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

No. F.DE.15 (1008)/PSB/2022/ 8571-8575 **Dated:** 25/10/22

Order

WHEREAS, **FR. Angel Sr. Secondary School (School ID-1924189), Gautam Nagar, New Delhi-110049** (hereinafter referred to as " **the School**"), run by the Angel Charities Society (hereinafter referred to as "**Society**"), is a private unaided school recognized by the Directorate of Education, Govt. of NCT of Delhi (hereinafter referred to as "**DoE**"), under the provisions of Delhi School Education Act & Rules, 1973 (hereinafter referred to as "**DSEAR, 1973**"). The school is statutorily bound to comply with the provisions of the DSEAR, 1973 and RTE Act, 2009, as well as the directions/guidelines issued by the DoE from time to time.

AND WHEREAS, the manager of every recognized school is required to file a full statement of fees every year for the ensuing academic session under section 17(3) of the DSEAR, 1973 with the Directorate. Such a statement is required to indicate the 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 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 recognized 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 recognized 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 authorized by the Director in this behalf and also by officers authorized by the Comptroller and Auditor-General of India'.

Thus, the Director (Education) has the authority to examine the full statement of fees filled under section 17(3) of the DSEA, 1973 and returns and documents submitted under section 18(5) of DSEA, 1973 read with rule 180 (1) of DSER, 1973.

AND WHEREAS, besides the above, the Director (Education) is also required to examine and evaluate the fee hike proposal submitted by the private unaided recognized schools which have been allotted land by the DDA/ other land-owning agencies with the condition in their allotment to seek prior approval from Director (Education) before any increase in fee.

AND WHEREAS, 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 fees 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 that in the case of private unaided schools situated on the land allotted by DDA/other land-owning agencies at concessional rates:

"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/ other land-owning agencies.

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

AND WHEREAS, in pursuance to Order dated 08.06.2022 of the DoE, the School submitted its proposal for enhancement of fee for the academic session 2022-23. Accordingly, this Order dispenses the proposal for enhancement of fee submitted by school for the academic session 2022-23.

AND WHEREAS, in order to examine the proposals submitted by the schools for fee increase for justifiability or not, the DoE has deployed teams of Chartered Accountants at HQ level who 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 the fee hike proposal filed by the aforesaid school, necessary records and explanations were also called from the school through an email dated 07.09.2022. The school was also provided an opportunity to be heard on 26.09.2022 to present its justifications/clarifications on the fee increase proposal. Based on the discussion with the school during a personal hearing, the school was further asked to submit the necessary documents and clarification on various issues noted. In the aforesaid personal hearing, compliance of Order No. 15/ (698)/PSB/2022/4270-4274 dated 07.06.2022 issued for academic session 2019-20 were also discussed with the school and the school's submissions were taken on record.

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

A. Financial Suggestion for Improvements

1. *Section 18(5) of the DSEA, 1973 states "the managing committee of every recognized private school shall file every year with the Director such duly audited financial and other returns as may be prescribed, and every such returns shall be audited by such authority as may be prescribed"* Further, Rule 180 (1) of DSER, 1973 states that *"every recognized private school shall submit returns and documents in accordance with Appendix-II". Point no. (2) of the* Appendix-II requires final accounts i.e., receipts and payments account, income and expenditure account and balance sheet of the preceding year should be duly audited by the Chartered Accountant.

   Accordingly, the DoE through vide Order No. F.DE-15/ACT-I/WPC-4109/Part/13/7905-7913 dated 16.04.2016, specified the format of returns and documents submitted to be submitted by the private unaided recognized schools. As per this order that format of the financial statements shall be such as specified by the Institute of Chartered Accountants of India, established under Chartered Accountants Act, 1949 (38 of 1949) in Guidance Note-21 on Accounting by Schools (2005) or as amended from time to time by this Institute.

   Based on the abovementioned provisions, every private unaided recognized school is required to the get its accounts audited by the Chartered Accountant before submission of return under Rule 180(1) of DSER, 1973.

   The documents submitted by the school were taken on record, on review of the audited financial statements and the independent auditors report, it appears that the school did not get its accounts audited in accordance with the above-mentioned provisions. The Independent Auditors Report issued by the school indicates that:

   a) *"We have audited the accompanying financial statements of ANGEL CHARTIES, NEW DELHI, which comprises the balance sheet as at 31st March 2022, the income and expenditure account for the year…… "*

   b) *"This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of THE SOCIETY REGISTRATION ACT, 1860……. "*

   In view of the above comments given by the independent auditor, it cannot be ascertained whether school has got its accounts audited in terms of the above-mentioned provisions. Although the auditor has signed the balance sheet and income and expenditure of the school without issuing proper audit report. Thus, the financial statements submitted by the school is questionable and cannot be considered as complete.

   Therefore, the school is hereby directed to get its accounts audited by the independent auditor in accordance with the above-mentioned provisions and submit the compliance report within 30 days from the date of issue of this order. However, for the purposes of evaluation of fee hike proposal, balance sheet and income and expenditure and receipt and payment accounts as submitted by the school has been considered.

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

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

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

On review of the audited financial statements, it has been noted that the school has been recording income on cash basis because both incomes as per the income expenditure account and receipts are matching with each other while the expenditures has been recorded on accrual basis. It is also pertinent to mention that the school has also reported the advance fee and fee receivable in the audited financial statements without providing its movement details.

Therefore, the school is hereby directed, to maintain its books of account in accordance with GAAP from subsequent financial years and made necessary adjustment in its books of accounts accordingly. The compliance with this direction shall be verified while evaluating the fee increase proposal of the subsequent year.

3. As per clause 8 of the order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and clause No. 23 of order no- F.DE/15(56)/Act/ 2009/778 dated 11.02.2009, "*no amount whatsoever shall be transferred from the recognized unaided fund/ school fund to a society or trust or any other institution*". This was upheld by the Hon'ble Supreme Court in the matter of Modern School Vs. Union of India & Others.

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

Based on the above-mentioned provisions, the school can only provide financial assistance to any other school or institution run under the same management, if there is saving calculated in the manner specified under Rule 177 of DSER, 1973. In other words, the school first of all needs to meet its own expenditure and thereafter, if any there is any saving, the same may be utilized for one or more purposes specified under Rule 177.

The Directorate in its Order No. 15/ (698)/PSB/2022/4270-4274 dated 07.06.2022 issued to the school post evaluation of fee hike proposal for FY 2019-20, noted that in the FY 2015-16 and FY 2017-18, the school had utilized INR 6,34,95,780 for the purchase/ construct the other school's land and building run by the same society without complying with the provision of Rule 177 of DSER, 1973, Accordingly, the school was directed to recover INR 6,34,95,780 from the society/ other school which is still pending for recovery. Therefore, the amount which is still pending for recovery of INR 6,34,95,780 is considered as available funds with the school and has been considered while deriving the fund position of the school.

Therefore, the school is hereby again directed to recover INR 6,34,95,780 from the Society/ other school within 30 days from the date of issue of this order. In case the school fails to comply with this direction, necessary action will be initiated against the school U/s 24(4) of the DSEA, 1973, without giving further opportunity to be heard.\

Further, the proposed expense for 'financial assistance and scholarship' of INR 3,50,00,000 has not been considered as eligible expense while deriving the fund position of the School.

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

Para 99 of Guidance Note-21 '*Accounting by school*' issued by the Institute of Chartered Accountants of India (ICAI), relating to restricted fund, "*Where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year*". 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 revenue account. By following the aforesaid accounting treatment for development fund, development fund utilisation account and depreciation on assets purchased out of development fund as per para 99 of GN-21, the depreciation reserve fund would be mere an accounting head and school do not require creation of equivalent investments against the depreciation reserve.

The presentation of audited financial statements of FY 2021-22 revealed the closing balance of development funds balance was INR 61,31,000 as on 31.03.2022. However, the school has neither maintained separate bank account nor have the earmarked investment against this outstanding balance. Thus, the school is not complying with specific requirement of Clause 14 of the order dated 11.02.2009.

Further, on review of the audited financial statements, it has been noted that the School has taking development fund in the name of "Technology Fund" and the same has been treated as revenue receipt. The School has also maintained "depreciation reserve fund" for the sake of collection of development fund only however, there is no relationship between depreciation charged on the asset purchased out of development fund and depreciation reserve fund.

Moreover, the audited financial statements of the school revealed that the school has not been following para 99 of the GN 21. Because upon incurrence of the capital expenditure out of the development fund, the school has not created any deferred income account and has not transferred any amount from deferred income to the credit of income and expenditure account. Thus, the school is hereby directed to follow accounting treatment specified in para 99 of the Guidance Note 21 with respect to the collection and utilization of development fund and make necessary adjustment in the general reserve account.

Therefore, the School is hereby directed to maintain separate bank account and made earmarked investment against the outstanding balance of the development funds, and it is also directed to treat development fund as a capital receipt and follow para 99 of the GN 21. The School is directed to comply with the direction within 30 days from the date of issue of this order.

5. 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.*"

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 of the DSER, 1973 states "*Income derived from collections for specific purposes shall be spent only for such purpose.*"

Para No. 22 of Order No. F.DE./15(56)/ Act/2009/778 dated 11.02.2009 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.*"

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.*"

Also, earmarked levies collected from the students are a form of the restricted funds, which, according to the 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.

The aforementioned Guidance Note-21 also 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).

The review of the audited financial statements from 2019-20 to 2021-22, revealed that the school has been collecting earmarked levies in the name of transport fee, computer fee and activities fees. It has also been noted that school has not been following fund-based accounting as the school has incurred surplus/deficit from the transport fee and earned surplus from computer fee and activity fees. The summary of earmarked levies collected, and expenditure incurred by the school is as under:

Particulars	Transport Fees	Computer Fees	Activity Fees
Financial Year 2019-20			
Income (A)	1,84,62,275	43,39,985	2,43,00,251
Expenditure (B)	1,64,92,034	*	*
Surplus/ (Deficit) (A-B)	**19,70,241**	**43,39,985**	**2,43,00,251**
Financial Year 2020-21			
Income (A)	80,000	-	31,65,311
Expenditure (B)	17,52,953	-	*
Surplus/ (Deficit) (A-B)	**-16,72,953**		**31,65,311**
Financial Year 2021-22			
Income (A)	3,25,004	-	9,28,800
Expenditure (B)	2,40,000	-	*
Surplus/ (Deficit) (A-B)	**85,004**		**9,28,800**

*Expense related to these earmarked levies cannot be identify from the income and expenditure account.

Thus, the earmarked levies are to be collected only from the user students availing of the service/facility. In other words, if any, service/facility is extended to all the students. A separate charge should not be levied for those services/facilities. Because the same would get covered either under the tuition fee (expenses on curricular activities) or under the annual charges (expenses other than those covered under tuition fee). The charging of unwarranted fee or any other amount/fee under different heads other than the prescribed heads of fee and the accumulation of surplus fund therefrom is prima-facie considered a collection of capitation fee in other manner and form. As the school has been charging Activity fee and Computer fees from students of all classes which losses the character of earmarked levy.

However, analysis of the financial statements of the school revealed that the school has smartly included all these earmarked levies in its fee structure in order to generate extra funds without doing proper exercise as how much funds are required to the meet the particular expenditure. Therefore, the school is hereby directed to not collect activity fee and computer fees from the students as these may get covered either from the tuition fee or annual charges collected from the students. The school is further directed to maintain the fund-based accounting with the respect to earmarked levy.

B. Other Suggestion for Improvements

1. 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".*

   On review of the audited financial statements, it has been noticed that the fixed assets are reported at written down in the audited financial statements. Further fixed assets schedule forming part of the financial statements does not include opening cost of the asset, closing cost of the asset, opening balance of accumulated depreciation, and closing balance of accumulated depreciation.

   The same observation was also noticed in DoE's Order No. 15/ (698)/PSB/2022/4270-4274 dated 07.06.2022 issued to the school post evaluation of fee hike proposal for academic session 2019-20 wherein the school was directed to comply with the above-mentioned provisions of law which is still pending for compliance.

   The school is hereby again directed to report historical cost of assets and accumulated depreciation for each head of fixed assets as prescribed in the Guidance Note on Accounting by Schools in the fixed asset schedule annexed to the financial statements.

2. During the personal hearing, the school confirmed that it was not preparing a Fixed Asset Register (FAR). The school should ensure that FAR capturing details such as Asset Description, Quantity, Supplier name, invoice number, purchase date, manufacturer's serial number, location, purchase cost, other costs incurred, depreciation, identification number, etc. is prepared to facilitate identification of asset and documenting complete details of assets at one place.

   The school confirmed that it will prepare the FAR as per the recommendations of the Directorate starting from FY 2022-23 onward. Accordingly, the school is directed to prepare the FAR with relevant details mentioned above. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

3. While evaluating the fee hike proposal, the school was asked to submit the following additional documents vide email dated 26.09.2022 which the school has not provided for verification. The information of the following documents may have a financial implication on the fund position calculated at the latter part of this order. The list of documents/ information which the school has not provided is given below.

   - Details of establishment expenditure has not provided by the School for last three financial years.
   - Related party disclosure.
   - Balance confirmation certificate of all bank accounts and FDRs held by the school as on 31.03.2022.
   - Actuarial valuation report for leave encashment.
   - Investment proof towards amount invested in Plan asset as per AS-15.

- List of employees left in last five financial years along with copy of their full and final settlement.
- Society ledger of last three financial years.
- Details of new admissions and fee receipts of last three financial years.
- Clarification regarding preparation of books of accounts as per Society Act 1860 instead of DSEA&R' 1973 and GAAP.
- Clarification regarding treating development fund as revenue receipt instead of capital receipt.
- Detailed budgetary expenditure for FY 2022-23.

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 is **INR 32,79,23,590** out of which the expected expenditures would be **INR 21,85,85,617** resulting in net surplus of **INR 10,93,37,973** for the FY 2022-23. The detailed calculation is as under:

Particulars	**Amount (INR)**
Cash and Bank balances as on 31.03.22 as per Audited Financial Statements of FY 2021-22	3,71,62,054
Investments as on 31.03.22 as per Audited Financial Statements of FY 2021-22	7,61,99,833
Liquid Fund as on 31.03.2022	**11,33,61,887**
Add: Amount recoverable from society against amount transferred to other school for construction of school building **(Refer Financial Suggestion No. 3)**	6,34,95,780
Add: Fee as per Audited Financial Statements of FY 2021-22 **(Refer Note No. 1 Below)**	18,76,74,301
Add: Other income as per Audited Financial Statements of FY 2021-22 **(Refer Note No. 1 Below)**	1,24,25,600
Total Available Funds for FY 2022-23	**37,69,57,568**
Less: FDR in the Joint Name of School Manager and CBSE as per Audited Financial Statements of FY 2021-22	9,02,978
Less: Gratuity and leave encashment with LIC as per Audited Financial Statements of FY 2021-22 **(Refer Note No.2 Below)**	4,20,00,000
Less: Depreciation reserve fund **(Refer Note No. 3 Below)**	-
Less: Development Fund as on 31.03.22	61,31,000
Net Available Funds for FY 2022-23	**32,79,23,590**
Less: Budgeted Expenditure for FY 2021-22. **(Refer Note No.4 & 5 below)**	21,21,84,000
Less: Salary Arrears **(Refer Note No. 6 below)**	64,01,617
Estimated Surplus	**10,93,37,973**

Note 1: Fee and income as per audited financial statements of FY 2021-22 has been considered.

Note 2: During the personal hearing, the school explained that it has invested INR 4,20,00,000 with LIC for retirement benefits and the school was asked to submit the investment proof which the school did not submit. However, as per DoE Order No. 15/ (698)/PSB/2022/4270-4274 dated 07.06.2022 issued to the school post evaluation of fee hike proposal for academic session 2019-20, this amount considered. Therefore, it has been considered in the calculation of fund position of the school, on the assumption it was invested by the school with LIC.

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

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

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

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

Accordingly, the depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue account) is mere of an accounting head for the appropriate accounting treatment of depreciation in the books of account of the school in accordance with Guidance Note -21 issued by the Institute of Chartered Accountants of India. Thus, there is no financial impact of depreciation reserve on the fund position of the school. Accordingly, the depreciation reserve fund as reported by the school in its audited financial statements for the FY 2021-22 has not been considered while deriving the fund position of the school.

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

Heads	Amount (INR)	Reasons
Scholarship and other financial assistance	3,50,00,000	Not allowed refer financial suggestion no. 3

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

Note 6: As per order No. DE.15 (318)/PDB/2016/18117, dated 25.08.2017, the Managing Committee of all the private unaided recognized schools were directed to implement the Central Civil Revised Pay Rules 2016 in respect of the regular employees of the corresponding status in their schools with effect from 01.01.2016 as adopted by the Government of NCT of Delhi vide its circulars No. 30-3(17)/(12)/VII Pay Comm./Coord./2016/110006-11016 dated 19.08.2016 and No. 30-3(17)/(12)/VII Pay Comm./Coord./2016/12659-12689 dated 14.10.2016. Further, vide order No. F.DE.15/ (318)/PSB/2019/11925-30 dated 09.10.2019, the managing committee of all Private Unaided Schools once again directed to implement the recommendation of 7th CPC with effect 01.01.2016 within 15 days from the date of issue of aforesaid order.

Further, section 10 of DSEA states " *the scales of pay and allowances, medical facilities, mention, gratuity, provident fund and other prescribed benefits of the employees of recognized private school shall not be less than those of the employees of the corresponding status in school run by the appropriate authority*". Therefore, employees of all the private unaided recognized schools are entitled to get the revised pay commission. This legal position has been settled by the Hon'ble High Court long back at the in the matter of WPC 160/2017; titled as Lata Rana Versus DAV Public School & Ors vide order dated 06.09.2018 for implementation of sixth pay commission recommendations.

Salary Arrears of INR 64,01,617 proposed by the school has been considered while deriving the fund position of the school.

ii. In view of the above examination, it is evident that the school does not has adequate funds for meeting all the operational expenditures for the FY 2022-23. In this regard, the directions issued by the Directorate of Education vide circular no. 1978 dated 16 April 2010 states that:

"All schools must, first of all, explore and exhaust the possibility of utilizing 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 utilized for years together may also be used to meet the shortfall before proposing a fee increase."

AND WHEREAS, in the light of above evaluation which is based on the provisions of DSEA, 1973,DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants along with certain financial suggestions that were identified (appropriate financial impact has been taken on the fund position of the school) and certain procedural suggestions which were also noted (appropriate instructions against which have been given in this order), that the sufficient funds are not available with the School to carry out its operations for the academic session 2022-23. Accordingly, the fee increase proposal of the school may be rejected.

AND WHEREAS, it is noticed that the school has incurred INR 6,34,95,780 in contravention to the provisions of DSEAR, 1973 and other orders issued by the departments from time to time. Therefore, the school is directed to recover the aforesaid amount from society/ management. The receipts along with copy of bank statements showing receipt of the above-mentioned amount should be submitted with DoE, in compliance of the same, within 30 days from the date of issue of this order. Non-compliance with this direction shall be viewed seriously as per the provision of DSEAR, 1973 without providing any further opportunity of being heard.

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

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

Accordingly, it is hereby conveyed that the proposal for fee hike of **FR. Angel Sr. Secondary School (School ID-1924189), Gautam Nagar, New Delhi-110049** filled by the school in response to the Order No. F.DE.-15(40)/PSB/2019/4440-4412 dated 08.06.2022 for the academic session 2022-23, is rejected by the Director (Education) with the above conclusion and suggestions.

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

1. Not to increase any fee/charges during FY 2022-23. In case, the school has already charged increased fee during FY 2022-23, the School should make necessary adjustments from future fee/refund the amount of excess fee collected, if any, as per the convenience of the parents.

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

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

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

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

(Yogesh Pal Singh)
Deputy Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi

To
The Manager/ HoS
FR. Angel Sr. Secondary School
(School ID-1924189),
Gautam Nagar, New Delhi-110049

No. F.DE.15 (1005)/PSB/2022/ 8571 - 8575

Dated: 25/10/22

Copy to:

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

(Yogesh Pal Singh)
Deputy Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi