

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

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No. F.DE.15(771)/PSB/2022/4896-4900

Dated: 22/06/22

**ORDER**

WHEREAS, **Tagore Sr. Sec. School (School ID-1514085), 18, Mayapuri Marg, Mayapuri, New Delhi-110064** (hereinafter referred to as "**the School**"), run by the Rabindra Education Society (hereinafter referred to as "**Society**"), is a private unaided School recognized by the Directorate of Education, Govt. of NCT of Delhi (hereinafter referred to as "**DoE**"), under the provisions of Delhi School Education Act & Rules, 1973 (hereinafter referred to as "**DSEAR, 1973**"). The School is statutorily bound to comply with the provisions of the DSEAR, 1973 and RTE Act, 2009, as well as the directions/guidelines issued by the DoE from time to time.

AND WHEREAS, 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 19.11.2019 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. No. F.DE.15(274)/PSB/2019/1495-1499 dated 04.04.2019, 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 observations noted are as under:

**A. Incomplete and Unreliable Financial Information**

1. As per Directorate's Order no. 15072-15871 dated 23 Mar 1999 "*All pre-primary schools being run by the registered society/ trust in Delhi as Branches of the recognized schools by the appropriate authority in or outside the school premises shall be deemed as one Institution for all Purposes*". Further, the Hon'ble High Court of Delhi in the matter of Social Jurist vs. the Govt. of NCT of Delhi & others

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concluded "We do not find any proper reason or rationale to keep Pre-school apart and segregated by those regular schools where Preschool facilities exist and admission starts from that stage."

During the process of evaluation of fee hike proposal submitted by the school, it was identified that Tagore School Sr. Sec. (operating from class Nursery) is admitting several students in classes KG to 3. Based on the details regarding non-EWS students enrolled during FY 2017-2018 and FY 2018-2019, it was noted that the following number of students were admitted in classes KG to 3:

Class	FY 2018-2019
KG	28
1	37
2	10
3	67

While the school did not provide sufficient information to evaluate how these students are being admitted, in most likelihood, it appears that the school admitted students directly from the pre-primary school – "Tagore Nursery School" (Rajouri Garden), which, has not been reported by the school as its feeder school. Thus, the school has not complied with the directions of the order dated 23 Mar 1999 and has not reflected this school as its feeder school.

Based on above, Tagore Nursery School (Rajouri Garden) has been considered as the feeder school. Accordingly, the conditions and requirements applicable to Tagore School Sr. Sec. would apply in the same manner to "Tagore Nursery School". However, the school did not submit details including financial information (financial statements) and fee (existing and proposed) for students enrolled in Tagore Nursery School along with its proposal for enhancement of fee for FY 2019-2020. Thus, in absence of the requisite information and data regarding feeder school, completeness of financial statements and information therein submitted by the school could not be evaluated. Further, the fund position of the school could not be derived in absence of the aforementioned required information and the observations included in subsequent sections relate only to Tagore School Sr. Sec.

The school is hereby directed to submit complete details of the feeder school in respect of FY 2016-2017, FY 2017-2018 and FY 2018-2019 along with its subsequent fee hike proposal including the financial information, similar to the main school. Further, the school should ensure submission of complete information to the Directorate for appropriate evaluation of its fee increase proposal.

2. As per Appendix II to Rule 180(1) of DSER, 1973, the school is required to submit final accounts i.e. receipts and payment account, income and expenditure account and balance sheet of the preceding year duly audited by a Chartered Accountant by 31st July.

Para 1 of Standard on Auditing (SA) 700 (Revised) – 'Forming an Opinion and Reporting on Financial Statements' notified by the Institute of Chartered Accountants of India states "This Standard on Auditing (SA) deals with the auditor's responsibility to form an opinion on the financial statements. It also deals with the form and content of the auditor's report issued as a result of an audit of financial statements."

On review of audited financial statements for FY 2016-2017 to FY 2018-2019 submitted by the school, it was noticed that the school did not submit the Audit Report and Significant Accounting Policies and Notes to the Accounts annexed with the financial statements. Also, it was noticed that the auditor gave reference to tax audit report u/s 10B. Since the submission of the financial statements were made to the Directorate and not Income Tax Department, use of Form 10B (prescribed under the Income Tax Act) is inappropriate since the school is expected to prepare financial statements under the Generally Accepted Accounting Principles (GAAP). Thus, the auditor should have used the format of audit report as prescribed under SA 700.



