurring expenditure on such purchases unless there is saving derived U/R 177 od DSEAR, 1973.

Therefore, total capital expenditure incurred by the school of INR 21,68,222 on purchase of 2 Honda City cars (Purchase of WaganR has been allowed on account of one car to be allowed to the school for the use of ferry of students, staff for school activities) is recoverable from the society and has been included while deriving the fund position of the school. The school is further directed to recover this amount from the society within 30 days from the date of issue of this order.

2. Rule 176 of DSEAR, 1973 states that *"Income derived from collections for specific purposes shall be spent only for such purpose"*. Thus, any amount collected by the school should be utilised for imparting better education to the students and not for any other purposes or donation.

Section 18(4)(a) of DSEAR, 1973 states that *"Income derived by unaided schools by way of fees shall be utilized only for such educational purposes as may be prescribed"*. Thus, any amount collected by the school should be utilised for education purposes only.

DoE in its Order no. F.DE.15(253)/PSB/2019/1445-1449 dated 29.03.2019 notes that the school donated INR 52,000 to Maa Kamakhya Yog Sadhana Social Welfare Society and INR 75,000 was paid to Action Committee to cover the Legal and Miscellaneous cost of the committee which was construed as not for educational purposes and school was directed to recover the said amount from the society.

On review of audited financial statements for the School it has been noted that the School is incurring losses continuously each year and is yet to implement the salary arrears as per 7th CPC recommendations. Accordingly, INR 1,27,000 (INR 52,000 paid for donation and INR 75,000 paid for legal expenses of the society) is in contravention to Rule 177 of DSEAR, 1973 and thus the School is directed to recover INR 1,27,000 from the society within 30 days from the date of issue of this order.

3. 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.

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

From review of the audited Financial Statements of FY 2018-19, it has been noted that the school has created provision for gratuity and leave encashment for INR 8,04,13,517 as per actuarial valuation report determined by the actuary and has invested INR 74,88,739 in plan assets in accordance with AS-15. Accordingly, the amount invested by the school in plan assets of INR 74,88,739 as on 31.03.2019 has been considered while deriving the fund position of the school.

- The school is hereby directed to invest the equivalent amount as determined by actuary that quality as plan assets within the meaning of AS-15 and submit the compliance status within 30 days from the date of issue of this order.

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.*"

Clause 22 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11.02.2009 states that *Earmarked levies shall be charged from the user student only. Earmarked levies for the services rendered shall be charged in respect of facilities involving expenditure beyond the expenditure on the earmarked levies already being charged for the purpose. They will be calculated and collected on 'no profit no loss' basis and spent only for the purpose for which they are being charged. All transactions relating to the earmarked levies shall be an integral part of the school accounts*

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).

From the information provided by the school and taken on record, it was noted that the school charges earmarked levies in the form of Transport fee, smart class fee, Health, Hygiene and safety fee, science fee and computer fee from students. However, the school has not maintained separate fund accounts for these earmarked levies (except smart class fee and Health, hygiene and safety charges) and the school 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:

Particulars	Science Fee*	Computer Fee*	Transport Charges
For the year 2016-17			
Fee Collected during the year (A)	7,62,600	6,96,300	66,75,400

Particulars	Science Fee*	Computer Fee*	Transport Charges
Expenses during the year (B)	0	0	36,40,456
Difference for the year (A-B)	**7,62,600**	**6,96,300**	**30,34,944**
For the year 2017-18			
Fee Collected during the year (A)	6,97,800	7,37,100	48,22,400
Expenses during the year (B)	0	0	27,57,768
Difference for the year (A-B)	**6,97,800**	**7,37,100**	**20,64,632**
For the year 2018-19			
Fee Collected during the year (A)	6,58,500	7,49,700	24,55,200
Expenses during the year (B)	0	0	26,70,439
Difference for the year (A-B)	**6,58,500**	**7,49,700**	**-2,15,239**
Total (Surplus)	**21,18,900**	**21,83,100**	**48,84,337**

*School has charged science fee and computer fee however, expenses incurred against the same has not been provided by the school to be shown in table above.

Based on the above, 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).

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. As per Clause 14 of 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 fixtures and equipment's. 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*".

Based on the presentation made in the audited financial statements of FY 2018-19, it has been noted that depreciation reserve fund maintained by the school is not reconciling with the accumulated depreciation shown under fixed assets schedule which is not in compliance with the above-mentioned provisions.

Hence, the school is directed to maintain depreciation reserve fund equivalent to depreciation charged in the revenue account and make necessary rectification entries relating to development fund, fixed assets and depreciation reserve to comply with the accounting treatment indicated in the Guidance Note failing which school shall not be allowed to charged development fee in subsequent financial years.

3. 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 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."*

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

   On review of audited financial statements for FY 2018-19, it has been noted that the school has not maintained development fund utilization fund and has not credited deferred income in income & Expenditure account to the extent of the cost of the asset in proportion to the depreciation charged every year as required under para 99 of guidance note mentioned above.

   Further, fixed assets reported by the school as per fixed assets schedule is not matching with the amount reported on the face of balance sheet as on 31.03.2019.

   Hence, the school is directed to make necessary rectification entries relating to development fund, fixed assets and depreciation reserve to comply with the accounting treatment indicated in the Guidance Note-21 and reconcile fixed assets, development fund, depreciation reserve fund and development fund utilisation within 30 days from the date of issue of this order and submit compliance report thereof.

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

   From review of the audited financial statements of 2018-19, it has been noted that the School has not made any disclosure relating to related party transactions in its audited financial statements. In the absence of such details, the purpose and genuineness of transactions entered into between the related parties cannot be determined. Therefore, the School is hereby directed to include such details in audited financial statements of the subsequent year.

5. Para 58(i) of the Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India states "*A school should charge depreciation according to the written down value method at rates recommended in Appendix I to the Guidance Note.*"

As per notes to Appendix I- 'Rates of depreciation' of Guidance note, "*The rates contained in this Appendix should be viewed as the minimum rates and, therefore, a school should not charge depreciation at rates lower than those specified in this Appendix in relation to assets purchased after the date of the applicability of the Guidance Note. However, if on the basis of a bona fide technological evaluation, higher rates of depreciation are justified, the same may be provided with proper disclosures by way of a note forming part of accounts*"

On review of audited financial statements for FY 2018-19, it has been noted that school instead of following rates of depreciation as per appendix to guidance note-21 has followed depreciation rates as per Income Tax Act, 1961.

Since no explanation related to bona fide technological evaluation of the assets is presented in notes to accounts, school is directed to charge rates of depreciation as per Appendix I of Guidance note instead of rates as per Income Tax Act, 1961 as the same shall be verified at the time of evaluation of fee hike proposal of subsequent financial year. This being a procedural finding, no financial impact is warranted in the fund position of the school.

6. Direction no. 3 of the public notice dated 04.05.1997 published in the Times of India states "*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 Rs. 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.*"

On review of documents submitted post personal hearing, it has been noted that school has not being refunding interest along with refund of caution money to the students at the time of their exit from the school.

Thus, the school is directed to ensure compliance with the aforementioned directions including refund of interest along with caution money to exiting students and to open separate bank account/create fixed deposit with bank for depositing caution money collected from students and interest earned on thus account has to be refunded to the students along with refund of caution money at the time of leaving the school. Accordingly, the balance of caution money outstanding INR 2,73,500 as on 31.03.2019 has been considered while deriving the fund position of the school.

7. As per Order No. F.DE.15(253)/PSB/2019/1445-1449 dated 29.03.2019 issued to the school post evaluation of proposal for enhancement of fee for FY 2017-18, it was noted that school was not complying with the DOE Order No.F.DE.15/Act-I/08155/2013/5506-5518 dated 04.06.2012 and condition mentioned at S. No. 18 in the land allotment letter which provides for 25% reservation to children belonging to EWS category.

As per school, the details of EWS students and total students from FY 2014-15 to FY 2016-17 are as follows:

Particulars	FY 2014-15	FY 2015-16	FY 2016-17
Total Students	3,435	3,625	3,823
EWS Students	317	393	421
% of EWS students	9%	11%	11%

On review of documents submitted by the school after personal hearing, it has been noted that school has not submitted details of total and EWS students due to which it cannot be established if school has complied with the directions given by the Directorate in above mentioned order. School is hence directed to submit details of total student and EWS student to the directorate and to comply with the directions of the Directorate to in relation to land allotment condition of minimum 25% reservation to EWS category students as the same shall be verified at the time of evaluation of proposal for fee enhancement for subsequent financial year.

8. As per Section 18(5) of the DSEA, 1973, the management 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.

Further, Rule 180 of DSER, 1973 states " (1) every unaided recognised private schools shall submit the returns and documents in accordance with Appendix-1, (2) Every return or documents referred to in sub-rule (1), shall be submitted to the Director by the 31st day of July of each year.(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 any officers authorised by the Comptroller and Auditor General of India"

And Section 24 (2) of DSA. 1973 states "The Director may arrange special inspection of any school on such aspects of its working as may, from time to time, be considered necessary by him".

Whereas Appendix-II to Rule 180 specify that "final accounts i.e. receipts, and payments account, income and expenditure account and balance sheet of the preceding year should be duly audited by Chartered Accountant.

It has been noticed that Financial Documents/ Certificates Attested by third person misrepresenting themselves as CA Members are misleading the Authorities and Stakeholders. ICAI is also receiving number of complaints of signatures of CAs being forged by non CAs.

To curb such malpractices, the Professional Development Committee of ICAI has come out with an innovative concept of UDIN i.e. Unique Document Identification Number which is being implemented in phased manner. It will secure the certificates attested/certified by practicing CAs. This will also enable the Regulators/Banks/Third parties to check the authenticity of the documents.

Accordingly, the Council in the 379th meeting of ICAI held on 17.12.2018 and 18.12.2018, made mandatory for all practicing member to obtain 18 digits UDIN before issuing any audits reports/ certification etc. in the following manner:

- All Certification done by Practising CAs w.e.f. 01.02.2019.
- All GST & Tax Audit Reports w.e.f. 01.04.2019.
- All other attest functions w.e.f. 01.07.2019.

However, on examination of the financial statements submitted by the school for evaluation of fee increase proposal for FY 2019-20, it has been observed that the financial statements of the school were certified by the Chartered Accountant without mentioning the UDIN as required by the council. This being the procedural finding therefore, the school management are instructed to ensure this compliance from the Auditor of the school.

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

i. The total funds available for the Academic session 2019-20 amounting to INR **28,48,70,979** out of which cash outflow is estimated to be INR **30,15,05,134**. This results in net deficit of INR **1,66,34,155**. The details are as follows:

Particulars	Amount in INR
Cash and Bank balances as on 31.03.19 as per Audited Financial Statement	82,11,041
Investments in FDR as on 31.03.19 as per Audited Financial Statements	11,20,798
Investments with LIC against retirement benefits as on 31.03.19 as per Audited Financial Statements	74,88,739
Liquid fund as on 31.03.19	**1,68,20,578**
Add: Recovery from the society for purchase of luxury cars **(Refer Financial observation No. 1)**	21,68,222
Add: Recovery from the society for expenditure incurred on donation and legal expenses of the society **(Refer Financial observation No. 2)**	1,27,000
Add: Impact of Fee increase as per previous years Order No. F.DE.15(253)/PSB/2019/ 1445-1449 dated 29.03.2019	2,62,00,562
Add: Fees as per Audited Financial Statements of FY 2018-19 **(Refer Note 1)**	24,61,73,141
Add: Other income as per audited Financial Statements of FY 2018-19 **(Refer Note 1)**	22,64,513
Total available funds for FY 2019-20	**29,37,54,016**
Less: FDR on joint name with Secretary, CBSE	11,20,798
Less: Caution money as on 31.03.2019 (as per audited financial statements for FY 2018-19) **(Refer Other observation no. 6)**	2,73,500
Less: Depreciation Reserve fund **(Refer Note 2)**	-
Less: Investment made with LIC against provision made for retirement benefits **(Refer Financial observation No. 3)**	74,88,739
Estimated Available Funds for FY 2019-20	**28,48,70,979**
Less: Budgeted expenses for the session 2019-20 **(Refer Note 3)**	27,16,71,046

Particulars	Amount in INR
Less: Arrears of salary on implementation of 7th CPC 01.01.16 to 31.03.19 **(Refer Note 4)**	2,98,34,088
Estimated Deficit	**1,66,34,155**

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 except profit on sale of assets.

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 8,77,75,270 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 expenditure has been considered in the above table except:

Particulars	Amount Disallowed	Remarks
Salaries and wages including allowances	1,09,21,152	• With respect to the Salaries and wages, the school has proposed INR 15,50,10,200 in its budget and provided salary arrears of INR 2,98,34,088 separately. Therefore, the expenditure proposed by the school for FY 2019-20 has been restricted to 115% of the actual expenditure incurred during FY 2018-19 considering the impact of 7th CPC. • With respect to the other expenditure, the school has proposed more than the normal increase as compared to the actual expenditure incurred by the school during the previous year. Therefore, these expenditures have been restricted to 110% of the actual expenditure incurred in FY 2018-19 considering the rise in inflation.
Vehicle maintenance/exp	1,19,749	
Computer exp. Including maintenance	12,51,871	
Salary	1,94,807	
Security Expenses	2,67,411	
Salary (Medical Staff and Aaya)	1,03,536	
Science lab exp	1,73,479	
White washing expenses	73,495	
Electricity & water Charges	8,90,963	
Total	1,39,96,463	

Note 4: The Directorate vide 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. It has been noted that School Management has not yet implemented the recommendations of 7th CPC with effect from 01.01.2016 on the ground of insufficient funds with the school.

Review of audited financial statements of the school and as per explanation provided by the school, it has been noted that the school has been paying salary as per the recommendation of VI pay commission. Accordingly, the impact of salary arrears amounting to INR 2,98,34,088 which is still pending for payment (as detailed report provided by the school) 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 has 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 observations that were identified (appropriate financial impact has been taken on the fund position of the school) and certain procedural findings which were also noted (appropriate instructions against which have been given in this order), that the sufficient funds are not available with the to carry out its operations for the academic session 2019-20. Accordingly, the fee increase proposal of the school may be accepted.

AND WHEREAS, it has been noted that the School has incurred INR 21,68,222 on purchase of car and INR 1,27,000 on account of donation paid which is in contravention to provisions of DSEAR, 1973. Thus, the school is directed to recover total amount of INR 22,95,222 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 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, 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 6% to be effective from 01 July 2022.

AND WHEREAS, recommendation of the team of Chartered Accountants along with relevant materials were put before the Director of Education for consideration and who after considering all the material on the record, and after considering the provisions of section 17 (3), 18(5), 24(1) of the DSEA, 1973 read with Rules 172, 173, 175 and 177 of the DSER, 1973 has found that funds are not available with the school for meeting financial implication for the academic session 2019-20.

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 of fee increase for academic session 2019-20 of **Sachdeva Public School (School ID-1413217), Sec-XIII, Rohini, New Delhi-110085,** is accepted by the Director of Education and the school is hereby allowed to increase the tuition fee by 6% to be effective from 1 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 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
Sachdeva Public School (School ID: 1413217)
Sector-13, Rohini, Delhi-110085
No. F.DE.15(695)/PSB/2022/4255-4259

Dated: 07/06/22

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-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