

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

No. F.DE.15 (1234)/PSB/2022/ 1377-1381

Dated: 10/02/23

Order

WHEREAS, **Paramount International School (School ID- 1821219) Sector-23, Dwarka, New Delhi-110075**, (hereinafter referred to as "**the School**"), run by the **Delhi Sanskar Bharti Shiksha Samiti** (hereinafter referred to as the "**Society**"), is a private unaided school recognized by the Directorate of Education, Govt. of NCT of Delhi (hereinafter referred to as "**DoE**"), under the provisions of Delhi School Education Act & Rules, 1973 (hereinafter referred to as "**DSEAR, 1973**"). The school is statutorily bound to comply with the provisions of the DSEAR, 1973 and RTE Act, 2009, as well as the directions/guidelines issued by the DoE from time to time.

AND WHEREAS, every school is required to file a full statement of fees every year before the ensuing academic session under section 17(3) of the DSEAR, 1973 with the Directorate. Such statement is required to indicate estimated income of the school to be derived from fees, estimated current operational expenses towards salaries and allowances payable to employees etc. in terms of rule 177(1) of the DSEAR, 1973.

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

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

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

Rule 180 (3): *'the account and other records maintained by an unaided private school shall be subject to examination by the auditors and inspecting officers authorised by the Director in this behalf and also by officers authorised by the Comptroller and Auditor-General of India.'*

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

AND WHEREAS, it was also directed by the Hon'ble Supreme Court, that the DoE in the aforesaid matter titled Modern School Vs. Union of India and Others in paras 27 and 28 in case of private unaided schools situated on the land allotted by DDA at concessional rates that:

"27....

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

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

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

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

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

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

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

AND WHEREAS, in the process of examination of fee increase proposal filed by the aforesaid School for the academic session 2022-23, necessary records and explanations were also called from the school through email. Further, the school was also provided an opportunity of being heard on 15th December 2022 to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted. During that hearing, the compliance of order no. F.DE.15(137)/PSB/2019/1929-1933 dated 22.02.2019 issued for the academic session 2017-18 was also discussed and the school submission were taken on record.

AND WHEREAS, on receipt of clarification as well as documents uploaded on the web portal for fee increase and subsequent documents submitted by the school as a result of the personal hearing, were evaluated thoroughly by the team of Chartered Accountants. After evaluation of fee increase proposal of the school and its subsequent clarifications and submissions, following key suggestions for improvement were noted:

A. Financial Suggestions for Improvement

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

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

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

Based on Directorate's Order no. F.DE.15(137)/PSB/2019/1929-1933 dated 22.02.2019 issued to the school post evaluation of fee increase proposal for the academic session 2017-18, it was noted that the school has utilized school funds for repayment of loans against construction of building and purchase of school bus amounting to total INR 3,05,68,865 (INR 1,11,24,352 plus INR 1,94,44,513) towards principal and INR 3,31,72,631 (INR 88,58,680 plus INR 97,07,613 plus INR 1,46,06,338) towards interest during FY 2014-15 to FY 2016-17 which is in contravention of Rule 177 of DSER, 1973.

The compliance report submitted by the school against order dated 22.02.2019 were taken on record. The school submitted that "The school building is one of the basic assets of the school. The students who are studying in the school are accommodated in the classrooms, activity rooms, computer rooms, science labs, library, playground etc for their all-round development..... Hence, the purchase of school transport, repayment of loan and interest paid on these loans should be taken as per the norms for the welfare and safety of the students. Hence, the transportation expenditure incurred on transportation system of school (including repayment of interest/loan on bus) has been met out from the school funds. This was done out of the compulsion/need of the situation and not of the school's own free will."

