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

No. F.DE.15 (123)/PSB/2022/ 509-514 **Dated: 16/01/23**

Order

WHEREAS, **The Sovereign School (School ID - 1413292), Pocket-17, Phase- III, Sector-24, Rohini, Delhi - 110085** (hereinafter referred to as "**the School**"), run by the Rohini Educational Society (hereinafter referred to as "**Society**"), is a private unaided school recognized by the Directorate of Education, Govt. of NCT of Delhi (hereinafter referred to as "**DoE**"), under the provisions of Delhi School Education Act & Rules, 1973 (hereinafter referred to as "**DSEAR, 1973**"). The school is statutorily bound to comply with the provisions of the DSEAR, 1973 and RTE Act, 2009, as well as the directions/guidelines issued by the DoE from time to time.

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 Delhi School Education Act, 1973 (hereinafter read as ***'the Act'***) with the Director. Such statement will indicate estimated income of the school derived from fees, estimated current operational expenses towards salaries and allowances payable to employees etc in terms of Rule 177(1) of the Delhi School Education Rules, 1973 (hereinafter read as ***'the Rules'***).

AND WHEREAS, as per section 18(5) of the Act read with section 17(3), 24 (1) of the Act and Rule 180 (3) of the DSEA & R, 1973, responsibility has been conferred upon the Director (Education) to examine the audited financial, account and other records maintained by the school at least once in each financial year. The Section 18(5) and Section 24(1) of the Act and Rule 180 (3) 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 hike proposal submitted by the private unaided recognized schools which have been allotted land by the DDA/ other land-owning agencies with the condition in their allotment to seek prior approval from Director (Education) before any increase in fee.

AND WHEREAS, besides the above, the Hon'ble Supreme Court in the judgment dated 27.04.2004 passed in Civil Appeal No. 2699 of 2001 titled Modern School Vs. Union of India and others has conclusively decided that under section 17(3), 18(4) read along with rule 172, 173, 175 and 177 of the Rules, Directorate of Education has the authority to regulate the fee and other charges to prevent the profiteering and commercialization of education.

AND WHEREAS, it was also directed by the Hon'ble Supreme Court to the Director of Education in the aforesaid matter titled Modern School Vs. Union of India and others in Para 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 Director of Education to ensure the compliance of term, if any, in the letter of allotment regarding the increase of the fee by all the recognized unaided schools which are allotted land by DDA/ land owing agencies.

AND WHEREAS, accordingly, the DoE vide Order No. F.DE-15(40)/PSB/2019/4440-4412 dated 08.06.2022, directed all the private unaided recognized schools, running on the land allotted by DDA/other land-owning agencies at 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 enhancement of fee for the academic session 2022-23. Accordingly, this Order dispenses the proposal for enhancement of fee submitted by 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 DoE.

AND WHEREAS, in the process of examination of the fee hike proposal filed by the aforesaid school, necessary records and explanations were also called from the school through email dated 18.08.2022. The school was also provided an opportunity to be heard on 16.09.2022 to present its justifications/clarifications on the fee increase proposal. Based on the discussion with the school during a personal hearing, the school was further asked to submit the necessary documents and clarification on various issues noted. In the aforesaid personal hearing, compliance of Order No. 15/ (248)/PSB/2019/1395-1399 dated 29.03.2019 issued for FY 2017-18 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 the team of Chartered Accountants and the key suggestions noted for improvement by the school are hereunder:

A. **Financial Suggestion for Improvements**

1. *Section 18(5) of the DSEA, 1973 states "the managing committee of every recognized private school shall file every year with the Director such duly audited financial and other returns as may be prescribed, and every such returns shall be audited by such authority as may be prescribed".*

   Further, Rule 180 (1) of DSER, 1973 states *"every recognized private school shall submit returns and documents in accordance with Appendix-II".*

   Point No. (2) of the Appendix-II requires final accounts i.e., receipts and payments account, income and expenditure account and balance sheet of the preceding year should be duly audited by the Chartered Accountant.

   Accordingly, DoE specified vide Order No. F.DE-15/ACT-I/WPC-4109/Part/13/7905-7913 dated 16.04.2016, the format of returns and other documents required to be submitted by the private unaided recognized schools. The aforesaid order also specified format for the financial statements to be such as specified by the Institute of Chartered Accountants of India (ICAI), established under Chartered Accountants Act, 1949 (38 of 1949) in Guidance Note-21 'Accounting by Schools (2005)' as amended from time to time.

   Based on the aforesaid provisions, every private unaided recognized school is required to get its accounts audited by a Chartered Accountant before submitting a return under Rule 180(1) of DSER, 1973. The documents submitted by the school for evaluation of the fee hike proposal were taken on record. Review of the audited financial statements including the Independent Auditors Report of FY 2021-22 revealed that:

   a. The Independent Audit Report was not issued in the format prescribed by Standard on Auditing 700 (SA-700), as defined by the Institute of Chartered Accountants of India (ICAI). Because the majority of the content of the Independent Auditors' Report was missing, such as the auditors' and management's responsibilities.

   b. The auditor has mentioned 'Consolidated Balance Sheet, Consolidated Income & Expenditure and Consolidated Receipt & Payment', raising doubt as to whether stand-alone audit of financials has been carried out or not.

   In light of the foregoing, the school is hereby directed to strengthen its process for preparation and presentation of financial statements in accordance with the above-mentioned provisions. However, the audited financial statements submitted by the school have been considered for the evaluation of the fee hike proposal of the school.

2. Clause No. 2 of Public Notice dated 04.05.1997 states "*It is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school becomes the sole property of the society*". Additionally, Hon'ble High Court of Delhi in its judgement dated 30.10.1998 titled Delhi Abibhavak Mahasangh concluded states "T*he 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.*"

Rule 177 of DSER, 1973 states "*Income derived by an unaided recognized 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. Provided that, savings, if any, from the fees collected by such school may be utilized 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 recognized school,*
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.*

Clause 7.24 of Duggal committee report states "school should be prohibited from discharging any of the functions, which rightly fall in the domain of the society out of the **fees and other charges** collected from the students; or where the parents are made to bear, even in part, the financial burden for the creation of facilities including building, *on a land which had been given to the society at concessional rates for carrying out a "philanthropic activity. One only wonders what then is the contribution of the society that professes to run the School".*

From review of ledger accounts and supporting documents submitted by school with respect to Repairs & Maintenance – Building and others, promotional expenses for the FY 2019-20 to 2021-22, noted that the school has incurred INR 3,23,43,043 in last 3 financial years. Out of which, INR 1,45,97,827 appears to be incurred for flooring work, installation of steel columns, replacement of windows and the toughen glasses which primarily appears capital expenditure related to building. However, the school has recoded the same under repair and maintenance account and promotion expenses. Year wise details of the expenses are tabulated below:

Particulars	**FY 2019-20**	**FY 2020-21**	**FY 2021-22**	**Total (Amount in INR)**
Promotion Expenses	25,29,731	15,57,886	33,53,140	74,40,757
Sanitary Repairs	-	-	18,25,819	18,25,819
Building	81,29,567	60,15,452	34,94,999	1,76,40,018
Other	31,94,417	22,42,032	-	54,36,449
Total Revenue Expenditure	1,38,53,715	98,15,370	86,73,958	3,23,43,043
Appears to be capital expenditure based on details provided by the school	74,45,527	26,58,925	44,93,375	1,45,97,827

It is also pertinent to mentioned that the school was allowed to increase the fees for the academic session 2017-18. However, the school instead of making payment to staff as per the recommendation of 7th CPC and investing an amount towards payment of gratuity and leave encashment, has preferred to utilize the school fund on repairs and building which appears to be of capital expenditure. As construction of school building is the liability of society in accordance with the above-mentioned provisions. Therefore, the school is hereby directed to relook the nature of these expenditure and make necessary adjustment in the books of accounts if it was related to the capital expenditure of the school building.

3. Clause No. 2 of Public Notice dated 04.05.1997 states "*It is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school becomes the sole property of the society*". Additionally, Hon'ble High Court of Delhi in its judgement dated 30.10.1998 titled Delhi Abibhavak Mahasangh concluded states "T*he 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.*"

   Rule 177 of DSER, 1973 states "*Income derived by an unaided recognized 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. Provided that, savings, if any, from the fees collected by such school may be utilized 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 recognized school,*
   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.*

   The Directorate's Order No. F.DE-15/ (248)/PSB/2019/1395-1399 dated 29.03.2019 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 noted that during 2014-15 school has obtained the loan from society for construction of building and the school has repaid INR 2,87,77,978 and INR 1,82, 03,762 towards principal and interest payment respectively in the FY 2014-15 to 2016-17. Accordingly, school was directed not to repay the aforesaid unsecured loan and consider the same as capital contribution received from society towards building.

   However, the school in FY 2018-19, transferred the cost of building of INR 10,88,76,208 to the society and adjusted from the unsecured loan. While making the above adjustment INR 1,54,54,630 should have been adjusted against *General Fund.*

   Accordingly, the school is hereby directed to make necessary adjustment in books of accounts for INR 1,54,54,630 and submit the compliance report within 30 days from the date of issue of this order.

4. Clause 14 of this Directorate'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 from this fund, will be kept in a separately maintained Development fund Account."

Para 99 of Guidance Note-21 '*Accounting by school*' issued by the Institute of Chartered Accountants of India (ICAI), relating to restricted fund, *"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*".

Based on the above-mentioned provisions, upon utilization of development funds, the school needs to create the *"Deferred Income notional account*". And this deferred income should be written off in proportion to the depreciation charged to the revenue account. By following the aforesaid accounting treatment specified in para 99 of GN-21, the depreciation reserve fund would be merely an accounting head, and the school need not require creation of equivalent investments against the depreciation reserve.

From review of the presentation of the audited financial statements of FY 2021-22, it has been noted that upon purchase of assets out of development funds, the school transfers an amount equivalent to the cost of the assets to *"Development fund utilized"* and writes off in the proportion of depreciation charged on the assets purchased out of development funds. However, the closing balances of the development fund utilised account and depreciation reserve fund do not correspond to the cost of assets purchased with development funds. Therefore, the school is hereby directed to rectify its books of accounts in accordance with accounting treatment suggested in Para 99 of Guidance Note 21 issued by ICAI.

As per audited financial statements of FY 2021-22, the school has reported a development fund balance of INR 36,11,913 whereas the cash/bank balance against the development fund was nil. This indicates that the school has incurred the already utilized the development fund balance for meeting other expenditure of the school from the development fund without making the appropriate entries in the books of accounts. Therefore, closing balance of development funds has not been considered while deriving the fund position of the school with the direction to the school to rectify its books of accounts and submit the compliance report thereof.

5. Para 7.14 of AS-15 "*Employee Benefit*" issued by the Institute of Chartered Accountants of India (ICAI) states 'Plan Assets as:

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

   Further, the para 57 of the AS-15 states "*an enterprise should determine the present value of defined benefit obligations and the fair value any plan assets with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.*"

From review of the audited financial statements of FY 2021-22 it has been noted that the school has recognized liability for gratuity of INR 41,16,238 in accordance with the actuarial valuation obtained by it from the authorized valuer without invested any amount in plan assets within the meaning of AS-15.

Gratuity is a statutory obligation that employers must pay to eligible employees upon retirement or resignation, as the case may be. However, over the years, the department has noticed that most of the schools have been recording liabilities for retirement benefits in their financial statements without making any investment in Plan Asset, either due to paucity of funds or otherwise. Accordingly, many schools keep the retirement benefit 'unfunded', which is not in the true spirit of the law and also defeats the objectives of maintaining the books of accounts as per Generally Accepted Accounting Principles (GAAP) as directed by the Hon'ble Supreme Court in its landmark judgement titled Modern School vs. Union of India and Ors. Accordingly, in order to protect the interest of the employees working in the school, full amount of liability has not been disallowed. And school is hereby instructed to spread the liability over the period of 14 years on the assumption that normally a student studies 14 years in the school. This will give time to the school for gradually investing in Plan asset and reduce the financial burden of fees on parents and students due to huge liabilities for retirement benefits.

Accordingly, an amount of INR 2,94,017 *(i.e., 1/14 of INR 41,16,238)* has been considered while deriving the fund position of the school, with the direction to the school to invest the aforesaid amount in plan assets in accordance with AS-15 and submit the compliance report within 30 days from the date of issue of this order. In case the school fails to comply with the above directions, it shall not be allowed further installments, and the amount so allowed to the school shall be recovered from the society or school management along with interest while evaluating the fee increase proposal for the subsequent year

B. Other Suggestion for Improvements

1. From a review of documents submitted by the school post personal hearing, the following has been noted with respect to the Fixed Asset Register (FAR) maintained by the school:

   - No tagging of the assets has been done in Fixed Assets Register (FAR) and location is not identified due to which assets could not be physically verified.
   - Depreciation for the individual assets is not recorded in the FAR, only cost of the assets is available in the FAR and WDV of the assets is not available.
   - Invoice number, manufacturer's serial number and location of the asset is not mentioned in the fixed assets register.

   Therefore, the School is hereby directed to prepare a FAR, which should include details such as asset description, purchase date, supplier name, invoice number, manufacturer's serial number, location, purchase cost, other costs incurred, depreciation, asset identification number, etc. to facilitate identification of asset and documenting complete details of assets at one place. The school is further directed to comply with the directions for preparing FAR with relevant details mentioned above according to the process for periodic physical verification of assets and documenting the results of physical verification of assets. The same shall be verified at the time of evaluation of the fee hike proposal for subsequent years. This being a procedural finding, no financial impact is warranted on the fund position of the school.

2. Clause 24 of DoE Order dated 11.02.2009 states "*Every recognized unaided school covered by the Act, shall maintain accounts on the principles applicable to a non-business organization/ not-for-profit organization as per Generally Accepted Accounting Principles (GAAP). Such schools shall prepare their financial statement consisting of a Balance Sheet, Income & Expenditure Account and Receipt & Payment account every year.*"

   Further, Appendix-III (Part-I-General instructions and accounting principles) of Guidance Note-21 states:

   1. *"the financial statement of the schools should be prepared on accrual basis.*
   2. *a statement of all significant accounting policies adopted in the preparation and presentation of the balance sheet and income and expenditure account should be included in the School's Balance sheet……………*
   3. *accounting policies should be applied consistently from one financial year to the next. Any change in the accounting policies which has a material effect in the current period, or which is reasonably expected to have a material effect in later periods should be disclosed…."*

   Review of the audited financial statements of the school revealed that the school has been recording annual charges & development charges income on cash basis while the expenses are recoded on accrual basis. Thus, the school is not following Generally Accepted Accounting Principles (GAAP) in totally. Therefore, the school is hereby directed, to maintain its books of account in accordance with GAAP from subsequent financial years. The compliance with this direction shall be verified while evaluating the fee increase proposal of the subsequent year.

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 amount to **INR 8,26,94,976** out of which cash outflow for the FY 2022-23 is estimated to be **INR 9,21,40,692.** This results in a deficit of **INR 94,45,716** after meeting all expenditures. The details are as follows:

Particulars	**Amount (in INR)**
Cash and Bank balances as on 31.03.2022 as per Audited Financial Statement of FY 2021-22	99,25,151
Investments as on 31.03.2022 as per Audited Financial Statement of FY 2021-22	1,73,787
Liquid fund as on 31.03.2022	**1,00,98,938**
Add: Fees for FY 2021-22 as per Audited Financial Statements **(Refer Note No. 1 Below)**	7,16,67,990
Add: Other income for FY 2021-22 as per audited Financial Statements **(Refer Note No. 1 Below)**	33,95,014
Add: Additional income of annual charges and development fund **(Refer Note No. 1 Below)**	19,79,765
Less: Arrears of fee recorded in FY 2021-22 related to FY 2020-21 **(Refer Note 1 below)**	8,83,176
Less: Non-Cash Income **(Refer Note 2 below)**	32,69,538
Total available funds for FY 2022-23	**8,29,88,993**

Particulars	Amount (in INR)
Less: Development Fund as per Audited Financial Statements of FY 31.03.2022 **(Refer Financial Suggestion No. 3)**	-
Less: Investment made with LIC against provision for retirement benefits **(Refer Financial Suggestion No. 4)**	2,94,017
Less Depreciation reserve fund as on 31.03.2022 **(Refer Note No. 3 Below)**	-
Estimated Available Funds for FY 2022-23	**8,26,94,976**
Less: Budgeted Expenditure for FY 2022-23 **(Refer Note No. 4 and 5 Below)**	**9,21,40,692**
Estimated Deficit	**94,45,716**

Note 1: 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 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 government land owing agencies and not to increase any fee in academic session 2020-21 till further direction.

Further, 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 commercialisation, directed to the management of all the petitioners private unaided recognised 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 will also be applicable with respect to collection of fees for academic session 2021-22.

From review of the audited financial statements for FY 2021-22 and based on the further information provided by the school, it has been noted that the school has reported 85% of the annual charges and development charges its audited financial statements of FY 2021-22. Therefore, the income collected by the school during the FY 2021-22 with respect to annual charges and development fee has been grossed up in order after deducting the income of FY 2020-21 to make comparative income with the FY 2022-23. The detailed calculation has been provided below.

Particulars	Income as per AFS of FY 2021-22	Income Considered in the Above Table	Remarks
Tuition Fee	5,93,98,799	5,93,98,799	
Annual Charges	49,22,214	57,90,840	The school recorded 85% of these income as per DoE order. Therefore, it has been grossed up in order to determine the normal income of the school.
Development fund	62,96,455	74,07,594	

Similarly, annual charges amounting to INR 8,83,176 for FY 2020-21 received in FY 2021-22 has been excluded while calculating fund position.

Note 2: Other income amounting to INR 32,69,538 with respect to "Gratuity provision written back" has not been considered while deriving the fund position of the school.

Note 3: As per the Duggal Committee report, there are four categories of fees that can be charged by a private unaided School. The first category of fee comprised of "*Registration fee and all one Time Charges*' levied at the time of admissions such as admission and caution money. The second category of fee comprises '*Tuition Fee'* which is to be fixed to cover the standard cost of the establishment and to cover the expenditure of revenue nature for the improvement of curricular facilities like library, laboratories, science, and computer fee up to class X and examination fee. The third category of the fee should consist of *'Annual Charges*' to cover all expenditure not included in the second category and the fourth category consist of all *'Earmarked Levies'* for the services rendered by the school and be recovered only from the 'User' students. These charges are transport fee, swimming pool charges, Horse riding, tennis, midday meals etc. This recommendation has been considered by the Directorate while issuing order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and order No. F.DE. /15(56)/Act/2009/778 dated 11.02.2009.

The purpose of each head of the fee has been defined and it is nowhere defined the usage of development fee or any other head of fee for investments against depreciation reserve fund.

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

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

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

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

Note 4: All budgeted expenditure of the school has been considered while deriving the fund position of the school except the following:

Particulars	Expenditure as per AFS for FY 2021-22	Expenditure as per Budgeted of FY 2022-23	Disallowed	Remarks
Transportation Expenses	6,20,504	30,00,000	30,00,000	Neither Income nor expenses related to transport has been considered in the above table.
Salaries	3,10,34,219	4,24,50,000	8,64,147	The school has proposed salary expenditure quite high compared to the expenditure incurred by the school during the previous financial year. Therefore, expenditure of INR 8,64,147 has not been considered while deriving the fund position of the school.
Salary Hike	-	75,00,000	75,00,000	Already included in the overall salary expenditure proposed by school
Salary Arrears	-	85,00,000	85,00,000	The school has already implemented the recommendation of 7th CPC. Therefore, additional amount of INR 85,00,000 proposed by the school has not been considered
Covid-19 Precautions	20,91,000	12,00,000	12,00,000	Duplicate expenses, accordingly the same has not been considered.
Health & Hygiene and Cleaning	36,30,000	40,00,000	20,00,000	

Particulars	Expenditure as per AFS for FY 2021-22	Expenditure as per Budgeted of FY 2022-23	Disallowed	Remarks
Facilities Expenses				
Horticulture, Playground & Beautification Expenses	36,39,840	48,00,000	24,00,000	The proposed expenditure was on higher side based on the information/ documents submitted by the school post personal hearing. Therefore, the excess amount of INR 1,06,25,000 has not been considered.
Promotional expenses	33,53,140	40,00,000	20,00,000	
Repairs – Building	34,94,999	89,40,000	44,70,000	
Repairs - Others	-	35,10,000	17,55,000	
Loss on sale of assets	12,02,711	42,29,000	42,29,000	Not considered being non-cash item
Development fund expenditure	50,02,463	1,31,93,519	34,93,519	The school has proposed expenditure higher than the capital receipts. Therefore, INR 34,93,519 has not been considered.

Note 5: While evaluating the fee hike proposal, department considers that how much liquid funds would require the school for a particular session for smooth operation without compromising with the quality of education. Thus, while deriving the fund position of the school all legitimate expenditures revenue as well as capital in accordance with the provisions DESAR, 1973 and pronouncement of Courts judgment have been considered. Therefore, balance of the other current assets other and current liabilities has not been considered. Because it is clear that the current assets, loans and advances and current liabilities are cyclic in nature and the same have already been considered in the form of budgeted income and expenditure of the school in the earlier years. Thus, current assets, loans and advances and current liabilities will always reflect in the financial statements at the end of the financial year.

ii. In view of the above examination, it is evident that the school does not has adequate funds for meeting all the operational expenditures for the FY 2022-23. In this regard, the directions issued by the Directorate of Education vide circular no. 1978 dated 16.04.2010 states 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 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 suggestions that were identified (appropriate financial impact has been taken on the fund position of the school) and certain procedural suggestions which were also noted (appropriate instructions against which have been given in this order), 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, considering the financial situation and existing deficiencies and keeping in view that salary and other employee's benefits can be paid to the teachers and staff smoothly, the fee hike is allowed to the school with the suggestions for improvement. The school is hereby further directed that the additional income received on account of increase fee should be utilized at first instance only for payment of salary and salary arrears and submit the compliance report within 30 days from the date of issue of this order

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. 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 13% to be effective from 01 October 2022.

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

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 this order to the D.D.E (PSB)

Accordingly, it is hereby conveyed that the proposal for fee hike of **The Sovereign School (School ID - 1413292), Pocket-17, Phase- III, Sector-24, Rohini, Delhi - 110085** filled 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 hereby allowed to increase the fee by 13% to be effective from 1 October, 2022.

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

1. To increase the fee only by the prescribed percentage from the specified date.

2. To ensure payment of salary is made in accordance with the provision of Section 10(1) of the DSEA, 1973. Further, the scarcity of funds cannot be the reason for non-payment of salary and other benefits admissible to the teachers/ staffs in accordance with section 10 (1) of the DSEA, 1973. Therefore, the Society running the school must ensure payment to teachers/ staffs accordingly.

3. To utilize the fee collected from students in accordance with the provisions of Rule 177 of the DSER, 1973 and orders and directions issued by this Directorate from time to time.

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

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

Nandini

(Nandini Maharaj)
Additional Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi

To
The Manager/ HoS
The Sovereign School (School ID - 1413292),
Pocket-17, Phase- III, Sector-24,
Rohini, Delhi - 110085

No. F.DE.15 (1123)/PSB/2022 / 509-514

Dated: 16/01/23

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) ensure the compliance of the above order by the school management.
4. DE's nominee concerned
5. In-charge (I.T Cell) with the request to upload on the website of this Directorate.
6. Guard file.

Nandini

(Nandini Maharaj)
Additional Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi