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

No. F.DE.15 (1598)/PSB/2023/ 8922- 8926 **Dated:** 18/10/23

Order

WHEREAS, **Masonic Public School, Sector -B, Pocket-1, Vasant Kunj, New Delhi – 110070 (School Id-1720155)**, (hereinafter referred to as **"the School"**), run by the **Northern India Masonic Charitable 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:

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"27....(c) It shall be the duty of the Director of Education to ascertain whether terms of allotment of land by the Government to the schools have been complied with...

28. We are directing the Director of Education to look into the letters of allotment issued by the Government and ascertain whether they (terms and conditions of land allotment) have been complied with by the schools.......

.....If in a given case, Director finds non-compliance of above terms, the Director shall take appropriate steps in this regard."

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

AND WHEREAS, accordingly, the DoE vide order No. F.DE.15 (40)/PSB/2019/4440-4412 dated 08.06.2022, directing all the private unaided recognized schools, running on the land allotted by DDA/other land-owning agencies on concessional rates or otherwise, with the condition to seek prior approval of DoE for increase in fee, to submit their proposals, if any, for prior sanction, for increase in fee for the academic session 2022-23.

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

AND WHEREAS, in order to examine the proposals submitted by the schools for fee increase for justifiability or not, the DoE has evaluated the fee increase proposals of the school carefully in accordance with the provisions of the DSEAR, 1973, and other Orders/ Circulars issued from time to time by the DoE.

AND WHEREAS, in the process of examination of fee increase proposal filed by the aforesaid School for the academic session 2022-23, necessary records and explanations were also called from the school through email. Further, the school was also provided an opportunity of being heard on 31th May 2023 to present its justifications/clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted. In the aforesaid personal hearing, compliance of Order No. F.DE. 15/(699)/PSB/2022/4275-4279 dated 07.06.2022 issued for FY 2018-19 and Order No. F.DE. 15/(700)/PSB/2022/4280-4284 dated 07.06.2022 issued for FY 2019-20 were also discussed with the school and the school's submissions were taken on record.

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

A. Financial Suggestions for Improvement

1. 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."

   The Directorate's Order No. F.DE. 15/(699)/PSB/2022/4275-4279 dated 07.06.2022 issued for FY 2018-19 and Order No. F.DE. 15/(700)/PSB/2022/4280-4284 dated 07.06.2022 issued for FY 2019-20 noted that the school spent INR 47,64,569 for purchase of vehicles out of the school funds by taking secured loans and the school was directed to recover INR 23,25,205 from the society towards the repayment of loan for purchase of buses out of the school funds (Cost of Buses of INR 47,64,569 plus Interest on term

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loan of INR 4,73,769 minus outstanding balance of loan of INR 29,13,133). However, the amount is yet to be recovered.

On review of audited financial statements, it is noted that till FY 2021-22, the school has repaid the term loan in full and accordingly has made payment towards the full cost of bus. Also, the school has paid INR 3,33,101 towards the interest on loan for the FY 2019-20 to 2021-22. The above expenditure incurred by the school was not in accordance with the Rules 177 or DSER, 1973. Further, the school is not following fund-based accounting and has not created fund account against transport service provided to specific students of the school. Moreover, from the audited financial statements of the school for FY 2019-20 to 2021-22, it is noted that there is net deficit as the transport receipts are less than transport related expenses.

Therefore, INR 55,71,439 (INR 47,64,569 plus Interest on loan INR 4,73,769 and INR 3,33,101) has been 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 issue of the order.

2. Directions no. 2 included in the Public notice dated 04.05.1997. "it is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable properly 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, as per the Directorate's Order No. DE.15/Act/Duggal.Com/203/99/23033-23980 dated 15.12.1999, the management is restrained from transferring any amount from the recognized unaided school fund to society or trust or any other institution. The Supreme Court also through its judgement on a review petition in 2009 restricted the transfer of funds to the society.

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

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

Accordingly, based on the aforementioned provisions 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.

The Directorate's Order No. F.DE.15(94)/PSB/2019/1468-1472 dated 07.02.2019 issued for FY 2017-18 noted that during FY 2016-17 building of INR 3,83,19,486 was capitalized by crediting society's account, which is a notional transfer of building in the books of account of the school. Also, the above order noted that during the FY 2014-15 and FY 2015-16, the school had made payments of INR 95,73,760 and INR 68,38,603 to various vendors/ contractors towards construction of building on behalf of the Society with respect to the aforesaid addition, resulted in indirect transfer of funds by the school to the Society. Accordingly, the school was directed to recover INR 1,64,12,363 from the society.

Further, the Directorate's Order No. F.DE. 15/(699)/PSB/2022/4275-4279 dated 07.06.2022 issued for FY 2018-19 and Order No. F.DE. 15/(700)/PSB/2022/4280-4284 dated 07.06.2022 issued for FY 2019-20 directed the school to recover the amount as directed in the Order No. F.DE.15(94)/PSB/2019/1468-1472 dated 07.02.2019 issued for FY 2017-18 and INR 7,58,615 towards the amount spent by the school under the head Building during FY 2018-19. Also, the school was directed to reverse the building along with the amount of depreciation charged on building from its books of' account, which has been capitalized by crediting Society's ledger account in the books of account of the school. However, the school has not complied with the above directions.

Further, on review of audited financial statements for FY 2019-20 to FY 2021-22, it is noted that the school had spent INR 10,76,812 during FY 2021-22 for 'Building under construction' which is not in accordance with clause 2 of public notice dated 04.05.1997, judicial pronouncements, DoE's previous orders and Rule 177 of DSER, 1973.

In view of the above, the total capital expenditure incurred by the school towards building amounting to INR 1,82,47,790 (INR 1,64,12,363 plus INR 7,58,615 plus INR 10,76,812) has been added to the funds availability position of the school while deriving the fund position of the school and with the direction to the school recover this amount from the society within 30 days from the date of issue of the order. Further, the school is again directed to reverse the building which has been capitalised by crediting the Society's ledger account in the books of account of the school along with the amount of depreciation charged on building.

3. DoE in its Order No. DE. 15/Act/Duggal.com/203/99/23033/23980 dated 15.12.1999 states "the management is restrained from transferring any amount from the recognized unaided school fund to society or trust or any other institution". The Supreme Court also through its judgement on a review petition in 2009 restricted the transfer of funds to society.

Order No. F.DE.-15/ACT-I/WPC-4109/PART/13/815 dated 3 July 2017 issued for FY 2016-17 noted that the school signed a Memorandum of Understanding (MoU) with the Society agreeing to pay rent of INR 4 lakhs, INR 6 lakhs, INR 7 lakhs per month respectively for the FY 2013-14, FY 2014-15 and FY 2015-16 aggregating to rental payment over three years period of INR 2.04 crores, which is contravention to clause no. 8 of Directorate's Order No. DE.15/Act/Duggal.com/203/99/23033/23980 dated 15 Dec 1999 and clause 23 of Order No. F.DE./1 5(56)/Act/2009/778 dated 11 Feb 2009.

The Directorate's Order No. F.DE. 15/(699)/PSB/2022/4275-4279 dated 07.06.2022 issued for FY 2018-19 and Order No. F.DE. 15/(700)/PSB/2022/4280-4284 dated 07.06.2022 issued for FY 2019-20 noted that the school had reversed entry of rent payable to Society in its books of accounts. However, the school was directed to recover INR 73,00,000 towards the amount paid to Nircon projects for the construction/extension of the existing building on behalf of society. However, the recovery is still pending.

Accordingly, INR 73,00,000 has been again 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 the order.

4. Para 57 of Accounting Standard 15- 'Employee benefits' issued by the Institute of Chartered Accountants of India states "An Enterprise should determine the present `value of defined 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" Accounting standard 15 further 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 60 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants or 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".

Also. according to para 7.14 of the Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India, "Plan assets comprise:

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

The Directorate's Order No. F.DE. 15/(699)/PSB/2022/4275-4279 dated 07.06.2022 issued for FY 2018-19 and Order No. F.DE. 15/(700)/PSB/2022/4280-4284 dated 07.06.2022 issued for FY 2019-20 directed the school to obtain actuarial valuation for liability towards retirement benefits and deposit the amount equivalent to the provision created into the 'plan-asset' as per AS-15 issued by ICAI.

On review of the audited financial statements for FY 2019-20 to FY 2021-22, it is noted that the school has not obtained actuarial valuation report for its liability towards gratuity and leave encashment and has not been recognizing any provision for gratuity and leave encashment in its books of accounts.

Further, as on 31.03.2022 the school has deposited INR 81,43,079 and INR 26,33,551 towards LIC Group Gratuity Scheme and Leave Encashment scheme which have been considered while deriving the fund position of the school. Also, the school is again directed to obtain actuarial valuation for liability towards retirement benefits and recognise its liability in its books of accounts as per the actuarial valuation report. Further, the school is directed to deposit the amount in the plan assets with LIC (or other agency) as determined in actuary valuation report for gratuity and leave encashment and ensure that the amount deposited in plan assets is equivalent to the provision for gratuity and leave encashment within 30 days from the date of the order.

B. Other Suggestions for Improvement

1. As per 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, upgradation and replacement of furniture fixtures and equipment's. 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.

As per para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states "Where the fund is meant for meeting capital expenditure upon incurrence of the expenditure the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter the concerned restricted fund account is treated as deferred income to the extent of the cost of the asset and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year." Further, Para 102 of the abovementioned Guidance Note states "In respect of funds, schools should disclose the following in the schedules/notes to accounts:

a. In respect of each major fund, opening balance, additions during the period, deductions/utilization during the period and balance at the end;)
b. Assets, such as investments, and liabilities belonging to each fund separately

c. Restrictions, if any, on the utilization of each fund balanced)
d. Restrictions, if any, on the utilization of specific assets."

And as per para 67 of the Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India, "The financial statements should disclose, inter alia, the historical cost of fixed assets."

The Directorate's Order No. F.DE-15/ACT-l/WPC- 4I09/PART/13/8I5 dated 03.07.2017 issued for FY 2016-17 and Order No. F.DE. 15(94)/PSB/2019/I468-1472 dated 07.02.2019 issued for FY 2017-18 directed the school to treat development fees as capital receipt and open separate bank account for deposit and ensure compliance of clause 14 of order dated 11.02.2009 for utilisation of development fund.

Similar directions were also given in Directorate's Order No. F.DE. 15/(699)/PSB/2022/4275-4279 dated 07.06.2022 issued for FY 2018-19 and Order No. F.DE. 15/(700)/PSB/2022/4280-4284 dated 07.06.2022 issued for FY 2019-20. Also, the above orders dated 07.06.2022 noted that during FY 2018-19, the school has incurred INR. 47,30,787 capital expenditure against the collection of INR 45,35,870 which means that the school has been incurring the capital expenditure more than the amount of development fee collected and the school was directed to comply with the condition of clause 14 of order dated 11.02.2009.

On review of audited financial statements for FY 2019-20 to 2021-22, the school has treated development fee as capital receipt and has recognised development fund account in its books of accounts. However, the school has utilised development fee for incurring revenue expenditure and has not complied with the provisions of clause 14 of order dated 11.02.2009 which states that the development fund can only be utilized for purchase upgrade and replacement of furniture and fixture and equipment and not for other purposes.

Further, the school has shown fixed assets at WDV and has not followed correct accounting treatment in respect of depreciation reserve fund.

Accordingly, the school is hereby again directed to follow the provisions of clause 14 of the order dated 11.02.2009, para 99 and 67 of the Guidance Note 21 issued by ICAI. 9. In view of the above, no adjustment towards development fund has been made while deriving the fund position of the school.

2. Clause 19 of Order No. F.DE. *I* 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."

Further clause 21 of the aforesaid order states "No annual charges shall be levied unless they are determined by the Managing Committee to cover all revenue expenditure, not included in the tuition fee and 'overheads' and expenses on play-grounds, sports equipment, cultural and other co-curricular activities as distinct from the curricular activities of the school."

Rule 176 - 'Collections for specific purposes to be spent for that purpose' of the DSER, 1973 states "Income derived from collections for specific purposes shall be spent only for such purpose."

Clause 22 of Order No. F.DE./15 (56) /Act /2009 *I* 778 dated 11.02.2009 states "Earmarked levies shall be charged from the user student only. Earmarked levies for the services rendered shall be charged in respect of facilities involving expenditure beyond the expenditure on the earmarked levies already being charged for the purpose. They will be calculated and collected on 'no profit no loss' basis and spent only for the purpose for which they are being charged. All transactions relating to the earmarked levies shall be an integral part of the school accounts".

Sub-rule 3 of Rule 177 of DSER, 1973 states "Funds collected for specific purposes, like sports, co curricular activities, subscriptions for excursions or subscriptions for magazines, and annual charges, by whatever name called, shall be spent solely for the exclusive benefit of the students of the concerned school and shall not be included in the savings referred to in sub-rule (2)." Further, Sub-rule 4 of the said rule states "The collections referred to in sub-rule (3) shall be administered in the same manner as the monies standing to the credit of the Pupils Fund as administered."

As per the order dated 19.01.2016 issued by the Hon'ble High Court of Delhi, every recognized unaided schools whom land was allotted by DOE shall not increase the rate of fees without the prior sanction of DoE. Further, as per the directions of Supreme Court in Modern School vs. Union of India & Ors. (supra), a Circular dated 16.04.2010 has been issued reiterating as under:

a. It is reiterated that annual fee-hike is not mandatory.
b. School shall not introduce any new head of account or collect any fee thereof other than those permitted. Fee/funds collected from the parents/students shall be utilized strictly in accordance with rules 176 and 177 of the Delhi School Education Rules, 1973
c. If any school has collected fee in excess of that determined as per procedure prescribed here-above, the school shall refund/adjust the same against subsequent instalments of fee payable by students.

Also, earmarked levies collected from students are a form of restricted funds, which, according to Guidance Note on 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 aforementioned Guidance Note lays down the concept of fund-based accounting for restricted funds, whereby upon incurrence of expenditure, the same is charged to the Income and Expenditure Account (' Restricted Funds' column) and a corresponding amount is transferred from the concerned restricted fund account to the credit of the Income and Expenditure Account ('Restricted Funds' column).

On review of audited financial statements for FY 2019-20 to 2021-22, it is noted that the school charges earmarked levies in the form of Transport Fee, Science fee, Computer fee, Activity fee and Medical fee from students. However, the school has not been following fund base accounting. i.e. upon incurrence of expenditure, the same is charged to the Income and Expenditure Account ('Restricted Funds' column) and a corresponding amount is transferred from the concerned restricted fund account to the credit of the Income and Expenditure Account ('Restricted Funds' column)". Further, the school has been generating surplus, which has been utilised for meeting other expenses of the school or has been incurring losses (deficit), which has been met from other fees/income. Details of calculation of deficit and surplus, based on breakup of expenditure provided by the school for FY 2019-20 to FY 2021-22 are given below:

Particulars	Transport Fees	Science Fees	Activity Charges	Computer Fees	Medical Fees
For the year 2019-20					
Fee Collected during the year (A)	63,76,015	1,90,000	6,59,485	7,21,030	9,32,171
Expenses during the year (B)	68,71,763		2,25,971	3,74,383	60,934
Difference for the year (A-B)	**-4,95,748**	**1,90,000**	**4,33,514**	**3,46,647**	**8,71,237**
For the year 2020-21					
Fee Collected during the year (A)	-	-	-	-	-
Expenses during the year (B)	28,71,162		53,115	4,26,128	32,123
Difference for the year (A-B)	**-28,71,162**	-	**-53,115**	**-4,26,128**	**-32,123**
For the year 2021-22					

Fee Collected during the year (A)	61,400	-	-	-	-
Expenses during the year (B)	30,78,003	-	5,782	4,16,071	41,675
Difference for the year (A-B)	**-30,16,603**	**-**	**-5,782**	**-4,16,071**	**-41,675**

Similar observations were also noted in Directorate's Order No. F.DE. 15/(699)/PSB/2022/4275-4279 dated 07.06.2022 issued for FY 2018-19 and Order No. F.DE. 15/(700)/PSB/2022/4280-4284 dated 07.06.2022 issued for FY 2019-20

Based on the aforementioned, earmarked levies are to be collected only from the user students availing the service/facility. In other words, if any service/facility has been extended to all the students of the school, a separate charge should not be levied for the service/facility as the same would get covered either under tuition fee (expenses on curricular activities) or annual charges (expenses other than those covered under tuition fee). The school is charging Computer Fee from class VI to X, Medical Fee from class Nur to XII and Activity Fee from class VI to XII. Thus, the fee charged from all students loses its character of earmarked levy, being a non-user based fees. Therefore, the school is directed not to collect Computer Fee, Medical Fee and Activity Fee from the students.

Additionally, the school is directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount separately for each earmarked levy collected from students. Unintentional surplus/deficit, if any, generated from earmarked levies has to be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies during subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on no-profit no-loss basis. The school is also directed not to collect any earmarked levy compulsorily from students and the same should be optional and at the discretion of the students.

3. Direction no. 3 of the public notice dated 04.05.1997 published in the Times of India states *"No security/ deposited/ 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 Rs. 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/ I5(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."*

Clause 3 and 4 of Order No. DE/15/150/Act/2010/4854-69 dated 09.09.210 states, *"In case of those ex students who have not been refunded the Caution money/Security deposit, the schools shall inform them (Students) at their last shown address in writing to collect the said amount within thirty days. After the expiry of thirty days, the un-refunded Caution Money belonging to the ex-students shall be reflected as income for the next financial year & it shall not be shown as liability. Further, this income shall also be taken into account while projecting fee structure for ensuing Academic year".*

On review of financial statements for the FY 2019-20 to FY 2021-22, it has been noted that the school has not been refunding interest along with refund of caution money to the students at the time of their exit from the school and has not treated unclaimed caution money belonging to ex-students as the income of the school.

Similar observations were also noted in Directorate's Order No. F.DE. 15/(699)/PSB/2022/ 4275-4279 dated 07.06.2022 issued for FY 2018-19 and Order No. F.DE. 15/(700)/PSB/2022/ 4280-4284 dated 07.06.2022 issued for FY 2019-20.

Accordingly, the school is again directed to ensure compliance with the aforementioned directions including refund of interest along with caution money to exiting students and to open separate bank account/create fixed deposit with bank for depositing caution money collected from students and interest earned on thus account has to be refunded to the students along with refund of caution money at the time of leaving the school. Accordingly, the balance of caution money outstanding INR 9,98,000 as on 31.03.2022 has been considered while deriving the fund position of the school.

4. The Directorate's Order No. F.DE. 15/(699)/PSB/2022/4275-4279 dated 07.06.2022 issued for FY 2018-19 and Order No. F.DE. 15/(700)/PSB/2022/4280-4284 dated 07.06.2022 issued for FY 2019-20, directed the school to update the FAR with relevant details according to the process for periodic physical verification of assets and document the results of physical verification of assets.

In the previous observations, following anomalies were noted in Fixed asset register (FAR) maintained by the school:

- No tagging of the assets was done in Fixed Assets Register (FAR) and physically on fixed assets to identify their location because of which the 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 WOY of the assets is not available.
- Date of purchase against each asset was not mentioned.
- Supplier name, invoice number, manufacturer's serial number, location of asset not mentioned.

Accordingly, the school is again directed to update the FAR with relevant details mentioned above according to the process for periodic physical verification of assets and document the results of physical verification of assets. This being a procedural finding, no financial impact is warranted in the fund position of the school.

5. Para 58(i) of the Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India states *"A school should charge depreciation according to the written down value method at rates recommended in Appendix I to the Guidance Note."*

As per notes to Appendix I- 'Rates of depreciation' of Guidance note, *"The rates contained in this Appendix should be viewed as the minimum rates and, therefore, a school should not charge depreciation at rates lower than those specified in this Appendix in relation to assets purchased after the date of the applicability of the Guidance Note. However, if on the basis of a bona fide technological evaluation, higher rates of depreciation are justified, the same may be provided with proper disclosures by way of a note forming part of accounts"*

On review of financial statements for FY 2019-20 to FY 2021-22, it has been noted 'that school has followed rates of depreciation as per Income tax Act, 1961 and not as per Appendix I of the guidance note as mentioned above.

The Directorate's Order No. F.DE. 15/(699)/PSB/2022/4275-4279 dated 07.06.2022 issued for FY 2018-19 and Order No. F.DE. 15/(700)/PSB/2022/4280-4284 dated 07.06.2022 issued for FY 2019-20 directed the school to follow rates of depreciation as mentioned in Appendix-I of Guidance Note issued by ICAI.

Accordingly, the school is again directed to follow rates of depreciation as mentioned in Appendix-I of Guidance Note issued by ICAI. The compliance of the above shall be verified at the time of evaluation of fee hike proposal for subsequent year.

6. As per 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.

- On review of the audited financial statements of 2019-20 to FY 2021-22, it is noted that the school has not made any disclosure relating to related party transactions in its audited financial statements.

Accordingly, the school is directed to include such details in audited financial statements of the subsequent year. In the absence of such details, the purpose and genuineness of transactions entered into between related parties cannot be determined.

7. As per Section 18(5) of the DSEA, 1973, the management 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.

Further, Rule 180 of DSER, 1973 states" (I) every unaided recognised private schools shall submit the returns and documents in accordance with Appendix-I, (2)Every return or documents referred to in sub rule (I), shall be submitted to the Director by the 31st day of July of each year.(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 any officers authorised by the Comptroller and Auditor General of India"

And Section 24 (2) of DSA. 1973 states "The Director may arrange special inspection of any school on such aspects of its working as may, from time to time, be considered necessary by him".

Whereas Appendix-II to Rule 180 specify that "final accounts i.e. receipts, and payments account, income and expenditure account and balance sheet of the preceding year should be duly audited by Chartered Accountant.

It has been noticed that Financial Documents/ Certificates Attested by third person misrepresenting themselves as CA Members are misleading the Authorities and Stakeholders. ICAI is also receiving number of complaints of signatures of CAs being forged by non CAs.

To curb such malpractices, the Professional Development Committee of ICAI has come out with an innovative concept of UDIN i.e. Unique Document Identification Number which is being implemented in phased manner. It will secure the certificates attested/certified by practicing CAs. This will also enable the Regulators/Banks/Third parties to check the authenticity of the documents.

Accordingly, the Council in the 379th meeting of ICAI held on 17.12.2018 and 18.12.2018, made mandatory for all practicing member to obtain 18 digits UDIN before issuing any audits reports/ certification etc. in the following manner:

- All Certification done by Practising CAs w.e.f. 01.02.2019.
- All GST & Tax Audit Reports w.e.f. 01.04.2019.
- AII other attest functions w.e.f. 0 I .07.2019.

On review of audited financial statements for FY 2019-20 and FY 2021-22, it is noted the financial statements of the school were certified by the Chartered Accountant without mentioning the UDIN as required by the council. Similar observations were also noted in Directorate's Order No. F.DE. 15/(699)/PSB/2022/ 4275-4279 dated 07.06.2022 issued for FY 2018-19 and Order No. F.DE. 15/(700)/PSB/2022/ 4280-4284 dated 07.06.2022 issued for FY 2019-20.

This being the procedural finding therefore, the school management are again instructed to ensure this compliance from the Auditor of the school.

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 **10,37,03,886** out of which cash outflow in the FY 2022-23 is estimated to be INR **9,62,46,202.** This results in surplus of INR **74,57,684** for FY 2022-23 after all payments. The details are as follows:

Particulars	Amount (in INR)
Cash and Bank balances as on 31.03.2022 as per Audited Financial Statements	77,28,370
Investments (Fixed Deposits) as on 31.03.2022 as per Audited Financial Statements	12,70,024
Investments (LIC for Gratuity and Leave encashment) as on 31.03.2022 as per Audited Financial Statements	1,07,76,630
Liquid Funds as on 31.03.2022	**1,97,75,024**
Add: Recovery from the society for repayment of loan (including interest) taken for amount spent on purchase of buses in contravention of Rule 177 of DSER,1973 (Refer Financial Suggestion No. 1)	55,71,437
Add: Recovery from the society on account of the amount spent by the school towards the building (Refer Financial Suggestion No. 2)	1,82,47,790
Add: Recovery from the society towards funds transferred to Nircon Projects towards construction/ extension of building (Refer Financial Suggestion No. 3)	73,00,000
Add: Fees for FY 2021-22 as per Audited Financial Statements (Refer Note 2 Below)	5,68,84,577
Add: Other Income for FY 2021-22 as per Audited Financial Statements (Refer Note 2 Below)	5,58,703
Add: Additional Income of Annual Charges (Refer Note 4 Below)	29,42,188
Add: Additional Fees due to increase in fee @11% from 01.07.2022 (Refer Note 5 Below)	49,27,821
Less: Arrears of Annual Charges and Development Charges of FY 2020-21 collected in FY 2021-22 (Refer Note 3 Below)	-
Total Available Funds for FY 2022-23	**11,62,07,540**
Less: FDR in the joint name of Dy Director Education and Manager of the school (Refer Note 1 Below)	4,82,762
Less: FDR in the joint name of Secretary, CBSE and Manager of the school (Refer Note 1 Below)	2,46,262
Less: Caution Money (Refer Other Suggestion No. 3)	9,98,000
Less: Investment with LIC towards Gratuity and Leave Encashment as on 31.03.2022 [Refer Financial Suggestion No. 4]	1,07,76,630
Net Available Funds for FY 2022-23 (A)	**10,37,03,886**
Less: Budgeted expenses for the session 2022-23 (Refer Note 6 Below)	**8,77,67,000**
Less: Salary Arrears of 7th CPC (Refer Note 7 Below)	**84,79,202**
Total Estimated Expenditure for FY 2022-23 (B)	**9,62,46,202**
Net Surplus (A-B)	**74,57,684**

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

Particulars	Amount (in INR)	Remarks
FDR in the joint name of Dy. Director of Education and Manager of the school	4,82,762	Deducted while calculating available funds of the school.
FDR in the joint name of Secretary, CBSE and Manager of the school	2,46,262	Deducted while calculating available funds of the school.
Total	**7,29,024**	

Note 2: All the fee and other income as per audited financial statements for the FY 2021-22 has been considered with the assumption that the amount received in FY 2021-22 will at least accrue during FY 2022-23. It is to be noted Development Fee of INR 6,88,784 received during FY 2021-22 as per the audited financial statements have to be considered though development fee received by the school during FY 2019-20 was INR 59,03,932. The School need to explain the reason for decrease in the development fee over the years and the same will be examined at the time of fee evaluation of next academic year.

Note 3: The school has not submitted the details of arrears of annual charges of FY 2020-21 collected in FY 2021-22 separately. Further, on review of audited financial statements for FY 2020-21 and 2021-22, it appears that the school has shown accrued income from annual charges in the respective financial year.

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

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

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

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

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

Particulars	Income as per Audited Income & Expenditure Account for the FY 2021-22	Income Considered while deriving the fund position for the FY 2022-23	Remarks
Tuition fee	3,94,27,795	3,94,27,795	As per reconciliation provided by the school, Annual Charges collected in FY 2021-22 at the rate of 85% in compliance of the Directorate's order dated 01.07.2021 and thus, difference amount of INR 29,42,188 has been considered.
Annual Charges	1,66,72,398	1,96,14,586	
Development Charges	6,88,784	6,88,784	
Total	**5,67,88,977**	**5,98,52,715**	

Note 5: The school was allowed to increase fee 2% vide Order No. F.DE. 15/(699)/PSB/2022/ 4275-4279 dated 07.06.2022 issued for FY 2018-19 and 9% vide Order No. F.DE. 15/(700)/PSB/2022/ 4280-4284 dated 07.06.2022 issued for FY 2019-20 from 1st July, 2022. The school has submitted that it has increased the fee @11% from 1st July 2022. Accordingly, additional income on account of fee increase will also accrue to the school in FY 2022-23 and thus, following amount has been considered as funds available with the school:

Fee heads	Actual receipt in FY 2021-22	Grossed Up	Total Estimated Fee	Increased fee (with fee increase @11% for 9 months)
Tuition fees	3,94,27,795	-	3,94,27,795	4,26,80,588
Annual Charges	1,66,72,398	29,42,188	1,96,14,586	2,12,32,789
Development Fee	6,88,784	-	6,88,784	7,45,609
Total	**5,67,88,977**	**29,42,188**	**5,97,31,165**	**6,46,58,986**
Impact of fee increase				**49,27,821**

Note 6: All budgeted expenditure proposed by the school amounting to INR 14,76,67,000 has been considered while deriving the fund position of the school except the following:

Head of Expenditure	2022-23 (in INR)	Amount disallowed (in INR)	Remarks
Gratuity & Leave encashment	25,00,000	25,00,000	Refer Financial Suggestion No. 3
Provision for contingency fund	1,25,00,000	1,25,00,000	The school does not have earmarked investment, therefore provision for contingency fund has not been considered
Development Expenses	7,50,000	7,50,000	Refer Other Suggestion No. 1
Transport expenses	76,05,000	76,05,000	Neither Income nor expense has been considered on the assumption that earmarked levies are collected on no profit no loss basis
Activity Expenses	3,45,000	3,45,000	
Computer Expenses	7,50,000	7,50,000	
Medical Expenses	4,50,000	4,50,000	
Building	3,25,00,000	3,25,00,000	This capital expenditure is not in accordance with clause 2 of Public Notice dated 04.05.1997 and Rule 177 of DSER, 1973
Road Construction	25,00,000	25,00,000	
Total	**5,99,00,000**	**5,99,00,000**	

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

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

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

As per school's reply during hearing, it was held that the school has implemented 7th CPC recommendations w.e.f 01.07.2021. Further, the salary arrears amounting to INR 84,79,202 for the period 01.04.2020 to 30.06.2021 provided separately by the school has been considered while evaluating the funds availability position of the school.

ii. In view of the above examination, it is evident that the school have adequate funds to carry on its operations for the academic session 2022-23 on the existing fee structure. In this regard, Directorate of Education has already issued directions to the schools vide order dated 16.04.2010 that,

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

AND WHEREAS, in the light of the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, the proposal of the school for the session 2022-23 have been evaluated and certain financial suggestions have been identified (appropriate financial impact has been taken on the fund position of the school) and certain procedural suggestions which were also noted (appropriate instruction against which have been given in the order) that the sufficient funds are available with the school to carry out its operations for the academic session 2022-23.

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

AND WHEREAS, it is noticed that the school has incurred INR 3,11,19,227 in contravention of Rule 177 and other provisions of DSEAR, 1973 and other orders issued by the departments from time to time. Therefore, the school is directed to recover the aforesaid amount from society/ management. The receipts along with copy of bank statements showing receipt of the above-mentioned amount should be submitted with DoE, in compliance of the same, within 30 days from the date of issue of the order. Non-compliance with this direction shall be viewed seriously as per the provision of DSEA&R, 1973 without providing any further opportunity of being heard.

AND WHEREAS, 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.

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

Accordingly, it is hereby conveyed that the proposal for fee hike of **Masonic Public School Sector -B, Pocket-1, Vasant Kunj, New Delhi – 110070 (School Id-1720155)** filed by the school in response to the Order No. F.DE.-15(40)/PSB/2019/4440-4412 dated 08.06.2022 for the academic session 2022-23, is 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 DSEA&R 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 the order or any direction herein shall be viewed seriously and will be dealt with in accordance with the provisions of section 24(4) of Delhi School Education Act, 1973 and Delhi School Education Rules, 1973.

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

18/9/23

(Bimla Kumari)
Deputy Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi

To
The Manager/ HoS
Masonic Public School,
Sector -B, Pocket-1, Vasant Kunj,
New Delhi – 110070 (School Id-1720155)

No. F.DE.15 (1598)/PSB/2023 | 8922-8926 Dated: 18/10/23

Copy to:

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

18/10/23

(Bimla Kumari)
Deputy Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi