

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

No. F.DE.15(1146)/PSB/2022/648-652

Dated: 20/01/23

Order

WHEREAS, Columbia Foundation School (School ID- 1618245) D-Block Vikas Puri, New Delhi - 110018, (hereinafter referred to as "the School"), run by the Lala Amr Nath Verma Educational & Human Welfare 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 fee increase for the academic session **2022-23**. Accordingly, this order dispenses the proposal for fee increase 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 expert Chartered Accountants at HQ level who have 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 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 26th September 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. During that hearing, the compliance of order no. F.DE.15(289)/PSB/2021/5202-5207 dated 13.12.2021 issued for the academic session 2019-20 was also discussed and the school submission 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 thoroughly by the team of Chartered Accountants. After evaluation of fee increase proposal of the school and its subsequent clarifications and submissions, following key suggestions for improvement were noted:

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."

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

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."

Based on Directorate Order No. F.DE.15(289)/PSB/2021/5202-5207 dated 13.12.2021 issued post evaluation of fee increase proposal for academic session 2019-20, it was noted that the school has utilized development funds totalling to INR 28,54,001 (INR 15,82,780 during FY 2017-2018 and INR 12,71,221 during FY 2018-2019) towards renovation/development of school building such as providing and fixing of granite, plaster work, wall construction, etc. out of development fund and the same was neither routed through the Income and Expenditure Account nor capitalised as fixed asset. Therefore, the expenditure which was reflected as upgradation of assets out of development fund was in contravention of the aforementioned provisions. The expenditure on renovation/development of school building, being an expense of developmental nature is covered under Rule 177 of DSER, 1973. Further, the school incurred the same without ensuring compliance with the requirements of Rule 177 based on the the fact that the school did not implement the recommendations of 7th CPC till date and did not make any investment in plan-assets for securing staff gratuity and leave encashment till date.

On review of the post hearing documents, it was noted that the school has submitted the reply on the previous order stating that the amount shown as upgradation of assets is afflicted with wrong nomenclature and there has been no addition/increase in the FAR in relation to building. The amount has been spent out of the development fee and the correct nomenclature is fixtures. Further, the school shall make the rectification entries in the financial statements for FY 2021-22. But based on the review



of audited financial statements of FY 2021-22, no adjustment entries are reflected for the same in the fixtures shown in fixed assets schedule annexed to audited financial statements for the FY 2021-22.

Accordingly, the school was directed to recover the amount spent on the building additions of INR 28,54,001 from the society. The school has not complied with the direction issued in the previous year order, therefore the school is again directed to comply with the directions included in orders above and therefore, the amount spent by the school on building of INR 28,54,001 is hereby added to the fund position of the school considering the same as funds available with the school and with the direction to the school to recover this amount from the Society within 30 days from the date of this order.

2. 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..... capital expenditure/investments have to come from savings."

During review of audited financial statements of the school for FY 2021-22, it was noted that the school had purchased a bus from school funds amounting to INR 23,54,000.

While the school is not following fund-based accounting and has not created fund account against transport service provided to students by the school, the income and expense towards transport service from the audited financial statements of the school for FY 2019-20 to FY 2021-22 were evaluated and it was noted that the school was charging transport fee, which was not even adequate to cover revenue (operating) expenses for providing the transport service to students. Calculation of deficit based on documents and information on record, is enclosed below:

Particulars	FY 2019-20	FY 2020-21	FY 2021-22
Income			
Transport fees (A)**	11,81,095	-	-
Expenses*			
Transport Expenses	3,06,763	54,158	1,20,563
Transport Staff Salary	3,00,870	3,05,010	3,12,462
Vehicle Maintenance	1,88,533	71,463.48	38,657
Insurance Charges	1,45,936	1,47,885	94,953
Total Expenses (B)	9,42,102	5,78,516	5,66,635
Surplus/(Deficit) (A-B)	2,38,993	(5,78,516)	(5,66,635)

*The school has not apportioned depreciation on vehicles used for transportation of students in the expenses stated in table above for creating fund for replacement of vehicles, which should have been done to ensure that the cost of vehicles is apportioned to the students using the transport facility during the life of the vehicles.

** School has not collected transport fees during FY 2020-21 and 2021-22.

The school explained that the bus was purchased to meet the transport needs of the students. Thus, it has been observed that the school has purchased bus for provision of transport facility despite there being deficit from operation of transport facility and has submitted proposal for increase of fee from students that translates to constituting capital expenditure as component of the fee structure of school.

Earmarked levies in the form of transport fee are to be charged on no-profit no-loss basis and the school was not able to recover the cost of bus from the transport fee collected from students indicating

that the school has shifted the burden of capital cost of bus to all students at the school, who are not even availing the transport service.

Accordingly, the amount spent by the school on purchase of bus of INR 23,54,000 is hereby added to the fund position of the school considering the same as funds available with the school and with the direction to the school to recover this amount from the Society within 30 days from the date of this order. The school is further directed to ensure that transport vehicles are procured only from the transport fund and not from school funds 'unless savings are derived in accordance with Rule 177.

3. 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 income generated from the investment made from this fund, will be kept in a separately maintained Development Fund Account."

Also, para 67(ii) of the Guidance Note-21 states "*The financial statements should disclose, inter alia, the historical cost of fixed assets.*"

Para 99 of Guidance Note-21 Accounting by Schools issued by the Institute of Chartered Accountants of India states "Where the fund is meant for meeting capital expenditure, upon incurrance of the expenditure, the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year." Further, Para 102 of the Guidance Note-21 also states "In respect of funds, schools should disclose the following in the schedules/notes to accounts:

- i. In respect of each major fund, opening balance, additions during the period, deductions/utilization during the period and balance at the end;
- ii. Assets, such as investments, and liabilities belonging to each fund separately;
- iii. Restrictions, if any, on the utilization of each fund balance;
- iv. Restrictions, if any, on the utilisation of specific assets."
- v. Also, as per para 67(ii) of the Guidance Note-21 "*The financial statements should disclose, inter alia, the historical cost of fixed assets.*"

Taking the cognisance from the above para, the school needs to create the 'Development Fund Utilisation Account' as deferred income to the extent of cost of assets purchased out of development fund and then this deferred income should be amortised in the proportion of the depreciation charged to income and expenditure account. If the school follows the accounting treatment specified by para 99 of the guidance note, the depreciation reserve fund would be mere an accounting head and school is not required to invest equivalent for that. However, review of the audited financial statements of FY 2021-22 revealed that the school is not following para 99 of the GN 21 cited above. As the school has not transferred any amount from deferred income account to the credit of income and expenditure account equivalent to the depreciation charged on those assets.



The review of audited financial statements for FY 2021-22 revealed that the school has maintained separate bank account for development fee collection but the same is not equivalent to the development fund unutilised balance (i.e. balance of development fund was INR 54,58,988 as on 31st March 2022 but the school has only INR 77,224 in the bank against the same) which is a contravention of aforesaid clause 14 of order dated 11.02.2009. During the personal hearing, the school further stated that owing to paucity of funds with the school, the development fund balance has been used for meeting other expenditures without making any adjustment in the development fund account.

Further, as per clause 14 of the order dated 11.02.2009, the development funds can only be utilized for purchase, upgrade and replacement of furniture, fixture, and equipment only. However, school has purchased plant and machinery, vehicle, and library books out of development funds. Therefore, the school is hereby directed to ensure that the development fee should be collected and used in accordance with clause 14 of the order dated 11.02.2009

Moreover, assets purchased out of the general fund are at WDV and assets purchased out of the development fund are shown at the gross value in the financial statements which is in contravention of para 67(ii) of the Guidance Note-21.

Similar points were also noted in Directorate Order No. F.DE.15(289)/PSB/2021/5202-5207 dated 13.12.2021 issued post evaluation of fee increase proposal for academic session 2019-20. As the school has not complied with direction issued in the

previous year order, therefore the school is again directed to comply with the directions included in orders above and make necessary rectification entries.

The school is hereby directed not to collect development fee from students until it complies with the above requirements. Accordingly, the development fund bank balance as on 31st March 2022 amounting to INR 77,224 has been considered while deriving the fund position of the school for FY 2022-23.

4. As per Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "*Accounting for defined benefit plans is complex because actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses.*" Further, the Accounting Standard defines Plan Assets (the form of investments to be made against liability towards retirement benefits) as:

- a. Assets held by a long-term employee benefit fund; and
- b. Qualifying insurance policies

Para 57 of Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India, "*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.*"

And Para 60 of Guidance Note-21 'Accounting by Schools' (2005) issued by the Institute of Chartered Accountants of India states "*A defined benefit scheme is a scheme under which amounts to be paid as retirement benefits are determined usually by reference to employee's earnings and/or years of service*".



An appropriate charge to the income and expenditure account for a year should be made through a provision for accruing liability. The accruing liability should be calculated according to actuarial valuation. However, if the school employs only a few persons say less than 50, it may calculate the accrued liability by reference to any other rational method. The ensuing amount of provision for liability should then be invested in "Plan Assets" as per AS-15 issued by ICAI.

On review of the documents submitted by the school post personal hearing, it has been noted that the requirement of AS-15 is applicable to the school as it has employed more than 50 staff in a year. Further, it was also noted that provision towards gratuity amounting to INR 2,40,76,367 and leave encashment amounting to INR 60,60,536 was created as on 31st March, 2022 in accordance with the actuarial valuation report without making any investment in plan assets. The school claimed that it has investment in the form of fixed deposits against gratuity and leave encashment amounting to INR 2,77,52,924 which can be utilised for payment of these liability. But the investment made by the school in the form of fixed assets are not in accordance with AS-15. The contention of the school is not tenable as investment held by the school in the form of FDR does not qualify as Plan Asset.

Gratuity is the statutory liability which the school is required to pay to their eligible employees on their retirement/resignation, as the case may be. However, over the number of years, the department has noticed that most of the schools have been recording liability for retirement benefits in their financial statements without making any investment in Plan Asset due to paucity of funds or otherwise. Accordingly, many schools keep the retirement benefit 'unfunded', which is not the true spirit of law, and it also defeats the objectives of maintaining of books of accounts as per Generally Accepted Accounting Principles (GAAP) as directed by the Hon'ble Supreme Court in its landmark judgment titled Modern School Vs. Union of India and Ors. Therefore, it has been felt that in order to protect statutory dues of the employees, instead of disallowing the full liability on account of non-investment in Plan Asset, it would be rational to spread this liability over the period of 12 years on the assumption that normally a student studies 14 years in the school. This will not only allow the schools a breather to make an investment in Plan Asset gradually but also lower down the sudden financial burden of fee on the parents/students on account of huge liability for retirement benefits.

Accordingly, an amount of INR 21,52,636 {i.e., 1/14 of INR 3,01,36,903 (INR 2,40,76,367 + INR 60,60,536)} has been considered while deriving the fund position of the school. Similar suggestion was also noted by the DoE in its order No. F.DE.15(289)/PSB/2021/5202-5207 dated 13.12.2021 issued post evaluation of fee increase proposal for academic session 2019-20 however, the school has not complied with direction issued in the previous year order, therefore the school is again directed to comply with the direction to the school to invest the aforesaid amount in plan asset 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, the school shall not be allowed further instalments and the amount so allowed to the school shall be recovered from the society/ school management along with interest while evaluating the fee increase proposal for the subsequent year.

In view of the above, provision amounting to INR 5,00,000 towards gratuity budgeted by the school in its proposal has also been considered while deriving the fund position of the school for FY 2022-23.



5. Clause 3 of the public notice dated 04.05.1997 published in the Times of India states “No security/ deposit/ caution money be taken from the students at the time of admission and if at all it is considered necessary it should be taken once and at the nominal rate of INR 500 per student in any case and it should be returned to the students at the time of leaving the school along with the interest at the bank rate.”

Further Clause 18 of Order no F.DE/15(56)/Act/2009/778 dated 11.02.2009 states “No caution money/security deposit of more than five hundred rupees per student shall be charged. The caution money thus collected shall be kept deposited in a scheduled bank in the name of the concerned school and shall be returned to the student at the time of his/her leaving the school along with the bank interest thereon irrespective of whether or not he/she requests for refund.”

On review of the audited financial statements for the FY 2021-22, it has been noted that the school has stopped collecting caution money from the students since FY 2021-22. Further, only principal amount is being refunded to the students at the time of his or her leaving from the school which is not in accordance with the clause 18 of the order dated 11.2.2009 and clause 3 of the Public Notice dated 04.05.1997. The school is hereby directed to comply with the above-mentioned provisions with respect to caution money collected from the student. Further, the amount refundable of INR 5,06,500 as on 31.03.2022 as reported in the audited Financial Statements has been considered while deriving the fund position of the school.

B. Other Suggestions for Improvement

1. As per clause 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.”

Also, 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 award of scholarships to students, establishment of any other recognized 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. 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 above-mentioned public notice and judgement of the Courts, the cost relating to land and construction of the school building must be met by the society, being the property

of the society and the school funds i.e., fee collected from students should not be utilized for the same.

From review of the audited financial statements of FY 2021-22, it has been noted that the school has reported land of INR 39,33,185 however, corresponding capital receipts/ corpus fund is not reflecting in the audited financial statements. In the absence of details information about the source of funds, it cannot be determined that how much money school received from the society to meet the cost of land.

Additionally, the cost relating to the school land should be met by the society and school funds should not be used for that, this has also been upheld by the Hon'ble Supreme Court in the matter of Modern School vs. Union of India & Ors.

In view of the above, the school is required to provide the information about the sources of funds which were used for the acquisition of land. Information related to this shall be verified while evaluating the fee increase proposal of the subsequent year.

2. 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 Fee, Laboratory fee and Smart Class fee from the students but has not maintained fund-based accounting. The surplus/deficit generated by the school from these earmarked levies in last three financial years are as under

Particulars	Transport fees	Laboratory fees	Smart Class fees
For the year 2019-20			
Fee Collected during the year (A)	11,81,095	17,41,950	12,87,340
Expenses during the year (B)	9,42,102	1,41,628	6,59,319
Difference for the year (A-B)	2,38,993	16,00,322	6,28,021
For the year 2020-21*			
Fee Collected during the year (A)	-	-	-
Expenses during the year (B)	5,78,516	45,520	6,37,122
Difference for the year (A-B)	-5,78,516	-45,520	-6,37,122
For the year 2021-22*			
Fee Collected during the year (A)	-	-	-
Expenses during the year (B)	5,66,634	5,168	-
Difference for the year (A-B)	-5,66,634	-5168	-
Total (Surplus)	-9,06,158	15,49,634	-9,101

*School has not collected transport, laboratory and smart class fees during FY 2020-21 and 2021-22.

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 fee from all the students loses its character of earmarked levy. Thus, the school is directed not to charge such fee as earmarked fee 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.

3. According to the Directorate of Education Order No F. DE.-15/Act-I/WPC-4109/Part/13/7905-7913 dated 16.04.2016, In exercise of the powers confirmed by Clause (xviii) of Rule 50 and Rule 180 of the Delhi School Education Rules, 1973, the Director specified 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 Accountant of India, established under Chartered Accountant Act 1949 (38 of 1949) in Guidance Note on Accounting by the Schools (2005).

Further, Para 58(i) of the abovementioned Guidance Note states that "A school should charge depreciation according to the written down value method at the rates recommended in Appendix I to the Guidance Note- 21."

On review of audited financial statements for the FY 2021-22, it has been noted that the depreciation on fixed assets have been provided on written down value method at the rates prescribed in the Income Tax Rules, 1962. Therefore, school is directed to charge depreciation on assets in accordance with the guidance note cited above.

4. The Directorate vide its order No. F.DE.15/Act-I/08155/2013/5506-5518 dated 04.06.2012 directed that the school shall provide 25% reservation to children belonging to EWS category. Even as per the land allotment letter, the school is required to provide free ship to students belonging to weaker section. However, as per the information provided by the school for FY 2019-20 to FY 2021-22, it has been noted that the school was not complying with the abovementioned DOE's Order and condition mentioned in the land allotment letter which provides for granting of free ship to the extent of 25% to the children belonging to EWS category. Therefore, DDE District may be requested to look into this matter and ensure compliance with the above requirements. The details of total students and EWS students for the FY 2019-20 to 2021-22 are tabulated below:

Particulars	FY 2019-20	FY 2020-21	FY 2021-22
EWS	230	237	258
Total Strength	1423	1430	1470
% Of EWS students to total strength	16.16%	16.57%	17.55%

Similar point was also noted in Directorate Order No. F.DE.15(289)/PSB/2021/5202-5207 dated 13.12.2021 issued post evaluation of fee increase proposal for academic session 2019-20. As the school has not complied with the direction issued in the previous year order, therefore the school is again directed to comply with the directions included in orders above.

5. 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)	1423	1430	1470
Number of Teachers (B)	61	57	59

Students to teacher ratio(A/B)	23.33	25.09	24.92
--------------------------------	-------	-------	-------

In view of the above calculation, it has been observed that there is one teacher on every 25 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 8,91,83,863 out of which cash outflow in the FY 2022-23 is estimated to be INR 9,58,65,581. This results in deficit of INR 66,81,719 for 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	52,24,121
Investments as on 31.03.22 as per audited financial statements (Refer Note 1 below)	3,68,26,124
Liquid Funds Available with the School as on 31 Mar 2022	4,20,50,245
Add: Fees for FY 2021-22 as per Audited Financial Statements (Refer Note 2 below)	4,29,07,084
Add: Other income for FY 2021-22 as per Audited Financial Statements (Refer Note 2 below)	21,58,566
Net available funds for FY 2022-23	8,71,15,895
Add: Amount recoverable from Society for additions made to building during FY 2017-18 and FY 2018-19 (Refer Financial Suggestion No 1)	28,54,001
Add: Purchase of Bus out of school funds in FY 2021-22 (Refer Financial Suggestion No 2)	23,54,000
Less: Development fund bank balance as on 31.03.2022 as per audited financial statements (Refer Financial Suggestion No. 3)	77,224
Less: Gratuity and Leave Encashment fund balance (Refer Financial Suggestion No 4)	21,52,636
Less: Caution money fund as on 31.03.2022 as per audited financial statement (Refer Financial Suggestion No 5)	5,06,500
Less: FDR jointly with DDE as on 31.03.2022 as per audited financial statement (Refer Note 1 below)	1,49,578
Less: FDR jointly with CBSE as on 31.03.2022 as per audited financial statement (Refer Note 1 below)	2,54,096
Estimated availability of funds for FY 2022-23	8,91,83,863
Less: Budgeted expenses for the session 2022-23 (after making adjustment) (Refer Note 3 below)	4,86,69,092
Less: Salary arrears as per 7 th CPC (For the period 1 st April 2020 to 31 st March 2022)	4,71,96,489
Estimated Deficit	66,81,719



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

Particulars	Amount (in INR)	Remarks
FDR in the joint name of DDE	1,49,578	Deducted while calculating available funds of the school.
FDR in the joint name of CBSE	2,54,096	Deducted while calculating available funds of the school.
FDR against retirement benefits	2,77,52,924	Available with the school for utilization.
FDR against DRF	18,51,247	Available with the school for utilization.
Accrued Interest	68,18,279	Available with the school for utilization.
Total	3,68,26,124	

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 with respect to collection of fees for FY 2021-22.

On 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 100% of the tuition fees and 85% of annual charges and development fees in its audited financial statements of FY 2021-22 on receipts basis. 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 on accrual basis to make comparative income with the FY 2022-23. The detailed calculation has been provided below:

Table A

Particulars	Income as per Fee Reconciliation submitted by the school for the FY 2021-22	Income Considered while deriving the fund position for the FY 2022-23	Remarks
Tuition Fee	3,30,84,120	3,30,84,120	
Annual Charges	41,77,673	49,14,909	Annual charge and Development fee of FY 2021-22 has been increased to 100% as the school had collected these after allowing 15% discount.
Development fees	41,21,484	48,48,805	
Total	4,13,83,277	4,28,47,834	

All the 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.

Note 3: All budgeted expenditure proposed by the school has been considered while deriving the fund position of the school except the following:

Heads	Budgeted expenditure in FY 2022-23	Amount Disallowed	Remarks
Salaries to teaching and non-teaching staff	3,73,75,000	22,26,856	Restricted within 110% of the expenses incurred by the school in previous year.
Transport expenses	13,00,000	13,00,000	Neither income nor expenditure has been considered while calculating the fund position of the school for FY 2022-23
Smart class expenses	7,00,000	7,00,000	Neither income nor expenditure has been considered while calculating the fund position of the school for FY 2022-23
Laboratory expenses	1,65,000	1,65,000	Neither income nor expenditure has been considered while



Heads	Budgeted expenditure in FY 2022-23	Amount Disallowed	Remarks
			calculating the fund position of the school for FY 2022-23
Others	5,00,000	5,00,000	New head introduced but no proper justification provided by the school.
Total	4,00,40,000	48,91,856	

- 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 15% 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 **Columbia Foundation School (School ID- 1618245) D-Block Vikas Puri, New Delhi – 110018** is hereby accepted by the Director (Education) and the school is allowed to increase its fee by 15% 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

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

To
The Manager/ HoS
Columbia Foundation School (School ID- 1618245)
D-Block Vikas Puri, New Delhi - 110018
No. F.DE.15 (1146)/PSB/2022 / 648-652
Copy to:

Dated: 20/01/23

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 (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.

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