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

No. F.DE.15 (1057)/PSB/2022/ 9770-9774 **Dated:** 05/12/22

Order

WHEREAS, **Mount Abu Public School (School ID- 1413239) Sector 5 Rohini, Delhi-110005,** (hereinafter referred to as **"the School"**), run by the **Mount Abu 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, every school is required to file a full statement of fees every year before the ensuing academic session under section 17(3) of the DSEAR, 1973 with the Directorate. Such statement is required to indicate estimated income of the school to be derived from fees, estimated current operational expenses towards salaries and allowances payable to employees etc. in terms of rule 177(1) of the DSEAR, 1973.

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

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

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

Rule 180 (3): *'the account and other records maintained by an unaided private school shall be subject to examination by the auditors and inspecting officers 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 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, this order dispenses the proposal for increase of fee submitted by the school for the academic session **2022-23**.

AND WHEREAS, in order to ensure that the proposals submitted by the schools for fee increase are justified or not, this Directorate has deployed teams of Chartered Accountants at HQ level who has evaluated the fee increase proposals of the school very carefully in accordance with the provisions of the DSEA, 1973, the DSER, 1973 and other orders/ circulars issued from time to time by this Directorate for fee regulation.

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 3rd October 2022 to 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(674)/PSB/2022/4135-4139 dated 03.06.2022 issued for academic session 2019-20 were also discussed with the school and school's submissions were taken on record.

AND WHEREAS, on receipt of clarification as well as documents uploaded on the web portal for fee increase, and subsequent documents submitted by the school as a result of the personal hearing, were evaluated by the team of chartered accountants and key suggestions noted for improvement by the school are hereunder:

A. Financial Suggestions for Improvement

1. Direction no. 2 included in the Public Notice dated 04.05.1997, "*it is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the School becomes the sole property of the society*". Additionally, Hon'ble High Court of Delhi in its judgement dated 30.10.1998 in the case of Delhi Abibhavak Mahasangh concluded that "*The tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society.*" Also, clause (vii) (c) of Order No. F.DE/15/Act/2K/243/ KKK/883-1982 dated 10.02.2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*"

   Moreover, Rule 177 of DSER, 1973 states that "*income derived by an unaided recognised school by way of fees shall be utilised in the first instance, for meeting the pay, allowances and other benefits admissible to the employees of the school. Provided that savings, if any, from the fees collected by such school may be utilised by its management committee for meeting capital or contingent expenditure of the School, or for one or more of the following educational purposes, namely award of scholarships to students, establishment of any other recognised school, or assisting any other school or educational institution, not being a college, under the management of the same society or trust by which the first mentioned school is run. And the aforesaid savings shall be arrived at after providing for the following, namely:*

   a) Pension, gratuity and other specified retirement and other benefits admissible to the employees of the school;
   b) The needed expansion of the school or any expenditure of a developmental nature;
   c) The expansion of the school building or for the expansion or construction of any building or establishment of hostel or expansion of hostel accommodation;
   d) Co-curricular activities of the students;
   e) Reasonable reserve fund, not being less than ten percent, of such savings.

   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 shall not to be utilised for the same.

   Directorate's Order no. F.DE.15(674)/PSB/2022/4135-4139 dated 03.06.2022 issued to the school post evaluation of fee increase proposal for the FY 2019-20, it was noted that the school incurred capital expenditure of INR 39,55,457 and INR 11,91,056 for construction of school and incurred expenditure of INR 19,39,750 basketball court in FY 2018-19. Both the above expenditure was part of school building and was incurred without complying with the requirement of Rule 177 of DSER,1973. Therefore, the school was directed to recover the above expenditure from society which is still pending for recovery.

   The compliance report submitted by the school against order dated 01.10.2022 were taken on record. The school submitted that "*Capital expenditure incurred upon its own development in the form of building in FY 2014-15,2017-18 and 2018-19 is permissible under Rule 177 and provisions of the DSEA & R, 1973 do not prohibit the needed expansion or development or re-construction of building. Further, there is no role of the society to decide the nature, amount and vendors for the expenditure.*"

The above contention of the school cannot be accepted considering the fact that the school has partially implemented the recommendations of 7th CPC. Therefore, the amount utilised by the school towards construction of school building of INR 70,86,263 is hereby considered as funds available with the school while deriving the fund position with the direction to the school to recover the same from the society within 30 days from the date of issue of this order.

Non-compliance with this directive would be taken seriously, and the department would take appropriate action against the school under Section 24(4) of the DSEA, 1973 without giving any further opportunity to the school.

2. Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/883-1982 dated 10.02.2005 issued by this directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*"

   Based on Directorate's Order no. F.DE.15(674)/PSB/2022/4135-4139 dated 03.06.2022 issued to the school post evaluation of proposal for increase of fee for FY 2019-20, it was noted that the school incurred capital expenditure for purchase of buses amounting to INR 80,17,530 during FY 2016-17 to FY 2018-19. The above expenditure was incurred without complying with the requirement of Rule 177 of DSER, 1973. Therefore, the said expenditure incurred by the school on purchase of buses was directed to recover from the society. However, the School has not complied with the above direction and the aforesaid amount is pending for recovery.

   The compliance report submitted by the school against order dated 01.10.2022 were taken on record. The school submitted that "*Capital expenditure incurred on purchase of buses during FY 2016-17 to FY 2018-19 should not be seen as mode of student travelling but also considered as one of the ways of advertising of school. Further, the school purchased buses from funds other than transport fund and no provision in the DSER, 1973 restrict school to purchase bus. Also, there is no role of the society to decide the nature, amount and vendors for the expenditure.*"

   The above contention of the school cannot be accepted considering the fact that the school has partially implemented the recommendations of 7th CPC and has not fully invested in plan assets for payment of gratuity and leave encashment. Therefore, the amount utilised by the school towards purchase of buses of INR 80,17,530 is hereby considered as fund available with the school while deriving the fund position with the direction to the school to recover the same from the society within 30 days from the date of issue of this order. Non-compliance with this directive would be taken seriously, and the department would take appropriate action against the school under Section 24(4) of the DSEA, 1973 without giving any further opportunity to the school.

3. Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/883-1982 dated 10.02.2005 issued by this directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*"

   Directorate's Order no. F.DE.15(674)/PSB/2022/4135-4139 dated 03.06.2022 issued to the school post evaluation of proposal for increase of fee for FY 2019-20, it was noted that the school incurred capital expenditure on purchase of car (Innova) amounting to total INR 21,50,240 during FY 2016-17 to FY 2018-19. The above expenditure was incurred without complying with the requirement of Rule 177 of DSER, 1973. Therefore, the said expenditure incurred by the school on purchase of car (Innova) was directed to recover from the society. However, the School has not complied with the above direction and the aforesaid amount is pending for recovery.

The compliance report submitted by the school against order dated 01.10.2022 were taken on record. The school submitted that "*Capital expenditure incurred on purchase of car during FY 2018-19 for use by the school staff and students only. Further, school explained that society has role in day to day working of the school and should not be made liable for the deeds of the school.*"

The above contention of the school cannot be accepted considering the fact that the school has partially implemented the recommendations of 7th CPC and has not fully invested in plan assets for payment of gratuity and leave encashment. Therefore, the amount utilised by the school towards purchase of car (Innova) of INR 21,50,240 is hereby considered as fund available with the school while deriving the fund position with the direction to the school to recover the same from the society within 30 days from the date of issue of this order. Non-compliance with this directive would be taken seriously, and the department would take appropriate action against the school under Section 24(4) of the DSEA, 1973 without giving any further opportunity to the school.

4. Rule 177 of DSER, 1973 states *that "income derived by an unaided recognised school by way of fees shall be utilised in the first instance, for meeting the pay, allowances and other benefits admissible to the employees of the school. Provided that savings, if any, from the fees collected by such school may be utilised by its management committee for meeting capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely*
   a. *award of scholarships to students,*
   b. *establishment of any other recognised school, or*
   c. *assisting any other school or educational institution, not being a college, under the management of the same society or trust by which the first mentioned school is run.*

   And the aforesaid savings shall be arrived at after providing for the following, namely:
   a. *Pension, gratuity and other specified retirement and other benefits admissible to the employees of the school;*
   b. *The needed expansion of the school or any expenditure of a developmental nature;*
   c. *The expansion of the school building or for the expansion or construction of any building or establishment of hostel or expansion of hostel accommodation;*
   d. *Co-curricular activities of the students;*
   e. *Reasonable reserve fund, not being less than ten percent, of such savings."*

   On review of the audited financial statements, it has been noted that the school has incurred expenditure towards donation and charity during FY 2019-20 to FY 2021-22, amounting to INR 2,68,235 (FY 2019-20 – INR 2,32,235, FY 2020-21 – INR 15,000 and FY 2021-22 – 21,000) which is not in accordance with the above-mentioned provisions considering that the school has not complied with the requirements of sub rule 2 of Rule 177.

   Therefore, the expenditure of INR 2,68,235 incurred is recoverable from the school management/society. Accordingly, this has been included while calculating the fund position of the school with the direction to the school to recover this amount within 30 days from the date of issue of this order.

5. Clause 14 of DoE's Order No. F.DE./15 (56) /Act /2009 / 778 dated 11.02.2009 states "*Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up gradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue*

accounts and the collection under this head along with and income generated from the investment made out of this fund, will be kept in a separately maintained Development Fund Account."

Further, para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India specify the accounting treatment for specific funds. The GN-21 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.*"

On review of the audited financial statements for FY 2020-21, It has been noted that the school has incurred expenditure on installation of solar plant of INR 80,00,000 out of the development fund which is not in accordance with clause 14 of the order dated 11.02.2009. As per clause 14 of the order dated 11.02.2009 the development fund / fee can only be utilised for purchase upgrade and replacement of furniture fixtures and equipment and not for installation of solar plant.

Further, the school has been maintaining a separate bank account for collection and utilization of development funds/fees. However, the closing balance of development fund balance as on 31.03.2022 is not matching with the amount held by the school in the form of FDR and Bank A/c.

Therefore, the school is hereby directed to ensure that the development fund balance should be shown correctly in the audited financial statements and is to be utilized only towards purchase, upgradation and replacement of furniture, fixture and equipment and maintain equivalent liquid fund. Hence, while calculating the fund position of the school, development fund balance has been restricted to the extent of liquid funds available with the school as on 31.03.2022 i.e INR 3,44,51,716.

B. **Other Suggestions for Improvement**

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

   Clause 21 of Order No. F.DE. /15(56)/Act/2009/778 dated 11.02.2009 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."*

   Clause 22 of Order No. F.DE /15(56)/ Act/2009/778 dated 1.02.2009 states *"Earmarked levies will be calculated and collected on 'no-profit no loss' basis and spent only for the purpose for which they are being charged."*

   Clause 6 of Order No. DE 15/ Act/ Duggal.Com /203 /99 /23033-23980 dated 15.12.1999 states *"Earmarked levies shall be charged from the user student only."*

Rule 176 states *"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."*

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 at the concerned school and shall not be included in the savings referred to in sub-rule (2)." Further, Sub-rule 4 of the said rule states "The collections referred to in sub-rule (3) shall be administered in the same manner as the monies standing to the credit of the Pupils Fund as administered."*

Also, earmarked levies collected from students are form of restricted funds, which, according to Guidance Note-21 'Accounting by Schools' issued by the Institute of Chartered Accountants of India, are required to be credited to a separate fund account when the amount is received and reflected separately in the Balance Sheet.

Further, the Guidance Note-21 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 and a corresponding amount is transferred from the concerned restricted fund account to the credit of the Income and Expenditure Account.

From the information provided by the school post personal hearing, it has been noted that school charges earmarked levies in the form of transport fees, smart class fees, science fees, computer fees and career counselling fees from the students. However, the school has not maintained separate fund accounts for these earmarked levies except for the transport fund. The school has been generating surplus from computer fees that has been utilised for meeting other expenses of the school and has been incurring losses (deficit) from smart class fees, science fees and career counselling fees which has been met from other fees/income. The surplus/deficit generated by the school from these earmarked levies in last three financial years are as under:

Particulars	Smart Class Fees	Computer Fees	Science Fees	Career Counselling Fees
For the year 2019-20				
Fee Collected during the year (A)	44,61,600	44,61,600	21,30,600	11,90,400
Expenses during the year (B)*	69,50,933	6,27,484	27,88,054	13,39,150
Difference for the year (A-B)	**(24,89,333)**	**38,34,116**	**(6,57,454)**	**(1,48,750)**
For the year 2020-21				
Fee Collected during the year (A)	-	-	-	-
Expenses during the year (B)	30,67,431	10,47,444	5,44,610	-
Difference for the year (A-B)	**(30,67,431)**	**(10,47,444)**	**(5,44,610)**	**-**

For the year 2021-22				
Fee Collected during the year (A)	-	11,06,000	12,38,650	6,68,500
Expenses during the year (B)	52,86,148	11,91,179	12,89,432	13,99,760
Difference for the year (A-B)	**(52,86,148)**	**(85,179)**	**(50,782)**	**(7,31,260)**
Total (Surplus)	**(1,08,42,912)**	**27,01,493**	**(12,52,846)**	**(8,80,010)**

* Smart class fees (collected from all students), Science fee (collected from XI and XII), Counselling fees (collected from 9th class onwards) and Computer fees (Collected from all students)

In view of the above the earmarked levies are to be collected only from the user students availing the services, and if any service/facility has been extended to all the students at the school, a separate charge cannot be levied towards these services by the school as the same would get covered either from tuition fee (expenses on curricular activities) or annual charges (expenses other than those covered under tuition fee). Accordingly, charging earmarked levies in the name of smart class fees and computer fees from all the students loses its character of earmarked levy. Thus, the school is directed not to charge computer fees and smart class fee as earmarked levy with immediate effect and should incur the expenses relating to these from tuition fee and/or annual charges.

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

2. Para 18 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states that *"schools should follow recognition and measurement principles, within the framework of accrual basis of accounting, for the purpose of preparation of their financial statements."*

   On review of the financial statements of the school for the FY 2019-20 to FY 2021-22, it has been noted the school is following hybrid approach for recording the transactions i.e., some incomes and expenditures are booked on accrual basis and some are booked on cash basis. Thus, the school has not correctly applied recognition and measurement principle mentioned in Guidance note cited above. Therefore, the school is directed to follow accrual basis of accounting and recognize both income and expenses on accrual basis only. Compliance of the above shall be verified at the time of evaluation of proposal for increase of fee for the subsequent year.

3. As per Right to Education act, the pupil teacher ratio for primary classes and upper primary classes should be 30:1 and 35:1 respectively. Also, as per the affiliation bye-laws prescribed by Central Board of Secondary Education (CBSE), the student's teacher ratio should not exceed 30:1 excluding principal, physical education teacher and counsellor to teach various subjects. However, based on

the information submitted by the school relating to total students and number of teachers following ratios have been derived:

Particulars	FY 2019-20	FY 2020-21	FY 2021-22
Total Number of Students (A)	2164	2166	2136
Number of Teachers (B)	98	92	95
Students to teacher ratio(A/B)	22.08	23.54	22.48

In view of the above calculation, it has been observed that there is one teacher on every 23 students which is much higher than the standard prescribed by the CBSE and mentioned in the RTE Act. It seems that there is overstaffing of teaching staff in the school. Therefore, the school management is required to look into this aspect and try to establish an equilibrium, without compromising the standard of education, between the standard prescribed by the CBSE and the existing student teacher ratio.

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

i. The total funds available for the FY 2022-23 amounting to INR **27,22,10,398** out of which cash outflow for the FY 2022-23 is estimated to be INR **28,48,69,022.** This results in deficit of INR **1,26,58,624** for the FY 2022-23 after all payments. The details are as follows:

Particulars	Amount (in INR)
Cash and Bank balances as on 31.03.22 as per Audited Financial Statements	8,24,64,122
Investments as on 31.03.22 as per Audited Financial Statements **(Refer Note 1 Below)**	17,12,47,775
Liquid Funds as on 31.03.2022	**25,37,11,897**
Add: Recovery from society for additions to building **(Refer Financial Suggestion No. 1)**	70,86,263
Add: Recovery from society towards amount spent on purchase of buses **(Refer Financial Suggestion No. 2)**	80,17,530
Add: Recovery from society towards amount spent on purchase of car **(Refer Financial Suggestion No. 3)**	21,50,240
Add: Recovery from society towards amount spent on charity & donation **(Refer Financial Suggestion No. 4)**	2,68,235
Add: Fees for FY 2021-22 as per Audited Financial Statements **(Refer Note 2 Below)**	12,84,33,736
Add: Other income for FY 2021-22 as per Audited Financial Statements **(Refer Note 3 Below)**	11,26,942
Total Available Funds for FY 2022-23	**40,07,94,843**
Less: FDR in the name of DoE & Manager for salary reserve as on 31.03.2022 **(Refer Note 4 Below)**	3,56,91,350
Less: Gratuity and Leave Encashment Fund with LIC **(Refer Note 5 Below)**	3,65,83,083
Less: Development Fund as on 31.03.2022 **(Refer Financial Suggestion No. 5)**	3,44,51,716
Less: Depreciation Reserve Fund as on 31.03.2022 **(Refer Note 6 Below)**	-
Less: Transport Fund as on 31.03.2022 **(Refer Note 7 Below)**	2,18,58,296
Net Available Funds for FY 2022-23 - (A)	**27,22,10,398**
Less: Budgeted expenses for the session 2022-23 **(Refer Note 8 Below)**	22,18,91,304
Less: Salary arrears on account of implementation of 7th CPC INR 10,84,87,944 minus amount of INR 4,55,10,226 already allowed to the school in DoE order no. F.DE.15(674)/PSB/2022/4135-4139 issued for FY 2019-20	6,29,77,718

Particulars	Amount (in INR)
Estimated Budgeted Expenditure for FY 2022-23 - (B)	**28,48,69,022**
Net Deficit - (A-B)	**1,26,58,624**

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

Particulars	Amount (in INR)	Remarks
FDR - Depreciation Reserve Fund	2,43,47,914	**Refer Note 6 Below**
FDR - Development Fund	3,44,51,716	**Refer Financial Suggestion No. 5**
FDR - Salary Reserve Fund	3,56,91,350	**Refer Note 4 Below**
FDR - Transport Fund	2,18,58,296	**Refer Note 7 Below**
FDR - Gratuity Fund	91,81,607	Available with the school for utilization
FDR - Leave Encashment Fund	32,15,740	
Other's FDR	59,18,069	Available with the school for utilization
Gratuity Fund with LIC	2,87,52,274	**Refer Note 5 Below**
Leave Encashment Fund with LIC	78,30,809	
Total	**17,12,47,775**	

Note 2: 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.

(iii) The above arrangement is also applicable for collection of fees for FY 2021-22.

From review of the audited financial statements of FY 2021-22 and based on the further information provided by the school, it has been noted that the school has reported tuition fees, annual charges and development charges at 100% and has also been noted that the school is recording its income on receipts basis. Thus, the school is not maintaining its books and accounts in accordance with GAAP (Generally Accepted Accounting Principles).

The detailed calculation has been provided below:

Particulars	Income as per AFS of FY 2021-22	Income Considered while deriving the fund position for the FY 2022-23	Remarks
Tuition Fee	9,67,89,000	8,79,92,580	As per fee reconciliation of FY 2021-22 provided by the school, INR 9,67,89,000 includes fees received from defaulters of FY 2019-20 & 2020-21 and advance of FY 2022-23
Annual Charges	3,65,41,355	2,48,79,120	As per fee reconciliation of FY 2021-22 provided by the school, INR 3,65,41,355 includes fees received from defaulters of FY 2019-20 & 2020-21.
Development Fees	1,45,18,350	1,31,51,100	As per fee reconciliation of FY 2021-22 provided by the school, INR 1,45,18,350 includes fees received from defaulters of FY 2019-20 & 2020-21.
Total	**14,78,48,705**	**12,60,22,800**	

Note 3: All other income as per audited financial statements of 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 except the following:

Particulars	Amount (in INR)	Remarks
Reversal of provision of gratuity	15,76,662	Non-cash items
Reversal of provision of leave encashment	14,16,939	

Particulars	Amount (in INR)	Remarks
Development Fee Amortized	59,81,479	

Note 4: As per clause 10 of Form-II of Right of Children to Free and Compulsory Education Act 2009, the schools are required to maintain liquidity equivalent to 3 months' salary and this amount should be invested in the joint name of Dy. Director (Education) and manager of the school. Generally, it is done in the form of FDR in any scheduled bank.

The balance of Salary Reserve Fund as on 31.03.2022 is INR 2,90,32,230 as per audited financial statements of the school for FY 2021-22 which the school has INR 3,56,51,350 in the joint name of DDE and Manager of the School. Hence, the amount actually invested by the school has been considered while calculating the fund position of the school.

Note 5: During the review of documents submitted by the school, it has been noted that the school has made provision in audited financial statements as on 31st March,2022 amounting to INR 1,54,74,498 towards gratuity and INR 34,51,013 towards leave encashment in accordance with the actuarial valuation report. Further, the school has invested in plan assets in accordance with AS-15 in the form of LIC amounting to INR 2,87,52,274 towards gratuity and INR 78,30,809 towards leave encashment. Hence, the same has been considered while calculating the fund position of the school for FY 2022-23.

Note 6: As per the Duggal Committee report, there are four categories of fees that can be charged by a private unaided school. The first category of fee comprised of "*Registration fee and all one Time Charges*' levied at the time of admissions such as admission charges and caution money. The second category of fee comprises '*Tuition Fee*' which is to be fixed to cover the standard cost of the establishment and to cover the expenditure of revenue nature for the improvement of curricular facilities like library, laboratories, science, and computer fee up to class X and examination fee. The third category of the fee should consist of '*Annual Charges*' to cover all expenditure not included in the second category and the fourth category consist of all '*Earmarked Levies*' for the services rendered by the school and be recovered only from the 'User' students. These charges are transport fee, swimming pool charges, Horse riding, tennis, midday meals etc. This recommendation has been considered by the Directorate while issuing order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and order No. F.DE. /15(56)/Act/2009/778 dated 11.02.2009.

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

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

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

Accordingly, the depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue account) is mere of an accounting head for the appropriate accounting treatment of depreciation in the books of account of the school in accordance with Guidance Note -21 issued by the Institute of Chartered Accountants of India. Thus, there is no financial impact of depreciation reserve on the fund position of the school. Accordingly, the depreciation reserve fund as reported by the school in its audited financial statements for the FY 2021-22 has not been considered while deriving the fund position of the school.

Note 7: As per the documents submitted by the school for the FY 2021-22, it has been noted that the school has maintained FDR's in the name of transport fund amounting to INR 2,18,58,296. Hence, the same has been considered while calculating the fund position of the school.

Note 8: All budgeted expenditure proposed by the school has been considered while deriving the fund position of the school except following:

Heads	**Budgeted expenditure in FY 2022-23**	**Amount Disallowed**	**Remarks**
Salaries related expenditure	8,34,20,416	4,77,41,785	The school has proposed excessive expenditure under this head, therefore, the excess amount of INR 4,77,41,785 has not been considered.
7th CPC Arrears	10,84,87,944	10,84,87,944	Considered separately in the fund position of the school
Depreciation	2,83,31,842	2,83,31,842	Expense being a non-cash item
Vehicle Running and Maintenance	5,25,728	8,00,000	Neither income nor expenditure has been considered while calculating the fund position of the school for FY 2022-23 on the assumption that earmarked levies are collected on no profit/no loss basis.
New Head Expenses	1,96,00,000	1,96,00,0000	Refer Note 8 Below
Total	**24,03,65,930**	**20,49,61,571**	

Note 9: All amount budgeted by the school has been considered while deriving the fund position of the school for the FY 2022-23 has been considered except the school proposed new head of expenditure for which the school has not offered satisfactory explanation/ Justification. Therefore, the new head of expenditure have not been considered while deriving the fee increase proposal of the school.

Particulars	FY 2021-22	FY 2022-23	Net Increase/ (Decrease)	% Change	Amount disallowed in excess of 10% (in INR)
Bathroom Fittings and Accessories	-	20,00,000	20,00,000	100%	20,00,000
Two Skill Labs	-	50,00,000	50,00,000	100%	50,00,000
Counselling Center	-	22,00,000	22,00,000	100%	22,00,000
Experimental Learning Hub	-	24,00,000	24,00,000	100%	24,00,000
Medical Equipment	-	80,00,000	80,00,000	100%	80,00,000
Total	-	**1,96,00,000**	**1,96,00,000**		**1,96,00,000**

ii. In view of the above examination, it is evident that the school does not have surplus fund to meet its budgeted expenditure for the academic session 2022-23 at the existing fee structure. In this regard, the directions issued by the Directorate of Education vide circular no. 1978 dated 16.04.2010 states:

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

AND WHEREAS, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants along with certain financial and other suggestions that the sufficient funds are not available with the school to carry out its operations for the academic session 2022-23. Accordingly, the fee increase proposal of the school may be accepted.

AND WHEREAS, recommendation of the team of Chartered Accountants along with relevant materials were put before the Director (Education) for consideration and who after considering all the material on the record, and after considering the provisions of section 17 (3), 18(5), 24(1) of the DSEA, 1973 read with Rules 172, 173, 175 and 177 of the DSER, 1973 has found that funds are not available with the school for meeting financial implication for the academic session 2022-23.

AND WHEREAS, it is relevant to mention that Covid-19 pandemic had a widespread impact on the entire society as well as on general economy. Further, charging of any arrears on account of fee for several months from the parents is not advisable not only because of additional sudden burden fall upon the parents/students but also as per the experience, the benefit of such collected arrears is not passed to the teachers and staff in most of the cases as was observed by the Justice Anil Dev Singh Committee (JADSC) during the implementation of the 6th CPC. Keeping this in view, and exercising the powers conferred under Rule 43 of DSER, 1973, the Director (Education) has accepted the proposal submitted by the school and allowed an increase in fee by 10% to be effective from 01 Oct 2022.

AND WHEREAS, the school is directed, henceforth to take necessary corrective steps on the financial and other suggestions 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 fee increase for the academic session 2022-23 of **Mount Abu Public School (School ID- 1413239) Sector 5 Rohini, Delhi-110005** is hereby accepted by the Director (Education) and the school is allowed to increase its fee by 10% to be effective from 01 Oct 2022.

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

1. To increase the fee only by the prescribed percentage from the specified date.
2. To ensure payment of salary is made in accordance with the provision of Section 10(1) of the DSEA, 1973. Further, the scarcity of funds cannot be the reason for non-payment of salary and other benefits admissible to the teachers/ staffs in accordance with section 10 (1) of the DSEA, 1973. Therefore, the Society running the school must ensure payment to teachers/ staffs accordingly.
3. To utilize the fee collected from students in accordance with the provisions of Rule 177 of the DSER, 1973 and orders and directions issued by this Directorate from time to time.

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

This is issued with the prior approval of the Competent Authority

(Yogesh Pal Singh)
Deputy Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi

To:

The Manager/ HoS
Mount Abu Public School
School ID- 1413239
Sector 5 Rohini, Delhi-110005

No. F.DE.15 (1057)/PSB/2022/ 9770-9774 Dated: 05/12/22

Copy to:

1. P.S. to Principal Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. DDE (North West B) 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