The contention of the school is incorrect because based on Rule 177 of DSER, 1973, the school fee at the first instance should be utilized for meeting establishment cost and other benefits admissible to the employees and capital expenditure should be met out the saving if any. Further, the school did not implement the recommendation of the 7th CPC and has not invested an amount in qualify assets for payment of retirement benefits in accordance with AS-15 therefore, the school has not complied with the provision of Rule 177 of DSER, 1973 and pronouncement of courts judgements. Therefore, the school funds utilized by the school for repayment of loan taken for the purchase of school bus is not admissible. Further, the cost relating to land and construction of school building should be borne by the society, being the property of the society and the school funds i.e., fee collected from students should not be utilized for the same. Hence, the contention of the school is not tenable and justified.

Further, based on the documents submitted by the school such as loan repayment schedule and audited financial statements for the FY 2019-20 to FY 2021-22, it has been noted that the school has repaid the remaining balance of Union Bank loan amounting to INR 80,615 taken for the purpose of purchase of school bus and has also repaid the loan taken for the upgradation of the building amounting to INR 1,64,54,561 (Principal INR 1,02,47,069 plus Interest INR 62,07,492) out of the school funds in contravention of the aforesaid provisions. Hence it is concluded that the school continued to repay the loan taken for the purpose of school bus and construction of building instead of complying with the previous order directions.

Moreover, the school was requested to provide the loan repayment schedule for the FY 2017-18 and FY 2018-19 related to all the above-mentioned loans which were taken for the purpose of building

construction and purchase of school bus, but no documents were submitted by the school for our review. Therefore, the loan repayment amount could not be determined for the FY 2017-18 and FY 2018-19.

b) School has done additions to the building amounting to INR 1,30,50,621 in FY 2020-21 out of the school funds which is in contravention of the aforesaid provisions. Further, it was noted that the school has changed the nomenclature from "building" to "fixtures" in FY 2021-22 and additionally based on the review of the certain invoices it was noted that majorly invoices were related to the purchase of Cement Sand, PVC Pipes, Tiles, TMT Bars etc, and invoices were in the name of the society rather school.

The representation submitted by the school was taken on record, in its representation the school has submitted that "No building construction has been done in the last 3 financial years. The said expenditure has been done for the "fixtures" only so added to the school's existing assets and the same is as per norms of the development fee. Further, the bills for the said fixtures are often made in the name of school c/o society as society is the legal entity and has all the required documentation for the purpose of GST, TDS etc. which are necessary for the vendors to execute an invoice."

The submission of the school is not acceptable because Para 7 of AS-10 (Property, Plant and Equipment) states:

· *The cost of an item of property and plant and equipment should be recognised as an asset if, and only if:*

· *It is probable that future economic benefits associated with the item will flow to the enterprises; and*

· *The cost of the item can be measured reliably.*

Accordingly, if any expenditure which increases the economic life of the assets with the probable future economic benefits, the same should be capitalized. However, from the information submitted by the school, it was noted that the school had made bulk purchase of Cement Sand, PVC Pipes, Tiles, TMT Bars etc. which clearly indicates that the above expenditure was related to construction of school building instead of fixtures.

In addition to this, it is important to mention that financial statements of FY 2020-21 were duly audited by a chartered accountant and same were countersigned by the school management. Therefore, the facts represented by the school that this expenditure is not related to building construction cannot be accepted.

c) School has taken a loan of INR 24,00,000 from Kotak Mahindra bank on 31st March 2022 for the purchase of car amounting to INR 26,95,638 and has made a down payment of INR 2,95,638 (INR 26,95,638 minus INR 24,00,000) and further repaid an instalment amounting to INR 73,667 out of the school funds which is in contravention of the aforesaid provisions.

d) During FY 2021-22, school has incurred capital expenditure on installation of lift amounting to INR 8,26,000 out of the school funds in contravention of the aforesaid provisions as the above capital expenditure was incurred without complying with the requirements prescribed in Rule 177 of DSER, 1973.

Since school has not complied with the direction issued in the previous year order. Therefore, the amount spent by the school on installation of lift, building construction and further on the repayment of loans for construction of building, purchase of school buses and car amounting to INR 9,45,22,598 (INR 3,05,68,865 plus INR 3,31,72,631 plus INR 80,615 plus INR 1,64,54,561 plus INR 1,30,50,621 plus INR 2,95,638 plus INR 73,667 plus INR 8,26,000) is hereby added to the fund position of the school

considering the same as funds available with the school with the direction to the school to recover this amount from the Society within 30 days from the date of this order. Non-compliance with this directive would be taken seriously, and the department would take appropriate action against the school under Section 24(4) of the DSEA, 1973 without giving any further opportunity to the school.

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

Para 57 of Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India, "*An enterprise should determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.*"

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

On review of the documents submitted by the school post personal hearing, it has been noted that the requirement of AS-15 is applicable to the school as it has employed more than 50 staff in a year. Further, the school has calculated liability as on 31st March, 2022 towards gratuity amounting to INR 2,17,71,165 in accordance with the actuarial valuation report and reported the same in the audited financial statements. However, the school has not made any investment in plan assets against provision for gratuity shown in the books of accounts. Additionally, it has been noted that the school has not calculated liability towards leave encashment in the books of accounts.

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

Similar point was also noted in Directorate order no. F.DE.15(137)/PSB/2019/1929-1933 dated 22.02.2019 issued post evaluation of fee increase proposal for academic session 2017-18. However, the school has not complied with the directions given in the previous order. Considering the guidance of above paragraph, an amount of INR 15,55,083 (i.e., 1/14 of INR 2,17,71,165) has been considered while deriving the fund position of the school and the school is again directed to invest the aforesaid amount in plan asset in accordance with AS-15 and submit the compliance report within 30 days from the date of issue of this order. Further, the school is also directed to make provision for leave encashment in the

audited financial statements based on the actuarial valuation report and to make an equivalent investment which qualify as plan assets within the meaning of AS-15 and submit the compliance report within 30 days from the date of issue of this order.

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

3. Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11.02.2009 states "Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up gradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with income generated from the investment made from this fund, will be kept in a separately maintained Development Fund Account."

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

Para 99 of Guidance Note-21 Accounting by Schools issued by the Institute of Chartered Accountants of India states "Where the fund is meant for meeting capital expenditure, upon 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 Guidance Note-21 also states "In respect of funds, schools should disclose the following in the schedules/notes to accounts:

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

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

Further, the review of audited financial statements for FY 2021-22 revealed that the school has not maintained separate bank account for development fee collection which is the contravention of aforesaid clause 14 of order dated 11.02.2009.

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

Thus, balance of development fund amounting to INR 6,58,545 as on 31.03.2022 has been considered while deriving the fund position of the school along with the directions to the school to comply with the aforesaid requirements.

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

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

While evaluating the fee increase proposal the following has been noted with respect the caution money:

- School has been collecting caution money from the students from FY 2019-20 to FY 2021-22.
- School had not maintained separate bank account for deposit of caution money.
- School had not refunded interest on caution money along with refund of caution money.
- School had not treated un-refunded caution money as income in the next financial year after expiry of 30 days.

The school is directed to ensure compliance with the above requirements especially ensuring that caution money is refunded along with interest to the students and un-refunded caution money as income while projecting the fee increase proposal of the subsequent year. Therefore, the caution money fund balance amounting to INR 11,98,500 as on 31.03.2022 as per the audited financial statements has been considered while deriving the fund position of the school.

B. Other Suggestions for improvement

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

Clause 21 of Order No. F.DE. /15(56)/Act/2009/778 dated 11.02.2009 states *"No annual charges shall be levied unless they are determined by the Managing Committee to cover all revenue expenditure, not included in the tuition fee and 'overheads' and expenses on play-grounds, sports equipment, cultural and other co-curricular activities as distinct from the curricular activities of the school."*

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

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

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

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

said rule states "The collections referred to in sub-rule (3) shall be administered in the same manner as the monies standing to the credit of the Pupils Fund as administered."

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

Further, the Guidance Note-21 lays down the concept of fund-based accounting for restricted funds, whereby upon incurrence of expenditure, the same is charged to the Income and Expenditure Account and a corresponding amount is transferred from the concerned restricted fund account to the credit of the Income and Expenditure Account.

From the information provided by the school post personal hearing, it has been noted that school charges earmarked levies in the form of Smart Class/IT Charges, Life Skills/Personality Development, RBD/Abacus Fee and Transportation fees from the students but has not maintained fund-based accounting. The surplus/deficit generated by the school from these earmarked levies in last three financial years are as under:

(Figures in INR)

Particulars*	Smart Class/IT	Life Skills/ Personality Development	RBD/Abacus Fee	Transportation Fees
For the year 2019-20				
Fee Collected during the year (A)	58,71,162	23,90,258	30,43,345	1,89,94,298
Expenses during the year (B)	55,77,097	26,50,520	24,01,230	1,89,61,463
Difference for the year (A-B)	2,94,065	(2,60,262)	6,42,115	32,835
For the year 2020-21				
Fee Collected during the year (A)	-	-	-	-
Expenses during the year (B)	9,41,985	7,10,220	10,54,553	19,29,512
Difference for the year (A-B)	(9,41,985)	(7,10,220)	(10,54,553)	(19,29,512)
For the year 2021-22				
Fee Collected during the year (A)	-	-	-	-
Expenses during the year (B)	9,82,705	3,70,886	3,60,404	9,63,791
Difference for the year (A-B)	(9,82,705)	(3,70,886)	(3,60,404)	(9,63,791)
Total (Surplus)	(16,30,625)	(13,41,368)	(7,72,842)	(28,60,468)

* The above table is showing the surplus/losses of last 3 financial years in accordance with the data submitted by the school against earmarked levies.

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

earmarked levy with immediate effect and should incur the expenses relating to these from tuition fee and/or annual charges.

Similar point was also noted in Directorate order no. F.DE.15(137)/PSB/2019/1929-1933 dated 22.02.2019 issued for academic session 2017-18. However, the school has not complied with the directions given in the previous order. Therefore, the school is again directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from students. Unintentional surplus/deficit, if any, generated from earmarked levies must be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies in the subsequent proposal of fee increase by ensuring that the proposed levies are calculated on no-profit no-loss basis and not to include fee collected from all students as earmarked levies.

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

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

Particulars	FY 2019-20	FY 2020-21	FY 2021-22
EWS	452	460	474
Total Strength	2597	2517	2324
% Of EWS students to total strength	17%	18%	20%

Similar point was also noted in Directorate order no. F.DE.15(137)/PSB/2019/1929-1933 dated 22.02.2019 issued post evaluation of fee increase proposal for academic session 2017-18. As the school has not complied with the direction issued in the previous year order, therefore the school is again directed to comply with the directions included in orders above.

3. School was requested to submit the fixed assets register for verification; however, it has failed to provide the same. Therefore, it seems that the school does not follow the practice of preparing Fixed Assets Register (FAR). The FAR should include details such as invoice date, invoice number, supplier name, description of asset, manufacturer's serial number, location, depreciation, asset identification number, etc. to facilitate identification of asset and document complete details of assets at one place.

Accordingly, the school is directed to prepare the fixed assets register by capturing all the details mentioned above and submit the compliance report within 30 days from the date of issue of this order. Compliance of the above shall be verified at the time of evaluation of proposal for increase of fee for subsequent year.

4. According to the Directorate of Education Order No F. DE.-15/Act-I/WPC-4109/Part/13/7905-7913 dated 16.04.2016, In exercise of the powers confirmed by Clause (xviii) of Rule 50 and Rule 180 of the Delhi School Education Rules, 1973, the Director specified that the format of return and documents to be submitted by schools under Rule 180 read with Appendix-II of the Delhi School Education Rules,



1973 shall be as per format specified by the Institute of Chartered Accountant of India, established under Chartered Accountant Act 1949 (38 of 1949) in Guidance Note on Accounting by the Schools (2005).

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

Para 67(ii) of Guidance Note-21 issued by the Institute of Chartered Accountants of India, states "The financial statements should disclose, inter alia, the historical cost of fixed assets."

On review of audited Financial Statements for the FY 2019-20 to FY 2021-22, it has been noted that the depreciation on fixed assets have been provided at the rates prescribed in the Income Tax Rules which is contravention of the rule cited above. Therefore, the school is directed to provide depreciation on assets in accordance with the guidance note cited above and report fixed assets at gross value on the assets side of balance sheet.

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 **22,50,20,901** out of which cash outflow in the FY 2022-23 is estimated to be INR **17,19,73,791**. This results in surplus of INR **5,30,47,110** for FY 2022-23 after all payments. The details are as follows:

Particulars	Amount (In INR)
Cash and Bank balances as on 31.03.22 as per Audited Financial Statements	49,42,515
Investments as on 31.03.22 as per Audited Financial Statements (Refer Note 1 Below)	22,95,391
Liquid Funds as on 31.03.2022	72,37,906
Add: Amount recoverable from society for funds utilized on the installation of the lift and further on repayment of loan against construction of building, school bus and car (Refer Financial Suggestion No. 1)	9,45,22,598
Add: Fees for FY 2021-22 as per Audited Financial Statements (Refer Note 2 Below)	12,56,35,455
Add: Other income for FY 2021-22 as per Audited Financial Statements (Refer Note 2 Below)	18,32,462
Total Available Funds for FY 2022-23	22,92,28,421
Less: Gratuity fund balance (Refer Financial Suggestion No. 2)	15,55,083
Less: Development Fund as on 31.03.2022 (Refer Financial Suggestion No. 3)	6,58,546
Less: Caution Money as on 31.03.2022 (Refer Financial Suggestion No. 4)	11,98,500
Less: FDR in the name of manager & CBSE as on 31.03.2022 (Refer Note 1 Below)	2,50,000
Less: FDR in the name of school and DDE as on 31.03.2022 (Refer Note 1 Below)	3,45,391
Less: FDR deposit with Tata Power Renewable Energy Ltd (Refer Note 1 below)	2,00,000
Less: Salary provision as on 31.03.2022 (Refer Note 3 below)	-
Net Available Funds for FY 2022-23 - (A)	22,50,20,901
Less: Budgeted expenses for the session 2022-23 (Refer Note 4 Below)	13,52,37,363
Less: Salary arrears of 7th CPC (Refer Note 5 Below)	3,67,36,428
Total Estimated Expenditure for FY 2022-23 - (B)	17,19,73,791
Net Surplus (A-B)	5,30,47,110

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

Particulars	Amount (in INR)	Remarks
FDR in the joint name of DDE	3,45,391	Deducted while calculating available funds of the school.
FDR in the joint name of CBSE	2,50,000	Deducted while calculating available funds of the school.
FDR in the name of society	15,00,000	Available with the school for utilization.
FDR against Tata Power Renewable Energy Ltd	2,00,000	Deducted while calculating available funds of the school.
Total	22,95,391	

Note 2: The Department vide its Order No.F.No.PS/DE/2020/55 dated 18.04.2020 and Order No.F.No.PS/DE/2020/3224-3231 dated 28.08.2020 had issued guidelines regarding the chargeability of fees during the pandemic COVID 2019. The department in both the above-mentioned orders directed to the management of all the private schools not to collect any fee except the tuition fee irrespective of the fact whether running on the private land or government land allotted by DDA/other land-owning agencies and not to increase any fee in FY 2020-21 till further direction.

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

- (i) "to collect annual school fee (only all permitted heads of fees) from their students as fixed under the DSEAR, 1973 for the academic year 2020-21, but by providing deduction of 15% on that amount in lieu of unutilized facilities by the students during the relevant period of academic year 2020-21". And if the school has collected the fee in excess to the direction issued by the Hon'ble Court, the same shall be refunded to the parents or adjusted in the subsequent month of fee or refund to the parents.
- (ii) The amount so payable by the concerned students be paid in six equal monthly instalments w.e.f. 10.06.2021.
- (iii) The above arrangement is also applicable with respect to collection of fees for FY 2021-22.

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

Table A

Particulars	Income as per AFS for FY 2021-22	Income Considered while deriving the fund position for the FY 2022-23	Remarks
Tuition fee	9,14,31,535	9,43,28,520	Fees has been considered as per reconciliation of FY 2021-22 provided by the school.
Annual Charges	3,13,19,111	1,82,95,000	
Development Charges	2,15,18,812	1,29,11,060	
Total	14,42,69,458	12,55,34,580	

All the other income as per audited financial statements of FY 2021-22 has been considered with the assumption that the amount received in FY 2021-22 will at least accrue during FY 2022-23.

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

The school has made provision for 4 month's salary reserve of INR 1,09,59,552 as on 31.03.2022. However, the school has not earmarked any investment in the joint name of the Dy. Director and Manager of the school. Hence, the same has not been considered while calculating 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	Budget Expenditure in 2022-23	Amount Disallowed	Remarks
Salary to teaching and non-teaching staff	10,71,82,946	5,07,23,894	Restricted to 130% of the expenses incurred by the school in previous year.
Salary arrears 7 th CPC	9,19,83,177	9,19,83,177	Has been considered separately (Refer Note 5 below)
Fuel Expense (In respect of vehicle owned by school)	95,70,000	95,70,000	Neither transport income nor expense has been considered.
Total	20,87,36,123	15,22,77,071	

Note 5: 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 not implemented 7th CPC till date. Further, school has provided calculation on the salary arrears as per 7th CPC for the period Jan 2016 to March 2022 amounting to INR 9,19,83,177. Whereas it was noted that the school had not applied for fee increase proposal during the last 2 years (i.e., FY 2018-19 and FY 2019-20). From that it seems the school has sufficient funds to meet expenditure during the above-mentioned period. Hence, 7th CPC salary arrears for the FY 2020-21 and FY 2021-22 amounting to INR 3,67,36,428 has been considered while calculating the fund position of the school.

- ii. In view of the above examination, it is evident that the school has sufficient funds to carry on its operation 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 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 that along with certain financial and other irregularities, that the 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, recommendation of the team of Chartered Accountants along with relevant materials were put before the Director of Education for consideration and who after considering all the material on the record, and after considering the provisions of section 17 (3), 18(5), 24(1) of the DSEA, 1973 read with Rules 172, 173, 175 and 177 of the DSER, 1973 has found that the school has sufficient funds for meeting financial implication for the academic session 2022-23. Therefore, Director (Education) has rejected the proposal submitted by the school to increase the fee for the academic session 2022-23.

Accordingly, it is hereby conveyed that the proposal of fee increase of **Paramount International School (School ID- 1821219) Sector-23, Dwarka, New Delhi-110075** is rejected by the Director of Education. 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 in pursuance to the proposal submitted by school on any account for the academic session 2022-23 and if the fee is already increased and charged for the academic session 2022-23, the same shall be refunded to the parents or adjusted in the fee of subsequent months.
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
Paramount International School, Dwarka,
School ID- 1821219
New Delhi- 110075

No. F.DE.15(1234)/PSB/2022/1377-1381

Dated: 10/02/23

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 B) ensure the compliance of the above order by the school management.
4. In-charge (I.T Cell) with the request to upload on the website of this Directorate
5. Guard file.

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