Further, the auditor had signed the financial accounts for FY 2018-2019 on 1 Oct 2019. Thus, the school did not comply with the requirement of submission of audited final accounts in accordance with the timeline prescribed in Rule 180(1).

Accordingly, the school is directed to ensure that the financial statements as per the requirements of Rule 180(1) are appropriately prepared and submitted to the Directorate, which must be complete (including Audit Report and Significant Accounting Policies & Notes to the Accounts). The school is also directed to ensure that the audit opinion is issued by the auditor on the complete set of financial statements i.e. Balance Sheet, Income & Expenditure Account and Receipt & Payment Account complying with the requirements of SA 700.

3. On examination of the financial statements for FY 2018-2019 submitted by the school, it was noted the financial statements were not appropriately authenticated by the representatives of the school, since only the Balance Sheet, second pages of Income and Expenditure Account and Receipts and Payments Accounts, and last page of fixed assets schedule were signed by the Chairman, Principal and Manager. Remaining pages of the financial statements including the schedules annexed to the financial statements were not signed or initialled by any of the representatives of the school. Thus, the authenticity of the financial statements and financial information included therein cannot be confirmed.

The school is directed to ensure that the entire set of financial statements (all pages including Schedules) must be signed or initialled (as appropriate) by at least two representatives of the school authorised in this regard as per Bye laws or other governing documents.

#### **B. Financial observations**

1. Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states *"Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund, will be kept in a separately maintained Development Fund Account."*

As per direction no. 2 included in the Public Notice dated 4 May 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 Oct 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 Feb 2005 issued by this Directorate states *"Capital expenditure cannot constitute a component of the financial fee structure."*

Accordingly, based on the aforementioned public notice and High Court judgement, the cost relating to land and construction of the school building has to be met by the society, being the property of the society and school funds i.e. fee collected from students is not to be utilised for the same except in compliance with Rule 177 of DSER, 1973.

Rule 177 of DSER, 1973 states *"(1) 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 managing committee for meeting the capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely:*

- *award of the 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.

(2) The savings referred to in sub-rule (1) 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 development nature,
- c) the expansion of the school building or for the expansion or construction of any building or establishment of hostel or 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.”

Directorate Order No. F.DE.15(274)/PSB/2019/1495-1499 dated 14 Mar 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that as per audited financial statements for the FY 2014-2015 to FY 2016-2017, the school had made capital expenditure on building amounting to INR 32,18,051 in FY 2014-2015 out of school funds and INR 59,66,710 (INR 31,09,467 in FY 2015-2016 and INR 28,57,243 in FY 2016-2017) out of the development fund, which was not reflected under fixed assets. The school was instructed in the said order to recover this amount of INR 91,84,761 (INR 32,18,051 plus INR 59,66,710) from the society.

It was further noted that the school incurred expenditure during FY 2017-2018 on upgradation of building out of development funds totalling to INR 8,26,941, which was an expenditure of developmental nature. However, the same was incurred on the building without complying the requirements prescribed in Rule 177 of DSER, 1973.

Based on the fact that the school did not implement the recommendations of 7<sup>th</sup> CPC till date, did not even get its liability towards retirement benefits (gratuity and leave encashment) of staff valued from an actuary in accordance with the requirements of Accounting Standard 15 until 22 Apr 2019 i.e. the first time actuarial valuation of gratuity liability was obtained by the school and did not secure the funds against staff gratuity and leave encashment in plan assets such as group gratuity scheme and group leave encashment scheme of LIC or other insurer, the school did not comply with the requirements of Rule 177 (1) i.e. “Income derived by an unaided utilized school by way of fees shall be utilized in the first instance, for meeting the pay, allowances, and other benefits admissible to the employees of the school”.

Therefore, the amount spent by the school towards expenditure of developmental nature on building, which was reported by the school as spent out of development fund in non-compliance of clause 14 of Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 and without meeting the requirements of Rule 177, totalling to INR 1,00,11,702 (INR 91,84,761 plus INR 8,26,941) is liable to be recovered from the society.

Thus, the school is hereby directed to recover this amount of INR 1,00,11,702 from the Society within 30 days from the date of this order. Further, the school is directed to comply with the requirements of clause 14 of Order No. F.DE./15 (56)/Act/2009/778 dated 11 Feb 2009 including utilisation of development fund towards purchase, upgradation and replacement of furniture, fixture and equipment. Also, the school is directed to ensure compliance of Rule 177 before incurring expenditure of developmental nature on building.

2. As per Order No. F.DE-15/ACT-I/WPC-4109/Part/13/7905-7913 dated 16 April 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.”

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.”

Clause 14 of this Directorate’s Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states “Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund, will be kept in a separately maintained Development Fund Account.”

While reviewing the financial statements of FY 2018-2019, it is noted that the school has utilised development fund amounting INR 20,05,743 towards upgradation of assets and the same was not capitalised in the fixed assets schedule as per Guidance Note. Also, the school has not submitted any details of upgradation of assets done by, it which indicated that the funds were diverted by the school.

Directorate Order No. F.DE.15(274)/PSB/2019/1495-1499 dated 14 Mar 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 further noted that the school was treating development fee as revenue receipts till 2014-2015 which is in contravention of clause 14 of this Directorate’s Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009. It was further noted that during FY 2018-2019 the school transferred an amount of INR 36,56,500 from development fund to Income and Expenditure Account with the justification that the same was transferred to meet deficit in establishment expenses.

Further, basis the presentation made in the financial statements for FY 2018-2019 submitted by the school, it is noted that the school is not following the accounting treatment of recognition of income equivalent to the amount of depreciation charged as indicated in the guidance note cited above. While the school is transferring funds from “development fund” to “fund utilised against fixed assets” at the time of purchase of fixed assets out of development fund, the school is not recognizing income from “fund utilised against fixed assets” (deferred income account) in the Income and Expenditure Account equivalent to the amount of depreciation charged.

Also, from the financial statements submitted by the school, it was noted that the school was not crediting interest earned on the development fund bank account and fixed deposit to development fund, instead the school treated interest income as revenue receipt. Thus, the school did not comply with the condition cited above.

Accordingly, the school is hereby directed to recover this amount of INR 20,05,743 (reported as incurred towards upgradation of assets by the school) from the society within 30 days from the date of this order. The school is further directed to follow DOE instruction and ensure that development fund is utilised only towards purchase, upgradation and replacement of furniture, fixture and equipment. The school is also instructed to make necessary rectification entries relating to development fund utilised and to comply with the accounting treatment indicated in the Guidance Note. The school is further directed to ensure compliance with Clause 14 of this Directorate’s Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 by transferring income earned on investments to development fund account.





Additionally, the school proposed INR 15 lakhs towards upgradation of assets as part of its budgeted expenses for FY 2019-2020. The school is directed not to incur any expense on upgradation (unless the same qualifies to be incurred out of development fund) on the basis of same rationale as mentioned above and in case, the school has diverted any funds subsequent to FY 2018-2019, the school is directed to recover the amount so spent from the Society within 30 days from the date of this order.

3. Para 57 of Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India 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.*" Further, according to para 7.14 of the Accounting Standard 15, "*Plan assets comprise:*

- *assets held by a long-term employee benefit fund; and*
- *qualifying insurance policies.*"

Directorate Order No. F.DE.15(274)/PSB/2019/1495-1499 dated 14 Mar 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school has not created any provision for staff retirement benefits (gratuity and leave encashment).

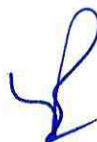
The school submitted a copy of actuarial valuation report, which indicated the actuarial valuation of its obligation towards gratuity for FY 2017-2018 (first year for which actuarial valuation obtained) of INR 1,76,28,437. It was further noted that the actuarial valuation was derived based on 55 staff members of the school, while the school submitted a statement of 88 staff members to the Directorate. The school did not provide any explanation in relation to this discrepancy. Further, the school did not record any provision for gratuity (in accordance with the actuarial valuation) in its books of account and did not report the same in its financial statements. It was further noted that the school has not obtained actuarial valuation in respect of its liability towards staff leave encashment till date and has not recorded any provision towards the same.

Further, it was noticed that the school has not made any investment in 'plan-assets' such as group gratuity scheme and group leave encashment scheme of LIC/ other insurers till date to secure the statutory liability towards staff retirement benefits.

The school is directed to obtain actuarial valuation in respect to its liability towards leave encashment in accordance with Accounting Standard 15 and record provision for gratuity and leave encashment in its books of account in accordance with actuarial valuation. Also, the school should start making investments that qualify as 'plan-assets' (i.e. group gratuity and leave encashment policies of LIC or other insurer) to secure funds towards staff gratuity and leave encashment and ensure that the fund value of such investments equals the school's obligation determined by actuary.

4. Incomes (fee collected from students) reported in the Income and Expenditure Account for FY 2018-2019 were recomputed to evaluate the accuracy of incomes reported based on the approved fee structure of the school and details of number of students enrolled (non-EWS) provided by the school. Basis the computation prepared, differences were noted in the fee collection reported by the school during FY 2017-2018 and FY 2018-2019 in its Income & Expenditure Account/ Receipt and Payment and amount of fee arrived/computed as per details provided by the school. Following differences were derived based on the computation of FY 2017-2018 and 2018-2019:

I. Development Fees:





Financial Year	Income reported in Income & Expenditure Account (A)	Fee computed based on details of no. of students provided by the school (B)	Derived Difference (C)= (A-B)	Derived % Difference D)=(C/A* 100)
2017-2018	42,24,457	34,57,400	7,67,057	18%
2018-2019	36,11,720	38,28,600	(2,16,880)	-6%

II. Annual Fees:

Financial Year	Income reported in Income & Expenditure Account (A)	Fee computed based on details of no. of students provided by the school (B)	Derived Difference (C)= (A-B)	Derived % Difference D)=(C/A* 100)
2017-2018	38,74,465	32,78,000	5,96,465	15%
2018-2019	40,99,859	36,24,700	4,75,159	12%

III. Activity Fees:-

Financial Year	Income reported in Income & Expenditure Account (A)	Fee computed based on details of no. of students provided by the school (B)	Derived Difference (C)= (A-B)	Derived % Difference D)=(C/A* 100)
2017-2018	24,41,987	25,63,200	(1,21,213)	-5%
2018-2019	27,31,405	28,27,800	(96,395)	-4%

It was noted that the school did not report any amount in its financial statements as fee receivable of advance fee received indicating that there is a possibility of school following cash basis of accounting in respect of fee, which if is the case, is not in accordance with the generally accepted accounting principles. The school did not provide any explanation in this regard.

The school is directed to confirm whether it is following cash basis or accrual basis for accounting its income and should perform a detailed reconciliation of the amount collected from students and income to be recognised based on the fee structure and number of students enrolled by the school. Compliance of the same would be checked at the time of evaluation of subsequent fee increase proposal.

C. Other observations

- As per Order No. F.DE-15/ACT-I/WPC-4109/Part/13/7905-7913 dated 16 April 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."



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

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 the financial statements for FY 2016-2017 to FY 2018-2019 submitted by the school, it was noted that the school did not disclose previous year's figures in Receipt and Payment Account and schedules annexed to the financial statements.

Basis the presentation made in the audited financial statements for FY 2018-2019 submitted by the school, it was noted that the fixed assets schedules annexed to the financial statements included details of opening gross block of fixed assets, additions, deletions, closing gross block of fixed assets, opening depreciation reserve, depreciation during the year, adjustment (if any), closing balance of depreciation reserve and net (WDV) closing block of fixed assets. However, on the face of the Balance Sheet, the school reported fixed assets purchased from general reserve at written down value, which is not in accordance with the disclosure requirements included in the guidance note cited above.

Also, the school is charging depreciation as per the depreciation rates prescribed under the Income Tax Act, 1961 and has not complied with the directions given above regarding charging of depreciation at the rates prescribed in the Guidance Note.

Accordingly, the school is directed to disclose all fixed assets at gross (historic) value on the face of Balance Sheet on the assets side and accumulated depreciation as depreciation reserve on the liability side of the Balance Sheet. The school is further directed to charge depreciation at the rates of depreciation specified in the Guidance Note, provide previous year's figures against all items in the financial statements and ensure that the financial statements are prepared as per the requirements of aforementioned order of the Directorate.

Compliance of the same shall be validated during evaluation of subsequent fee increase proposal as may be submitted by the school.

2. Clause 19 of Order No. F.DE./15(56)/Act/2009/778 dated 11 Feb 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 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.*"





Also, the Hon'ble Supreme Court through its 2004 judgement in the case of Modern School Vs Union of India and Others directed all recognised unaided schools of Delhi to maintain the accounts on the principles of accounting applicable to non-business organizations/not-for-profit organizations. Earmarked levies collected from students are a form of restricted funds, since these can be utilised only for the purposes for which these have been collected, and according to Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India, the financial statements should reflect income, expenses, assets and liabilities in respect of such funds separately.

Further, the aforementioned Guidance Note lays down the concept of fund based accounting for restricted funds, whereby upon incurrance 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).

Directorate Order No. F.DE.15(274)/PSB/2019/1495-1499 dated 14 Mar 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 directed the school to follow fund based accounting in respect of earmarked levies.

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 and activity fee from students. However, the school is yet to maintain separate fund accounts for these earmarked levies and the school has been generating surplus from earmarked levies, which has been utilised for meeting other expenses of the school. 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 (INR)	Expenses (INR)	Surplus (INR)
	A	B	C=A-B
Transport Fees	53,42,842	49,06,149 <sup>^</sup>	4,36,693
Activity Fees	27,31,405	19,28,905	8,02,500

<sup>^</sup>The school did not include salary of staff involved in provision of transport in respect of one vehicle owned by it.

Based on aforementioned, 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 was noted that the school is collecting activity fee from all its students. 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 activity fee and details provided by the school in relation to expenses incurred against the same, the school should not charge such fee as earmarked fee with immediate effect and should incur the expenses relating to these from tuition fee or annual charges, as applicable.

The school is also 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 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. The school is also directed not to collect any earmarked levy compulsorily from students and the same should be optional and at the discretion of the students.



3. As per the land allotment letter issued by the Delhi Development Authority to the Society in respect of the land allotted for the school, *the society shall ensure that percentage of freeship from the tuition fee as laid down under rules by the Delhi Administration from time to time strictly complied with. They will ensure admission to the student belonging to weaker sections to the extent of 25% and grant freeship to them.*

From the breakup of students provided by the school, it had admitted students under Economically Weaker Section (EWS) Category as under:

Particulars	FY 2016-2017	FY 2017-2018	FY 2018-2019
Total No. Students	1,586	1,616	1,793
No. of EWS students	161	192	221
% of EWS students to Total Students	10.2%	11.9%	12.3%

During the personal hearing of the school, the school mentioned that it takes admission under EWS category on the basis of list of admissions provided by the Directorate. However, the school has not complied with the requirements of land allotment and should thus take comprehensive measures (including enhancement of EWS seats) to abide by the conditions of the land allotment letter issued by the Delhi Development Authority.

4. Direction no. 3 of the public notice dated 4 May 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 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.”*

Clause 18 of Order no F.DE/15(56)/Act/2009/778 dated 11 Feb 2009 states *“No caution money/security deposit of more than five hundred rupees per student shall be charged. The caution money thus collected shall be kept deposited in a scheduled bank in the name of the concerned school and shall be returned to the student at the time of his/her leaving the school along with the bank interest thereon irrespective of whether or not he/she requests for refund.”*

Further, Clause 3 and 4 of Order no. DE/15/150/Act/2010/4854-69 dated 9 Sep 2010 stated *“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 taken into account while projecting fee structure for ensuing Academic year.”*

Directorate Order No. F.DE.15(274)/PSB/2019/1495-1499 dated 14 Mar 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school has not reflected un-refunded caution money of ex-students as income in its financial statements after the expiry of 30 days of communication to them to collect their caution money together with interest. On review of financial statements of the school for the FY 2017-2018, it is noted that the has booked income of un-refunded caution money pertaining to ex-students amounting to INR 4,80,022.

Basis the financial statements of the school for the FY 2017-2018 to FY 2018-2019, the details of caution money refunded to students at the time of leaving the school is enclosed below:



Financial year	Amount of caution money refunded (INR)	No. of students to whom caution is refunded
2017-2018	32,500	65
2018-2019	1,06,500	213

As per the information submitted by the school, the total number of fee paying students in FY 2018-2019 is 1,572. However, the total caution money balance as on 31 March 2019 is INR 10,20,500 which means that the school has caution money of 2,041 students (INR 10,20,500/ 500).

Further, the school does not credit interest on caution money balance in caution money fund.

The school is hereby directed to refund the caution money to the students at the time of leaving the school along with interest thereon. Further, the school is instructed to add interest earned on the caution money balance in the caution money fund. The school is further directed to recognise the balance un-refunded caution money, if any as income after 30 days of sending letters to the last known addresses of the students to collect their caution money.

5. Review of the proposal for enhancement of fee for FY 2019-2020 submitted by the school indicated that the school did not include/disclose transport fee collected by it from students in its proposal for fee hike submitted for FY 2019-2020.

The school is directed to report all fees collected from students including earmarked levies in its fee increase proposal. Also, the school should be cautious while submitting details to the Directorate and ensure that such omissions are not repeated.

And whereas, after going through the representations made by the school during hearing held on 19 Nov 2019 at 10:45 a.m. as well as financial statements/budget and other information of the school (other than that of the feeder school) available with the Directorate, it emerges that:

- I. The school has failed to submit financial statements and other financial information and data in respect of the feeder school for any of the required financial years (FY 2016-2017, FY 2017-2018 and FY 2018-2019). Accordingly, on account of incomplete financial information available with the Directorate, correct fund position of the school for FY 2018-2019 could not be determined.
- II. The school submitted incomplete financial statements, as the same did not include Auditor's Reports and Notes to Accounts.
- III. Income reported in the financial statements could not be relied upon entirely because of substantial differences noted during re-computation of income and probable use of cash basis of accounting followed by the school in respect of fees/income.

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, though certain financial irregularities exist (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings noted (appropriate instructions against which have been given in this order), the incomplete financial statements of the school cannot be relied upon and the correct fund position of the school for FY 2019-2020 cannot be determined accurately. Accordingly, the fee increase proposal of the school may be rejected.

AND WHEREAS, the relevant materials were put before Director of Education for consideration and who after considering all material on record has found that the financial statements of the school are not reliable and it is therefore not possible to determine the correct fund position of the school for the



financial year 2019-2020. Therefore, Director (Education) rejects the proposal submitted by the school for enhancement of fee for the academic session 2019-2020.

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 2019-2020 of **Tagore Sr. Sec. School (School ID-1514085), 18, Mayapuri Marg, Mayapuri, New Delhi-110064** has been rejected by the Director of Education.

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

1. Not to increase any fee/charges during FY 2019-20. In case, the School has already charged increased fee during FY 2019-20, the School should make necessary adjustments from future fee/refund the amount of excess fee collected, if any, as per the convenience of the parents.
2. To ensure payment of salary is made in accordance with the provision of section 10(1) of the DSEA, 1973. Further, the scarcity of funds cannot be the reason for non-payment of salary and other benefits admissible to the teachers/ staffs in accordance with section 10(1) of the DSEA, 1973. Therefore, the Society running the School must ensure payment to teachers/ staffs accordingly.
3. To utilize the fee collected from students in accordance with the provisions of Rule 177 of the DSER, 1973 and orders and directions issued by this Directorate from time to time..

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

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

(Yogesh Pal Singh)

Deputy Director of Education

(Private School Branch)

Directorate of Education, GNCT of Delhi

**To:**

The Manager/ HoS  
Tagore Sr. Sec. School  
School ID-1514085  
18, Mayapuri Marg, Mayapuri  
New Delhi- 110064



No. F.DE.15( 771 )/PSB/2022/ 4896-4900

Dated: 22/06/22

**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-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**