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

No. F.DE.15 (1560)/PSB/2023/ 8203 – 8207 **Dated:** 25/09/23

Order

WHEREAS **Vidya Jain Public School (School ID-1413224), Sector-6, Rohini, Delhi** (hereinafter referred to as **"the School"**),run by the **Vardhman Mahavira Education Society**(hereinafter referred to as the "**Society**"),is a private unaided school recognized by the Directorate of Education, Govt. of NCT of Delhi **(hereinafter referred to as "DoE"),** under the provisions of Delhi School Education Act & Rules, 1973 **(hereinafter referred to as "DSEAR, 1973")**.The school is statutorily bound to comply with the provisions of the DSEAR, 1973 and RTE Act, 2009, as well as the directions/guidelines issued by the DoE from time to time.

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

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

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

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

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

Thus, the Director (Education) has the authority to examine the full statement of fees filled under section 17(3) of the DSEA,1973 and returns and documents submitted under section 18(5) of DSEA,1973 read with rule 180(1) of DSER,1973.

AND WHEREAS, besides the above, the Director(Education) is also required to examine and evaluate the fee increase proposal submitted by the private unaided recognized schools for some of the schools which have been allotted from Director (Education) before any increase in fee.

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

AND WHEREAS, it was also directed by the Hon'ble Supreme Court, that the DoE in the aforesaid matter titled Modern School Vs. Union of India and Others in paras 27 and 28 in case of private unaided schools situated on the land allotted by DDA at concessional rates that:

> *"27....*
> *(c) It shall be the duty of the Director of Education to ascertain whether terms of allotment of land by the Government to the schools have been complied with...*
> *28. We are directing the Director of Education to look into the letters of allotment issued by the Government and ascertain whether they (terms and conditions of land allotment) have been complied with by the schools.......*
> *.....If in a given case, Director finds non-compliance of above terms, the Director shall take appropriate steps in this regard."*

AND WHEREAS, the Hon'ble High Court of Delhi vide its judgement dated 19.01.2016 in writ petition No. 4109/2013 in the matter of Justice for All versus Govt. of NCT of Delhi and Others, has reiterated the aforesaid directions of the Hon'ble Supreme Court and has directed the DoE to ensure compliance of terms, if any, in the letter of allotment regarding the increase of the fee by recognized unaided schools to whom land has been allotted by DDA/ land owning agencies.

AND WHEREAS, accordingly, the DoE vide order No. F.DE.15 (40)/PSB/2019/4440-4412 dated 08.06.2022, 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 academic session 2022-23.

AND WHEREAS, in pursuance to order dated 08.06.2022 of the DOE, the school submitted its proposal for increase of fee for the academic session 2022-23. Accordingly, the order dispenses the proposal for increase of fee submitted by the school for the academic session 2022-23.

AND WHEREAS, in order to examine the proposals submitted by the schools for fee increase for justifiability or not, the DoE 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.

AND WHEREAS, in the process of examination of fee increase proposal filed by the aforesaid School for the academic session 2022-23, necessary records and explanations were also called from the school through email. Further, the school was also provided an opportunity of being heard on 09thMay2023to present its justifications/clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted. In the aforesaid personal hearing, compliance of Order No. F.DE. 15/(784)/PSB/2022/4944-4948 dated 23.06.2022 issued for FY 2018-19 and Order No. F.DE.15/ (783)/PSB/2022/4949-4953 dated 23.06.2022 issued for FY 2019-20 were also discussed with the school and the school's submissions were taken on record.

AND WHEREAS, on receipt of clarification as well as documents uploaded on the web portal for the fee hike post personal hearing, the fee hike proposal was evaluated by DOE and the key suggestions noted for improvement by the school are hereunder:

A. Financial Suggestions for Improvement

1. 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.*"

Further, 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."

The Directorate vide Order No. F.DE.15(277)/PSB/2019/1480-1484 dated 04.04.2019 for session 2017-18, Order No. F.DE. 15/(784)/PSB/2022/4944-4948 dated 23.06.2022 issued for FY 2018-19 and Order No. F.DE.15/ (783)/PSB/2022/4949-4953 dated 23.06.2022 issued for FY 2019-20 noted that the school had made capital expenditure on building amounting to INR 54,59,532 (INR 7,00,878 in FY 2016-2017 towards capital expenditure on building and INR 47,58,654 during FY2014-2015 to 2016-2017 towards repayment of principal & interest thereon towards loan taken for capital expenditure). Thus, the school was instructed in the said order to recover this amount of INR 54,59,532 from the society. It was further noted from the audited financial statements of the school for FY 2017-2018 that the school incurred expenditure during for FY 2017-2018 on additions to building totalling to INR 7,59,441. However, the same was incurred on the building without complying with the requirements prescribed in Rule 177 of DSER, 1973. It is further noted that the school had taken overdraft facility from Nainital Bank on which school paid interest of INR 27,38,729 (INR 9,69,133 during FY 2016-2017 INR 9,39,378 during FY 2017-2018 and INR 8,30,209 during FY 2018-2019). Since the school had incurred capital expenditure on building without ensuring sufficient funds for operations of the school including appropriate salary benefits to staff in terms of section 10 of the DSEA, 1973, the school had to obtain additional funds by taking overdraft facility from bank for running school operations. Thus, this was an additional cost, which emanated from the expenditure incurred by the school on building and thus, is recoverable from the Society.

The school in its compliance report submitted that amount spent by the school on its own development, expansion and for creation of additional space in its existing building as the same was done out of past savings. Further the school also mentioned that capital expenditure on its own development, expansion and construction of building etc. is very well permissible under Rule 177 as also under various judgements of the Hon'ble Supreme Court. The submission of the school is incorrect as it failed to ensure the compliance of the Rule 177 of DSER, 1973. Moreover, school failed to provide any details of savings computed with reference to the provisions of Rule 177 of the DSER, 1973.

Based on the fact that the school did not implement the recommendations of 7th CPC, 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 2 Dec 2019 i.e. the first time actuarial valuation of gratuity was obtained by the school and did not secure the funds against staff gratuity and leave encashment in plan assets, 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 capital expenditure 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 together with interest on overdraft facility, totalling to INR 89,57,702 (INR 54,59,532 plus INR 7,59,441 plus INR 27,38,729) is hereby added in the fund position with the direction to the school to recover the same from the Society within 30 days from the date of the order.

2. 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.*"

   The school was directed in Directorate Order No. F.DE. 15/(784)/PSB/2022/4944-4948 dated 23.06.2022 issued for FY 2018-19 and Order No. F.DE.15/ (783)/PSB/2022/4949-4953 dated 23.06.2022 issued for FY 2019-20 to utilise development fund only towards purchase, upgradation and replacement of furniture, fixtures and equipment and allocate interest earned on development fund bank account/investments to development fund account in accordance with clause 14 of Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009.

   On review of the financial statements for FY 2019-20 to FY 2021-22, it is noted that the school has utilised development fund for purchase of library books from FY 2019-20 and it is further noted that the school transferred unutilised development fund amounting INR 74,72,934 (49,70,452 and 25,02,482) to general fund during FY 2019-20 and FY 2021-22, which is in contravention of above mentioned clause.

Also, the Directorate vide its Order No. F.DE.15(277)/PSB/2019/1480-1484 dated 04.04.2019 for FY 2017-2018 noted that the school utilised development fund for purchase of library books of INR 27,684 and the school transferred unutilised development fund of INR 37,30,678 to general fund for meeting shortfall of salaries.

On review of financial statements for FY 2018-2019, it was further noted that the school purchased library books of INR 10,812 out of development fund and the school transferred unutilised development fund amounting INR 47,46,075 to general fund during FY 2018-2019, which is in contravention of above mentioned clause.

The school was directed in Directorate's Order No. F.DE. 15/(784)/PSB/2022/4944-4948 dated 23.06.2022 issued for FY 2018-19 and Order No. F.DE.15/ (783)/PSB/2022/4949-4953 dated 23.06.2022 issued for FY 2019-20, not to collect development fee in excess of 15% of annual tuition fees. In case, the school has collected excessive development fee from students, the same should be adjusted from future fee/refunded to students immediately and submit evidence of such adjustment/refund to the Directorate within 30 days from the date of the order.

On review of the fee increase proposal and fee structure of FY 2019-20 to FY 2021-22 submitted by the school, it was noted that the school is still charging development fee in excess of 15% of the total annual tuition fee as per details below:

Classes	FY 2019-20	FY 2020-21	FY 2021-22
Nursery	15.94%	15.94%	15.94%
KG	15.94%	15.94%	15.94%
1st to 5th	16.33%	16.33%	16.33%
6th to 8th	16.30%	16.30%	16.30%
9th & 10th	15.34%	15.34%	15.34%
11th & 12th (Sci.)	15.06%	15.06%	15.06%
11th & 12th (Com.)	15.35%	15.35%	15.35%

Collecting excessive development fee (more than 15% of annual tuition fee) indicates that the school is engaging in profiteering and commercialisation of education, since the same is against the above-mentioned clause and directions given by the Hon'ble Supreme Court in the matter of Modern School Vs Union of India and Others.

The school did not provide the exact amount of excessive development fee collected by the school on account of which the amount to be adjusted/ refunded against excessive development fee could not be included in the fund position of the school.

Thus, the school is again directed not to collect development fee in excess of 15% of annual tuition fees. In case, the school has collected excessive development fee from students, the same should be adjusted from future fee/refunded to students immediately and submit evidence of such adjustment/refund to the Directorate within 30 days from the date of the order.

Based on the information included in the audited financial statements, it was also noted that the school did not record interest on bank account and investments made from development fund to the development fund and recorded the interest earned as revenue receipt, which is not in accordance with the requirement of clause 14 cited above. Therefore, school is directed to ensure that the interest on development fund's bank account and FDRs need to be credited into the development fund account only and the compliance should be made in the financial statements of the school within 30 days from the date of issue of the order.

3. The Directorate of Education, in its Order No. DE.15/Act/Duggal.Com/ 203/99/23033-23980 dated 15 Dec 1999, indicated the heads of fee/ fund that recognised private unaided school can collect from the students/ parents, which include:
   - Registration Fee
   - Admission Fee
   - Caution Money
   - Tuition Fee
   - Annual Charges
   - Earmarked Levies
   - Development Fee

   Further, clause no. 9 of the aforementioned order states "*No fee, fund or any other charge by whatever name called, shall be levied or realised unless it is determined by the Managing Committee in accordance with the directions contained in the order ……*"

   The aforementioned order was also upheld by the Hon'ble Supreme Court in the case of Modern School vs Union of India & Others.

   Clause 17 of Order No. F.DE/15(56)/Act/2009/778 dated 11 Feb 2009 issued by this Directorate states "*No admission Fee of more than two hundred rupees per student, at the time of admission shall be charged. Admission Fee shall not be charged again from any student who is once given admission as long as he remains on the rolls of the school.*"

   In Directorate's Order No. F.DE. 15/(784)/PSB/2022/4944-4948 dated 23.06.2022 issued for FY 2018-19 and Order No. F.DE.15/ (783)/PSB/2022/4949-4953 dated 23.06.2022 issued for FY 2019-20, it was noted the school is collecting one-time Institutional charges of INR 14,800 from students at the time of admission. No private recognised school can collect fee other than those prescribed in aforementioned order dated 15.12.1999. Further, collecting one-time charge from students at the time of admission of students takes the form of admission fee, which can be collected only upto an amount of INR 200. Thus, collection of one-time fees from students at the time of admission indicates that the school is engaging in profiteering and commercialisation of education in contravention of the aforementioned clause. On review of the fee proposal of the school for session 2022-23 it is noted that the school has not stated the amount of one-time fee of INR 14800. However, review of financial statements for FY 2021-22 it is noted that the school has clubbed this income under the admission fee and collected INR 500,800 as admission which is unlikely as the permissible limit of admission fee is INR 200 per student only.

Thus, the school is directed not to collect one-time institutional charge from students at the time of admission or otherwise with immediate effect. Also, school is directed to refund or adjust the amount collected as Institutional charges within 30 days from the date of issue of the order.

4. 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.*"

However, Directorate Order No. F.DE. 15/(784)/PSB/2022/4944-4948 dated 23.06.2022 issued for FY 2018-19 and Order No. F.DE.15/ (783)/PSB/2022/4949-4953 dated 23.06.2022 issued for FY 2019-20 the school was directed to obtain actuarial valuation for its liability towards leave encashment, record equivalent amount as provision for leave encashment and accurately record and disclose the provision of gratuity corresponding to the liability determined by the actuary along with the value of corresponding investments in plan-assets in its financial statements.

On review of financial statements and actuarial valuation report for the FY 2021-22, it is noted that the provision for gratuity recorded in the books of account of the school is now in accordance with the actuarial valuation report submitted by the school.

Particulars	**Gratuity (In INR)**
Liability as per actuarial valuation as on 31 Mar 2022 (A)	1,06,41,032
Provision as on 31 March 2022 (as per audited financial statements for FY 2021-22) (B)	1,06,41,032
Under Provisioning of liability as on 31 March 2022 (A-B)	-
Fund Value of Investment in Plan Asset as on 31 Mar 2022	-

And, it is noted that the school has not made provision for leave encashment and has not obtained actuarial valuation for its liability towards leave encashment. Further, the school has obtained actuarial valuation towards gratuity but has not deposited any amount in investments that qualify as plan assets (i.e., group gratuity and leave encashment policies of LIC or other insurer) to earmark funds towards statutory liabilities of gratuity.

The school has taken the actuarial valuation for FY 2021-22 but has not created any fund/investments, that qualify as 'plan-assets' (such as group gratuity and group leave encashment schemes of LIC or other insurer) in accordance with Accounting Standard 15 in order to securing funds towards staff gratuity and thus, no amount is considered while deriving fund position of the school. Further, the school is again directed to obtain actuarial valuation for its liability towards leave encashment, record equivalent amount as provision for leave encashment and accurately record and disclose the provision of gratuity corresponding to the liability determined by the actuary along with the value of corresponding investments in plan-assets in its financial statements. The directions are to be complied within 30 days from the date of issue of the order.

5. In Directorate's Order No. F.DE. 15/(784)/PSB/2022/4944-4948 dated 23.06.2022 issued for FY 2018-19 and Order No. F.DE.15/ (783)/PSB/2022/4949-4953 dated 23.06.2022 issued for FY 2019-20 it was noted that in order to evaluate the accuracy of incomes (fee collected from students) reported in the Income and Expenditure Account/ Receipt and Payment Account for FY 2018-2019, the school was asked to prepare a computation of income based on the approved fee structure of the school and details of number of students enrolled (non-EWS). However, the school failed to submit the required reconciliation of income reported in the Income and Expenditure Account/ Receipt and Payment Account.

   The school is directed 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 for FY 2018-19, 2019-20, 2020-21 and 2021-22 and submit the same along with its compliance report, which will be examined at the time of evaluation of subsequent fee increase proposal.

B. Other Suggestions for Improvement

1. 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 incurrence of expenditure, the same is charged to the Income and Expenditure Account ('Restricted Funds' column) and a corresponding amount is transferred from the concerned restricted fund account to the credit of the Income and Expenditure Account ('Restricted Funds' column).

The Directorate vide order No. F.DE.15(277)/PSB/2019/1480-1484 dated 04 Apr 2019 for session 2017-18, order No. F.DE. 15/(784)/PSB/2022/4944-4948 dated 23.06.2022 issued for FY 2018-19 and order No. F.DE.15/ (783)/PSB/2022/4949-4953 dated 23.06.2022 issued for FY 2019-20 directed the school to follow fund based accounting in respect of earmarked levies and not to charge smart class fee and security/ERP/abacus fee as earmarked levy.

From the information provided by the school and taken on record, it was noted that the school charges earmarked levies in the form of smart class fees, security/ERP/abacus fee, recreational fee and transportation charges from students. However, the school is yet to maintain separate fund accounts for these earmarked levies and the school has generated surplus that has been used for meeting other expenses or has incurred losses (deficit), which has been met from other fees/income. The details are as follows:

Particulars	**Transport Fees**	**Computer & Smart class Fees**	**Security Fees**
For the year 2019-20			
Fee Collected during the year (A)	2,23,620.00	10,56,620.00	78,12,450.00
Expenses during the year (B)	-	3,69,920.00	-
Difference for the year (A-B)	**2,23,620.00**	**6,86,700.00**	**78,12,450.00**
For the year 2020-21			
Fee Collected during the year (A)	-	-	-
Expenses during the year (B)	4,29,692.00	6,22,736.00	-
Difference for the year (A-B)	**-4,29,692.00**	**-6,22,736.00**	-
For the year 2021-22			
Fee Collected during the year (A)	-	-	-
Expenses during the year (B)	6,59,816.00	60,270.00	4,37,769.00
Difference for the year (A-B)	**-6,59,816.00**	**-60,270.00**	**-4,37,769.00**

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). The fee charged from all students loses its character of earmarked levy, being a non-user-based fees.

The school is again 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.

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.*"

   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.*"

   On review of the audited financial statements for FY 2021-22, it is noted that the school has not complied with the para 99 of the guidance note and has not transferred any amount from the asset utilisation account to the income and expenditure account equivalent to the amount charged as depreciation on fixed assets purchased out of development fund.

   Similar observation was also noted in the Directorate's order No. F.DE.15(277)/PSB/2019/1480-1484 dated 04 Apr 2019 for session 2017-18, order No. F.DE. 15/(784)/PSB/2022/4944-4948 dated 23.06.2022 issued for FY 2018-19 and order No. F.DE.15/ (783)/PSB/2022/4949-4953 dated 23.06.2022 issued for FY 2019-20.

   Thus, the school is instructed to make necessary rectification entries relating to development fund utilised and to comply with the accounting treatment indicated in the Guidance Note.

3. 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.*"

The Directorate's order No. F.DE.15(277)/PSB/2019/1480-1484 dated 04.04.2019 for FY 2017-18, order No. F.DE. 15/(784)/PSB/2022/4944-4948 dated 23.06.2022 issued for FY 2018-19 and order No. F.DE.15/ (783)/PSB/2022/4949-4953 dated 23.06.2022 issued for FY 2019-20 the school was directed to seek explanation from its CA for non-adherence to the requirement of mandatory Standard on Auditing and for not submitting the audit report in the format prescribed by SA 700. The school was also directed to ensure that audit opinions are issued on its future final accounts by practicing Chartered Accountant in accordance with the requirements enunciated by their regulatory body i.e. The Institute of Chartered Accountants of India. The school is also directed to ensure that complete set of financial statements i.e. Balance Sheet, Income & Expenditure Account, Receipt and Payment Account and Notes to Account are prepared and submitted by the school to the Directorate.

On review of financial statements and given documents, it is noticed that no audit report was issued by the CA on the financial statements of FY 2019-20 to FY 2021-22 of the school as per the requirements of SA 700 instead the CA certified the true and fair view at the end of the Balance Sheet and Income and Expenditure Account. Also, no reference was drawn to the audit report in the Balance Sheet or Income and Expenditure Account indicating that the CA did not issue a formal audit report on the financial statements. Further, Receipt and Payment Account was not enclosed along with the financial statements of FY 2019-20 to FY 2021-22. Also, significant accounting policies and Notes to Accounts were not annexed with any of the financial statements submitted by the school.

Accordingly, the school is again directed to seek explanation from its CA for non-adherence to the requirement of mandatory Standard on Auditing and for not submitting the audit report in the format prescribed by SA 700. The school is further directed to ensure that audit opinions are issued on its future final accounts by practicing Chartered Accountant in accordance with the requirements enunciated by their regulatory body i.e. The Institute of Chartered Accountants of India. The school is also directed to ensure that complete set of financial statements i.e., Balance Sheet, Income & Expenditure Account, Receipt and Payment Account and Notes to Account are prepared and submitted by the school to the Directorate along with fee increase proposal.

4. 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 will have to reserve 20% of the permissible seats for poor meritorious students.

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

Particulars	FY 2019-20	FY 2020-21	FY 2021-22
Total No. of Students	1198	1086	958
No. of EWS Students	250	242	237
% of EWS Students to Total Students	21%	22%	25%

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 2022-23 amounting to INR **5,30,62,209** out of which cash outflow in the year 2022-23 is estimated to be INR **5,52,11,884**. This results in net deficit of INR **21,49,675**. The details are as follows:

Particulars	Amount (in INR)
Cash and Bank balances as on 31.03.22 as per Audited Financial Statements	75,33,427
Investments as on 31.03.22 as per Audited Financial Statements	13,65,317
Liquid Funds as on 31.03.2022	**88,98,744**
Add: Fees for FY 2021-22 as per Audited Financial Statements (Refer Note 2)	3,18,39,254
Add: Other Income for FY 2021-22 as per Audited Financial Statements (Refer Note 2)	82,69,245
Add: Amount recoverable from society (refer financial suggestion for improvement no.1)	89,57,702
Add: Additional Income of Annual Charges and Development Fund (Refer Note 4)	7,04,041
Add: Additional Fees due to increase in fee @15% from 01.07.2022 (Refer Note 5)	35,98,224
Less: Arrears of Annual Charges and Development Charges of FY 2020-21 collected in FY 2021-22 (Refer Note 3)	-
Total Available Funds for FY 2022-23	**6,22,67,209**
Less: Amount of donation from Society (being non-recurring receipts)	80,51,000
Less: FDR held jointly with DDE as per school's submission (Refer Note 1)	11,54,000
Less: Retirement benefit (Refer Financial Suggestion for Improvement no. 4)	-
Net Available Funds for FY 2022-23 (A)	**5,30,62,209**
Less: Budgeted expenses for the session 2022-23 (Refer Note 6)	**4,76,66,799**
Less: 7th CPC impact on salaries (Refer Note 7)	**75,45,085**
Total Estimated Expenditure for FY 2022-23 (B)	**5,52,11,884**
Net Deficit	**21,49,675**

Note 1: The detail of fixed deposit held by the school as per the audited financial statements for the FY 2021-22 is provided below:

Particulars	Amount (in INR)	Remarks
FDR	12,60,317	General FDR
FDR in the joint name of Dy Director of Education and Manager of the School	1,05,000	Deducted while calculating available funds of the school.
Total	**13,65,317**	

Note 2: All the fee and other income as per audited financial statements for the FY 2021-22 has been considered with the assumption that the amount received in FY 2021-22 will at least accrue during FY 2022-23.

Note 3: The Arrears of Annual Charges and Development Charges of FY 2020-21 collected in FY 2021-22 as per the school's submission are as under:

Fee heads	Arrears of FY 2020-21 collected in FY 2021-22
Annual Charges	-
Development Fee	-
Total	-

Note 4: The Department vide its Order No.F.No.PS/DE/2020/55 dated 18.04.2020 and Order No.F.No.PS/DE/2020/3224-3231 dated 28.08.2020 had issued guidelines regarding the chargeability of fees during the pandemic COVID 2019. The department in both the above-mentioned orders directed to the management of all the private schools not to collect any fee except the tuition fee irrespective of the fact whether running on the private land or government land allotted by DDA/other land-owning agencies and not to increase any fee in FY 2020-21 till further direction.

The department in pursuance of the order dated 31.05.2021 in WPC 7526/2020 of Single Bench of the Hon'ble High Court of Delhi and interim order dated 07.06.2021 in LPA 184/2021 of the Division Bench of Hon'ble High Court of Delhi and to prevent the profiteering and commercialization, again directed to the management of all the petitioners private unaided recognized schools through its Order No. F. No. DE.15 (114) /PSB /2021 /2165-2174 dated 01.07.2021:

(i) "to collect annual school fee (only all permitted heads of fees) from their students as fixed under the DSEAR,1973 for the academic year 2020-21, but by providing deduction of 15% on that amount in lieu of **unutilized facilities** by the students during the relevant period of academic year 2020-21". And if the school has collected the fee in excess to the direction issued by the Hon'ble Court, the same shall be refunded to the parents or adjusted in the subsequent month of fee or refund to the parents.

(ii) The amount so payable by the concerned students be paid in six equal monthly instalments w.e.f. 10.06.2021.

From review of the audited financial statements for the FY 2021-22 and based on the further information provided by the school post personal hearing, it has been noted that the school has reported tuition fees at 100%, annual charges and development fees at 85% in its audited financial statements of FY 2021-22. Therefore, the income collected by the school during the FY 2021-22 with respect to tuition fee, annual charges and development fees has been grossed up to make comparative income with the FY 2022-23. The detailed calculation has been provided below:

Particulars	Income as per Audited Income & Expenditure Account for the FY 2021-22	Income Considered while deriving the fund position for the FY 2022-23	Remarks
Tuition fee	2,72,90,605	2,72,90,605	As per details provided by the school, Annual Charges and Development Charges collected in FY 2021-22 at the rate of 85% and thus, difference
Annual Charges	32,12,200	37,79,059	
Development Charges	7,77,365	9,14,547	

Particulars	Income as per Audited Income & Expenditure Account for the FY 2021-22	Income Considered while deriving the fund position for the FY 2022-23	Remarks
			amount of INR 7,04,041 has been considered.
Total	**3,12,80,170**	**3,19,84,210**	

Note 5: The school was allowed to increase fee 7% order No. F.DE. 15/(784)/PSB/2022/4944-4948 dated 23.06.2022 issued for FY 2018-19 from 1st July, 2022 and by 8% vide order No. F.DE.15/ (783)/PSB/2022/4949-4953 dated 23.06.2022 issued for FY 2019-20. School has submitted that it has increased the fee @15% from 1st July 2022. Accordingly, additional income on account of fee increase will also accrue to the school in FY 2022-23 and thus, following amount has been considered as funds available with the school:

Fee heads	Actual receipt in FY 2021-22	Grossed Up	Total Estimated Fee	Increased fee (with fee increase @15% for 9 months)
Tuition fees	2,72,90,605	-	2,72,90,605	3,03,60,798
Annual Charges	32,12,200	5,66,859	37,79,059	42,04,203
Development Fee	7,77,365	1,37,182	9,14,547	10,17,433
Total	**3,12,80,170**	**7,04,041**	**3,19,84,210**	**3,55,82,434**
Impact of fee increase				**35,98,224**

Note 6: All budgeted expenditure proposed by the school amounting to INR 12,79,05,000 has been considered while deriving the fund position of the school except the following:

Head of Expenditure	2022-23 (in INR)	Amount disallowed (in INR)	Remarks
Salary - Teaching and Non-teaching staff	5,53,30,000	1,85,66,101	Restricted to 130% of expenditure incurred in FY 2021-22.
Salary Arrears	5,00,00,000	5,00,00,000	Refer Note 7
Gratuity	7,40,000	7,40,000	Refer financial suggestion for improvement no. 4
Advertisement expenses	6,20,000	1,71,631	Restricted to 110% of expenditure incurred in FY 2021-22.
Activity & sports Expenses	2,90,000	10,032	
Software Exp.	2,50,000	47,558	
Functions & Festivals exp.	6,90,000	4,45,647	
Picnic	8,40,000	4,65,725	
Power and fuel	3,20,000	3,07,719	
Electricity & Water Expenses	14,10,000	4,49,804	
Examination Exp.	6,80,000	6,63,174	
Furniture Repair & Maintenance	3,30,000	1,38,241	
Abacus	3,00,000	3,00,000	These new heads of expenditure proposed by the school but without any basis/justification
Amount written off	5,00,000	5,00,000	
IT Training Exp.	1,00,000	1,00,000	
Online workshop and training	1,00,000	1,00,000	

Head of Expenditure	2022-23 (in INR)	Amount disallowed (in INR)	Remarks
Skill Development Exp.	1,00,000	1,00,000	
Depreciation	12,50,000	12,50,000	Depreciation being non-cash expenditure, has not been considered in the calculation of funds availability position of the school.
Security Expenses	4,80,000	4,80,000	Neither Income nor expense has been considered on the assumption that earmarked levies are collected on no profit no loss basis
Computer & Smart class Expenses	2,00,000	2,00,000	
Transport expenses	9,70,000	9,70,000	
Capital Expenditure	52,50,000	42,32,567	Restricted to development fee expected to be received in FY 2022-23
Total	**12,31,70,000**	**8,02,38,201**	

Note 7: In accordance with Section 10(1) of Delhi School Education Act 1973, scales of pay and allowance, medical facilities, pension gratuity, provident fund, and other prescribed benefits of the employees of a recognized private school shall not be less than those of the employees of the corresponding status in schools run by the appropriate authority.

Further, Directorate of Education has adopted the Central Civil Serviced (Revised Pay) Rules, 2016 vide Circular No 30-3(17)/(12)/VII pay Comm./2016/11006-11016 dated 19.08.2016 and No. 30-3 (17)/(12)/VII pay Comm./Coord./2016/12659-12689 dated 14.10.2016 for employees of Government Schools.

Further, in exercise of the powers conferred under clause (xviii) of Rule 50 of the Delhi School Education Rules, 1973, vide Competent Authority order No DE.15 (318)/PDB/2016/18117, dated 25.08.2017, the managing committees of all Private unaided Recognized Schools have already been directed to implement central Civil Services (Revised Pay) Rule, 2016 in respect of the regular employees of the corresponding status with effect from 01.01.2016 (for the purpose of pay fixation and arrears). Further, guidelines/detailed instructions for implementation of 7th CPC recommendations in Private Un-aided Recognized Schools of Delhi has been issued vide DOE order dated 17.10.2017.

Further in the previous years' order of the Directorate, order No. F.DE. 15/(784)/PSB/2022/4944-4948 dated 23.06.2022 issued for FY 2018-19 and order No. F.DE.15/ (783)/PSB/2022/4949-4953 dated 23.06.2022 issued for FY 2019-20, the school was directed to implement the recommendations of 7th CPC and arrears was allowed to the school at that time. Thus, the impact of 7th CPC on the salaries for session 2022-23 as submitted by the school with its proposal for session 2022-23 amounting INR 75,45,085 have been considered.

ii. In view of the above examination, it is evident that the school does not have adequate funds to carry on its operations for the academic session 2022-23 on the existing fee structure. In this regard, Directorate of Education has already issued directions to the schools vide order dated 16.04.2010 that,

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

AND WHEREAS, in the light of the provisions of DSEA, 1973,DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, the proposal of the school for the session 2022-23 have been evaluated and certain financial suggestions have been identified (appropriate financial impact has been taken on the fund position of the school) and certain procedural suggestions which were also noted (appropriate instruction against which have been given in the order) that the sufficient funds are not available with the school to carry out its operations for the academic session 2022-23.

AND WHEREAS, it is noticed that the school has incurred INR 89,57,702 in contravention of Rule 177 and other provisions of DSEAR, 1973 and other orders issued by the departments from time to time. Therefore, the school is directed to recover the aforesaid amount from society/ management. The receipts along with copy of bank statements showing receipt of the above-mentioned amount should be submitted with DoE, in compliance of the same, within 30 days from the date of issue of the order. Non-compliance with this direction shall be viewed seriously as per the provision of DSEA&R, 1973 without providing any further opportunity of being heard.

AND WHEREAS, it is relevant to mention charging of any arrears on account of fee for several months from the parents is not advisable, not only because of the 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.

AND WHEREAS, the fee proposal of the school 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 sufficient funds are not available with the school for meeting financial implication for the academic session 2022-23. 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 April 2023.

AND WHEREAS, the act of the school of charging unwarranted free or any other amount/fee under head other than the prescribed head of fee and accumulation of surplus fund thereof tantamount to profiteering and commercialization of education as well as charging of capitation fee in other form.

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

Accordingly, it is hereby conveyed that the proposal for fee hike of **Vidya Jain Public School Sector-6, Rohini, Delhi (School ID-1413224)** filed by the school in response to the Order No. F.DE.-15(40)/PSB/2019/4440-4412 dated 08.06.2022 for the academic session 2022-23, is accepted by the Director (Education) with the above conclusion and suggestions and the school is allowed to increase the fee by 6% for session 2022-23 to be effective from 01.04.2023.

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

1. To increase the fee by 6% from the specified date i.e. 01.04.2023.

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 the 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.

(Jai Parkash)
Deputy Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi

To
The Manager/ HoS
Vidya Jain Public School
Sector-6, Rohini,
Delhi (School ID-1413224)

No. F.DE.15 (1560)/PSB/2023 / 8203 - 8207 Dated: 25/09/23

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 II) 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.

(Jai Parkash)
Deputy Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi