

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

No. F.DE.15 (1356)/PSB/2023/3711-3716

Dated: 26/04/23

**Order**

WHEREAS, **Sadhu Vaswani International School for Girls (School ID – 1719121), II-Street, Shanti Niketan, New Delhi-110021** (hereinafter referred to as “**the School**”), run by the Sadhu Vaswani Mission (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 24.02.2023. The school was also provided an opportunity to be heard on 13.03.2023 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. F.DE.(822)/PSB/2022/5274-5278 dated 30.06.2022 issued for FY 2019-20 were also discussed with the school and the school's submissions were taken on record.

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

**A. Financial Suggestion for Improvements:**

1. Rule 175 of DSER, 1973 State *"all income received by the School is required to be reflected in the accounts with regard to the School Fund or the Recognised Unaided School Fund, as the case may be, clearly exhibiting the income accruing under each head, i.e., fees, fines, income from building rent, interest, development fee, etc."*

Rule 172 of DSEAR, 1973 *Trust or society not to collect fees, etc. schools to grant receipts for fees, etc., collected by it*

1. *No fee, contribution or other charge shall be collected from any student by the trust or society running any recognized school; whether aided or not.*
2. *Every fee, contribution or other charge collected from any student by a recognized school, whether aided or not, shall be collected in its own name and a proper receipt shall be granted by the school for every collection made by it.*

The DoE, in its Order No F.DE.(822)/PSB/2022/5274-5278 dated 30.06.2022 issued to the school post evaluation of fee hike proposal for academic session 2019-20 and its previous orders, noted that the school had transferred the collected fee amounting to INR 52,48,924 in FY 2013-14 to 2016-17. The aforesaid transfers had been done by the school in contravention to the aforesaid provisions. Accordingly, the school was directed to recover a total of INR 52,48,924 from the society.

Therefore, the amount of INR 52,48,924 is still recoverable from the society, which has been included while deriving the fund position of the school with the direction to the school to recover this amount from society within 30 days from the date of the issue of this order. Non-compliance with the above direction shall be viewed seriously in accordance with the provision of Section 24(4) of the DSEA, 1973 while evaluating the fee hike proposal for the subsequent academic session.

2. As per Para 49 of 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, para 57 states *"An enterprise should determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date"*. Also, para 7 of the Accounting Standard defines Plan Assets as under:

- (a) Assets held by a long-term employee benefit fund; and

(b) Qualifying insurance policies.

From review of the audited financial statements of FY 2021-22 and the documents/records submitted by the school post personal hearing, it has been noted that the school has reported a total liability of INR 5,88,15,480 towards retirement benefits in the audited financial statements based on the actuary valuation obtained by it.

The DoE, in its Order No F.DE.(822)/PSB/2022/5274-5278 dated 30.06.2022 issued to the school post evaluation of fee hike proposal for academic session 2019-20, had allowed INR 3,83,47,454 as gratuity investment and INR 1,26,85,287 as leave encashment investment with the direction to invest the same in plan asset. However, the aforesaid amount has not been invested by the school. Accordingly, the same has not been considered while evaluating the fund position of the school.

Further, post hearing the school has invested INR 5,00,000 with LIC on 31.03.2023 and submitted the investment proof. As the investment with LIC qualifies as plan assets within the meaning of AS-15. Therefore, amount invested by the school has been considered while deriving the fund position of the school with the direction to the school to deposit the remaining amount in plan assets. Non-compliance with the above direction shall be viewed seriously in accordance with the provision of Section 24(4) of the DSEA, 1973 while evaluating the fee hike proposal for the subsequent academic session.

3. 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 is then the contribution of the society that professes to run the school”*.

Further, Clause No. 2 of the 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”*. Also, Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/ 883-1982 dated 10.02.02005 issued by this Directorate states *“Capital expenditure cannot constitute a component of the financial fee structure.”*

Additionally, 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”*.

Further, 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.

Therefore, based on the above-mentioned provisions, the cost relating to land and construction of the school building should be borne by the society running the school and school funds, i.e., fees collected from the students should not be used for purchase of land and construction of the school building. In this connection, it is also important to mention that society was allotted an institutional land plot and that the cost of the land was very low compared to the price of commercial and even residential land in the nearby location. The land was allotted at a very low price because society came up with the offer to do noble work in the field of education and run the school in Delhi on a "no profit and no loss" basis. The society also undertook to execute this work from its resources or by arranging funds through donations, subscriptions, or any other legal possible manner. The DoE had recommended the allotment of land to society on noble grounds; otherwise, society would not have been able to have prime land at a very low price.

Accordingly, if the DoE finds any deviation or non-compliance in any condition of the land allotment letter, the society as well as the school are bound to comply and honour that immediately, as per the direction of the DoE. And society cannot always claim the protection of Article 19(1)(g), 21 & 30 of the Constitution of India for non-interference by the DoE. Because the main source (i.e., land) which was required to establish the school was supported by DoE by recommending to land owning agencies to allot the land to the society. After considering the recommendation of the DoE, a clause has been included in the land allotment letter of the school that the school shall not increase the fee without the prior sanction of the Director (Education) and shall follow all the provisions of the Delhi School Education Act/Rules, 1973 and other instructions issued by the department from time to time.

The DoE, in its Order No F.DE.(822)/PSB/2022/5274-5278 dated 30.06.2022 issued to the school post evaluation of fee hike proposal for academic session 2019-20, noted that the school had incurred capital expenditure of INR 15,79,709 for the installation of lift during the FY 2017-18. The DoE noticed that the aforesaid expenditure was incurred by the school without complying with the provision of Rule 177 of DSER, 1973. Accordingly, the school was directed to recover INR 15,79,709 from the society.

During personal hearing the school has explained that the aforesaid expense was mere transfer entry from the society books of accounts to school books of accounts. The payment for the aforesaid lift was being done by the society itself. To substantiate the aforesaid justification, necessary adjustment details were provided by the school. Accordingly, the aforesaid recovery has been dropped and no amount has been considered as recoverable from society.

**B. Other Suggestion for Improvements:**

1. The Directorate in its Order No. F.DE-15/ACT-I/WPC-4109/Part/13/7905-7913 dated 16.04.2016 "The Director hereby specify that the format of return and documents to be submitted

by schools under rule 180 read with Appendix-II of the Delhi School Education Rules, 1973 shall be as per format specified by the Institute of Chartered Accountants of India, established under Chartered Accountants Act, 1949 (38 of 1949) in Guidance Note on Accounting by Schools (2005) or as amended from time to time by this Institute."

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

From review of the 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 which is not in accordance with the provisions of the Guidance Notes issued by the Institute of Chartered Accountants of India. Therefore, the school is directed to apply the provisions outlined in the Guidance note mentioned above.

2. 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.

3. 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, P&L 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 all income and expenses are being recoded on accrual basis except the EWS grant receivable from the government. Thus, the school is not following Generally Accepted Accounting Principles (GAAP). Therefore, the school is hereby directed, to maintain its books of account in accordance with GAAP from subsequent financial years and made necessary adjustment in its books of accounts accordingly. The compliance with this direction shall be verified while evaluating the fee increase proposal of the subsequent year.

4. Clause 103 on Related Party Disclosure, contained in Guidance Note 21 on ‘Accounting by Schools’, issued by the ICAI, there is a requirement that keeping in the view the involvement of public funds, schools are required to disclose the transactions made in respect of related parties.

From review of the audited financial statements of 2022, it has been noted that the school has not made any disclosure relating to related party transactions in its audited financial statements. In the absence of such details, the purpose and genuineness of transactions entered into between the related parties cannot be determined. Therefore, the School is hereby directed to include such details in audited financial statements of the subsequent year.

5. Section 13 (1) of the Right to Education Act, 2009 states that *"no school or person shall, while admitting a child, collect any capitation fee and subject the child or his or her parents or guardian to any screening procedure”.*

Section 13 (2) of the Right to Education Act, 2009 states that *"Any school or person, if in contravention of the provisions of sub-section (1):*

- a. *receives capitation fee, shall be punishable with fine which may be extended to ten times the capitation fee charged.*
- b. *subjects a child to screening procedures shall be punishable with a fine which may extend to twenty-five thousand rupees for the first contravention and fifty thousand rupees for each subsequent contravention.*

And section 2(b) of the Right to Education Act, 2009 states *"capitation fee" means any kind of donation or contribution or payment other than the fee notified by the school.*

Further, the Supreme Court in its Judgement dated 02.05.2016 in the matter of Modern ‘Dental College and Research Centre Vs. State of Madhya Pradesh [Medical Council of India]’ held that education is a noble profession and emphasized that:

*“Every demand of capitation fee by educational institutions is unethical & illegal. It emphasized that commercialization and exploitation are not permissible in the education sector and institutions must run on a ‘no-profit-no-loss’ basis”.*

The Hon'ble Supreme Court categorically held that "*though education is now treated as an 'occupation' and, thus, has become a fundamental right guaranteed under Article 19(1) (g) of the Constitution, at the same time shackles are put in so far as this particular occupation is concerned, which is termed as noble. Therefore, profiteering and commercialization are not permitted, and no capitation fee can be charged. The admission of students has to be on merit and not at the whims and fancies of the educational institutions,*"

Further, the Hon'ble High Court in LPA 196/2004 in the matter of '*Rakesh Goyal Vs. Montfort School and Section 13(1) of RTE Act, 2009*' states "*no school or person shall, while admitting a child, collect any Capitation fee/Donation from the parents. Any school or person who contravenes this provision and receives a capitation fee, shall be punishable with a fine which may extend to ten times the capitation fee charged*".

Further, The Directorate of Education, vide Order No. DE15/ 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, indicated the following types of fee that a recognised private unaided school can collect from the students/parents:

- a. Registration Fee
- b. Admission Fee:
- c. Caution Money
- d. Tuition Fee
- e. Annual Charges
- f. Earmarked Levies
- g. Development Fee

Based on the provisions mentioned above, charging of '*Ancillary charges,*' from the students is in the nature of capitation fee only. Additionally, if the school is charging unwarranted fee under different heads or introduce new head of fee other than the prescribed heads of fee and accumulates surplus fund out of it, it is also prima-facie considered to be a collection of capitation fee in other manner and form.

Accordingly, the collection of Ancillary charges indicates that the school is engaged in profiteering and commercialization of education.

As per Section 27 of the DSEA, 1973, the manager of the school is responsible to look after the operation of the school smoothly and to ensure compliance with the provision of the DSEAR, 1973 including the compliance of the High Court/Supreme Court and orders/circulars issued by the Directorate of Education from time to time in this regard. As the manager and principal have been bestowed with the power to ensure the school's proper functioning, including ensuring the admission process transparently are jointly as well as in their personal capacity be responsible for levy and collection of capitation fee and any another unauthorized fee collected by the school.

Therefore, the school is directed to not charge capitation as mentioned above with immediate effect and submit the compliance within 30 days from the date of issue of this order. Non-compliance with this direction would be reviewed seriously and a necessary action against the school will be initiated U/s 24(4) of the DSEA, 1973 by the department.



6. *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.

In view of the above, 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. However, the school didn't submit the independent auditor reports for FY 2019-20 and FY 2021-22.

Therefore, the school is hereby directed to provide complete set of audited financial statements as financial statement without audit report has not been considered as complete set of audited financial statement. However, the compliance with this direction shall be verified while evaluating the fee increase proposal of the subsequent year and the financial statements submitted by the school for FY 2019-20, FY 2020-21 and FY 2021-22 has been considered in the evaluation of fee increase proposal.

7. Para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India "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."

Taking the cognizance from the above para, the school needs to create the 'Development Fund Utilization Account' as deferred income to the extent of cost of assets purchased out of development fund and then this deferred income should be amortized in the proportion of the depreciation charged to revenue account. By following the aforesaid accounting treatment for development fund, development fund utilization account and depreciation on assets purchased out of development fund as per para 99 of GN-21, the depreciation reserve fund would be mere an accounting head and school do not require creation of equivalent investments against the depreciation reserve.



However, the audited financial statements of the school revealed that the school has not been following para 99 of the GN 21. Because upon incurrence of the capital expenditure out of the development fund, the school has neither created *development fund utilization account* nor transferred any amount from deferred income to the credit of income and expenditure account.

Thus, the school is hereby directed to follow accounting treatment specified in para 99 of the Guidance Note 21 with respect to the collection and utilization of development fund and make necessary adjustment in the general reserve account

**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 are **INR 19,81,19,643** out of which expected expenditures of the school would be **INR 15,23,03,643** resulting in net surplus of **INR 4,58,16,000** for the FY 2022-23. The detailed calculation is provided below:

Particulars	Amount (in INR)
Cash and Bank balances as on 31.03.2022 as per Audited Financial Statements	95,50,007
Investments as on 31.03.2022 as per Audited Financial Statements (Refer Note 1 below)	8,18,93,390
<b>Liquid fund as on 31.03.2022</b>	<b>9,14,43,397</b>
Add: Amount recoverable from society for fees collected from students (Refer financial observation No. 1)	52,48,924
Add: Fees for FY 2021-22 as per Audited Financial Statements (Refer Note No. 2 Below)	12,67,87,577
Add: Other income for FY 2021-22 as per audited Financial Statements (Refer Note No. 2 Below)	46,07,879
Add: Additional income towards annual and development fee (Refer Note No. 2 Below)	21,07,115
Less: Non-Cash income (Refer Note No. 2 Below)	1,89,495
Less: Ancillary Charges (Refer Note No. 2 Below)	23,51,667
Less: Arrears of annual charges and development fund for FY 2020-21 received in FY 2021-22 (Refer Note No. 2 Below)	2,30,00,087
<b>Total available funds for FY 2022-23</b>	<b>20,46,53,643</b>
Less: FDR in joint name of CBSE & Manager	-
Less: Student Security Deposit	6,50,000
Less: Salary Reserve Fund	-
Less: Development Fund as per Audited Financial Statements of FY 31.03.2022	44,84,000
Less: Parent Teacher Association Fund as per Audited Financial Statements of FY 31.03.2022	9,00,000
Less: Investment made with LIC against provision made for retirement benefits (Refer Financial Suggestion No. 2)	5,00,000
Less Depreciation reserve fund as on 31.03.2022 (Refer Note No. 3 Below)	-
<b>Estimated Available Funds for FY 2022-23</b>	<b>19,81,19,643</b>
Less: Budgeted Expenditure as provided by the school (Refer Note No. 4 and 5 Below)	14,16,80,033
Less: Arrears of 7th CPC & DA (Refer Note No. 6 Below)	1,06,23,610
<b>Estimated Surplus</b>	<b>4,58,16,000</b>

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

S. No	Particulars	Amount INR	Remarks
1	Parent Teacher Association	9,00,000	Considered separately.
2	FDR Caution Money	6,50,000	Considered separately.
3	FDR - Development Fund	44,84,000	Considered separately.
4	FDR Gratuity & Leave Encashment	5,88,15,480	Available to school for utilization.
5	FDR - Depreciation Reserve fund	1,70,43,910	Available to school for utilization.
	<b>Total</b>	<b>8,18,93,390</b>	

**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, has issued guidelines regarding the chargeability of fees during the pandemic COVID 2019. The department in both the above-mentioned orders directed the management of all the private schools not to collect any fee except the tuition fee, irrespective of the fact whether running on 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 the Single Bench of the Hon'ble High Court of Delhi and the interim order dated 07.06.2021 in LPA 184/2021 of the Division Bench of the Hon'ble High Court of Delhi and to prevent the profiteering and commercialization, again 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 a 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 of the direction issued by the Hon'ble Court, the same shall be refunded to the parents or adjusted in the subsequent month's fee or refunded to the parents.
- (ii) The amount so payable by the concerned students shall be paid in six equal monthly instalments w.e.f. 10.06.2021.

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	8,57,58,793	8,57,58,793	
Annual Charges	53,20,700	62,59,647	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	66,19,617	77,87,785	

Similarly, arrears of annual charges and development fund amounting to INR 2,30,00,087 has been excluded while calculating fund position of the school for academic session 2022-23.

Non-cash Income on account of balance written off has not been considered while evaluating the fund position of the school.

Ancillary charges have not been considered as fee while calculating the fund position of the school. Accordingly, the school is directed to stop collecting such fees from the students with immediate effect.

**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 fees is comprised of "registration fee and all one-time charges" levied at the time of admission, such as admission charges and caution money. The second category of fee comprises the '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 libraries, laboratories, science, and computers up to class X and the 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 should consist of all 'Earmarked Levies' for the services rendered by the school and be recovered only from the 'User' students. These charges are transport fees, 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 fee head has already been defined, and the use of development fees or any other fee heads for investments against the depreciation reserve fund is not mentioned anywhere. Further, Clause 7 of order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and Clause 14 of 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, upgrade, and replacement of furniture, fixtures, and equipment. The development fee, if required to be charged, shall be treated as a 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 the 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 the charging of development fee, as per the above provisions and the decision of the Hon'ble Supreme Court in the case of Modern School Vs. Union of India & Ors., 2004(5) SCC 583. despite the fact that clause 7 of the preceding directive does not require the keeping of any investments in a 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 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".

Accordingly, the depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue account) is merely 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 the depreciation reserve on the fund position of the school. Accordingly, the depreciation reserve fund as reported by the school in its audited financial statements for FY 2021-22 has not been considered while deriving the fund position of the school.

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

Heads	Budgeted Amount (INR)	Amount Disallowed (INR)	Reasons
Salary Arrears	1,06,23,610	1,06,23,610	Considered separately

**Note 5:** While evaluating fee hike proposals, the department considers how much liquid funds would require the school for a particular session for smooth operation of the school without compromising on the quality of education. Thus, while deriving the fund position of the school, all legitimate expenditures of revenue as well as capital in accordance with the provisions of DESAR, 1973 and the pronouncement of court judgement have been considered. Therefore, the balance of other current assets and other current liabilities has not been considered. Because it is obvious that current assets, loans and advances, and current liabilities are cyclical in nature, and this has already been considered in the form of the school's budgeted income and expenditure in previous years. Thus, current assets, loans and advances, and current liabilities will always be reflected in the audited financial statements of the school at the end of each financial year.

**Note 6:** Salary arrears of INR 1,06,23,610 budgeted by the school have been considered while evaluating the fund position of the school.

- ii. In view of the above examination, it is evident that the school have 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 April 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 the 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 sufficient funds are 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 rejected.

AND WHEREAS, it is noticed that the school has incurred INR 52,48,924 in contravention to the provisions of DSEAR, 1973 and other orders issued by the departments from time to time. Therefore, the school is directed to recover the aforesaid amount from society/ management. The receipts along with copy of bank statements showing receipt of the above-mentioned amount should be submitted with DoE, in compliance of the same, within 30 days from the date of issue of this order. Non-compliance with this direction shall be viewed seriously as per the provision of DSEAR, 1973 without providing any further opportunity of being heard.

AND WHEREAS, recommendation of the team of chartered accountants along with relevant materials were put before the Director of Education for consideration, who, after considering all the material on the record, and after considering the provisions of Section 17 (3), 18(5), and 24(1) of the DSEA, 1973, read with Rules 172, 173, 175 and 177 of the DSER, 1973, has found that funds are available with the school for meeting financial implication for the academic session 2022-23.

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

Accordingly, it is hereby conveyed that the proposal for fee hike of **Sadhu Vaswani International School for Girls (School ID – 1719121), II-Street, Shanti Niketan, New Delhi-110021** 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 rejected by the Director (Education) with the above conclusion and suggestions.

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

1. Not to increase any fee/charges during FY 2022-23. In case, the school has already charged increased fee during FY 2022-23, the school should make necessary adjustments from future fee/refund the amount of excess fee collected, if any, as per the convenience of the parents.
2. To ensure payment of salary is made in accordance with the provision of Section 10(1) of the DSEA, 1973. Further, the scarcity of funds cannot be the reason for non-payment of salary and other benefits admissible to the teachers/ staffs in accordance with section 10 (1) of the DSEA, 1973. Therefore, the Society running the school must ensure payment to teachers/ staffs accordingly.
3. To utilize the fee collected from students in accordance with the provisions of Rule 177 of the DSER, 1973 and orders and directions issued by this Directorate from time to time.

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

This 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  
Sadhu Vaswani International School for Girls  
(School ID – 1719121),  
II-Street, Shanti Niketan,  
New Delhi-110021

No. F.DE.15 (1356 )/PSB/2023/ 3711-3716  
Copy to:

Dated: 26/04/23

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 (South West A) 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