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

No. F.DE.15(299)/PSB/2021/ 5392-5397 Dated: 21/12/21

ORDER

WHEREAS, every school is required to file a statement of fees every year before the ensuing academic session under section 17(3) of the Delhi School Education Act, 1973 (hereinafter read as ***'the Act'***) with the Director. Such statement will indicate estimated income of the school derived from fees, estimated current operational expenses towards salaries and allowances payable to employees in terms of Rule 177(1) of the Delhi School Education Rules, 1973 (hereinafter read as ***'the Rules'***). Such estimate will also provision for donation, gratuity, reserve fund and other items under rule 177(2) and savings thereafter, if any, in terms of the proviso to the rule 177(1).

AND WHEREAS, as per section 18(5) of the Act read with section 17(3), 24 (1) of the Act and Rule 180 (3) of the DSEA & R, 1973 responsibility has been conferred upon to the Director (Education) to examine the audited financial, account and other records maintained by the school at least once in each financial year. The section 18(5) and Section 24(1) of the Act and Rule 180 (3) have been reproduced as under:

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

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

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

AND WHEREAS, besides, the Hon'ble Supreme Court in the judgment dated 27 Apr 2004 passed in Civil Appeal No. 2699 of 2001 titled Modern School Vs. Union of India and others has conclusively decided that under section 17(3), 18(4) read along with rule 172, 173, 175 and 177 of the Rules, Director of Education has the authority to regulate the fee and other charges to prevent the profiteering and commercialization of education.

AND WHEREAS, it was also directed by the Hon'ble Supreme Court to the Director of Education in the aforesaid matter titled Modern School Vs. Union of India and others in Para 27 and 28 in case of Private unaided Schools situated on the land allotted by DDA at concessional rates that:

"27....

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

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

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

AND WHEREAS, the Hon'ble High Court of Delhi vide its judgement dated 19 Jan 2016 in writ petition No. 4109/2013 in the matter of Justice for All versus Govt. of NCT of Delhi and others has reiterated the aforesaid directions of the Hon'ble Supreme Court and has directed the Director of Education to ensure the compliance of term, if any, in the letter of allotment regarding the increase of the fee by all the recognized unaided schools which are allotted land by DDA.

AND WHEREAS, accordingly, this Directorate vide order No. F.DE.15 (40)/PSB/2019/2698-2707 dated 27 Mar 2019, directed that all the Private Unaided Recognized Schools running on the land allotted by DDA/other Govt. agencies on concessional rates or otherwise, with the condition to seek prior approval of Director of Education for increase in fee, are directed to submit the their proposals, if any, for prior sanction of DoE for increase in fee for the session 2018-2019 and 2019-2020.

AND WHEREAS in response to this directorate's circular dated 27 Mar 2019 referred to above, **St. George's School** (School ID-1925263), Alaknanda, New **Delhi-110019** submitted its proposal for enhancement of fee for the academic session 2018-2019 in the prescribed format.

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 hike proposal filed by **St. George's School (School ID-1925263),** Alaknanda, New Delhi-110019 for the academic session 2018-2019, necessary records and explanations were called from the school through email. Further, school was also provided an opportunity of being heard on 3 Dec 2019 at 4:30 PM 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.

AND WHEREAS, the reply of the school, documents uploaded on the web portal for fee increase and all subsequent documents submitted by the school were thoroughly evaluated and key findings noted are as under:

A. Incomplete and Unreliable Financial Information

1. Para 10(C) of Accounting Standard (AS) 1 - "Disclosure of Accounting Policies" issued by the Institute of Chartered Accountants of India states " *Revenues and costs are accrued, that is, recognised as they are earned or incurred (and not as money is received or paid) and recorded in the financial statements of the periods to which they relate".*

   Para 18 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states *"The recognition and measurement principles for elements of financial statements are sector-neutral. Thus, schools should follow recognition and measurement principles, within the framework of accrual basis of accounting, for the purpose of preparation of their financial statements".*

   Further, clause 1 of Part 1 (General Instructions and Accounting Principles) of Appendix III (Format of Financial Statements of Schools) states "The financial statements of Schools (viz., Balance Sheet and Income and Expenditure Account) should be prepared on accrual basis".

   On review of the Significant Accounting Policies of the school annexed to the financial statements for FY 2016-2017 to 2018-2019 mentioned the method of accounting – "The school follows cash system of accounting".

   Thus, the financial statements of the school were not prepared in accordance with the requirements of Generally Accepted Accounting Principles (GAAP) including Accounting Standard 1 and Guidance Note 21. Also, the school did not submit auditor's report to verify whether the auditor issued a qualified opinion on the financial statements to highlight the deviation from the requirements of a mandatory accounting standard prescribed by the Institute of Chartered Accountants of India.

   In view of the above, the financial statements are erroneous and are not reliable. The school is directed to prepare its financial statements in accordance with Generally Accepted Accounting Principles (GAAP) ensuring compliance with the Accounting Standards and Guidance Note 21.

   Though the financial statements of the school were not prepared in accordance with the Generally Accepted Accounting Principles (GAAP), the financial statements are bound to be rejected. However, for the purpose of evaluation of the fee increase proposal, the same have been considered as financial statements reflecting tentative/ estimated figures and estimated fund position (enclosed in the later part of this order) has been derived based on such tentative/ estimated figures.

2. As per Appendix II to Rule 180(1) of DSER, 1973, the school is required to submit final accounts i.e. receipts and payment account, income and expenditure account and balance sheet of the preceding year duly audited by a Chartered Accountant by 31st July.

The Council of the Institute of Chartered Accountants of India, in terms of the decision taken at the 296th meeting held in June 2010 decided to extend the requirement to mention the firm registration number to all reports issued pursuant to any attestation engagement, including certificates, issued by the members as proprietor of/ partner in the said firm on or after 1 Oct 2010.

Para 1 of Standard on Auditing (SA) 700 (Revised) – 'Forming an Opinion and Reporting on Financial Statements' notified by the Institute of Chartered Accountants of India "This Standard on Auditing (SA) deals with the auditor's responsibility to form an opinion on the financial statements. It also deals with the form and content of the auditor's report issued as a result of an audit of financial statements".

Also, para 45 of SA 700 states "*The auditor's report shall be signed. The report is signed by the auditor (i.e. the engagement partner) in his personal name. Where the firm is appointed as the auditor, the report is signed in the personal name of the auditor and in the name of the audit firm. The partner/proprietor signing the audit report also needs to mention the membership number assigned by the Institute of Chartered Accountants of India. They also include the registration number of the firm, wherever applicable, as allotted by ICAI, in the audit reports signed by them.*"

On examination of the financial statements for FY 2016-2017 to FY 2018-2019 submitted by the school, it was noticed that the school did not submit the Audit Report and Receipt and Payment Account. Further, it was noticed that the auditor certified the Balance Sheet and Income and Expenditure Account without mentioning the firm registration number.

Further, the financial statements for FY 2016-2017 to FY 2018-2019 were not appropriately authenticated by the representatives of the school, since only the Vice – Chairman signed the financial statements. Therefore, authenticity of the audit and that of the financial statements and financial information included therein could not be verified.

Accordingly, the school has not complied with the statutory requirement of submission of audited final accounts and has submitted unauthentic final accounts, which are not complete and properly signed. Thus, the financial statements for FY 2018-2019 could not be relied upon.

The school is directed to submit authentic financial statements to the Directorate, which must be complete (including Audit Report and Receipt and Payment Account) and comply with applicable Standards issued by the Institute of Chartered Accountants of India. The school is also directed to ensure that the entire set of financial statements (all pages, schedules including Notes to Account) must be appropriately signed or initialled by two representatives of the school authorised in this regard as per Bye laws or other governing documents and by the Auditor.

The school is further directed to ensure that the audit opinions issued on its future final accounts by practicing Chartered Accountant must comply with the requirements enunciated by their regulatory body i.e. The Institute of Chartered Accountants of India including mention of FRN.

B. Financial Discrepancies

1. As per direction no. 2 included in the Public Notice dated 4 May 1997, "*it is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school becomes the sole property of the society*". Additionally, Hon'ble High Court of Delhi in its judgement dated 30 Oct 1998 in the case of Delhi Abibhavak Mahasangh concluded that "*The tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society.*" Also, Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/ KKK/883-1982 dated 10 Feb 2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*"

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

   As per Clause 14 of this Directorate's Order No. F.DE./15 (56) /Act /2009 / 778 dated 11 Feb 2009 states "*Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up gradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and the collection under this head along with income generated from the investment made out of this fund, will be kept in a separately maintained development fund account.*"

   Directorate's order no F.DE.15(205)/PSB/2019/1135-1139 dated 25 Mar 2019 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 noted that the school had utilised development fees for addition to the building, purchase of library books, purchase of vehicle and transferred to general fund during FY 2014-2015 to FY 2016-2017. Therefore, the school was directed to ensure that development fund is utilised only towards purchase, upgradation and replacement of furniture, fixture and equipment. The school was further directed to recover the cost of INR 20,56,355 (INR 22,980 in FY 2014-2015 and INR 20,33,375 in FY 2016-2017) incurred on addition to the school building from the society and make necessary rectifications in development and general fund.

Based on the aforementioned order, development fund can be utilised only towards purchase, upgradation and replacement of furniture, fixture and equipment, which was also upheld by the Hon'ble Supreme Court in its 2004 judgement in the case of Modern School Vs Union of India and Others. Based on the presentation made in the financial statements of the school for FY 2017-2018 and FY 2018-2019, it was noted that the school has continued to utilize development fund for addition to the school building and purchase of library books and making transfer to general fund. The details of development fee collected and utilized from FY 2016-2017 to FY 2018-2019 are as follows:

Particulars	**FY 2016-2017**	**FY 2017-2018**	**FY 2018-2019**
Development Fund - Opening Balance	1,10,31,660	2,21,14,619	1,91,58,672
Add: Receipts during the year	1,58,96,988	1,60,43,639	1,44,67,760
Total Development fund Available (A)	**2,69,28,648**	**3,81,58,258**	**3,36,26,432**
Less: Utilization of development funds			
- Utilized for eligible capital expenditure during the year (FFE)	4,24,697	40,57,542	9,81,974
- Utilized for purchase of school Bus	42,92,346	-	-
- Addition to the school building	-	18,54,498	25,69,186
- Library Books	96,986	47,921	-
- Amount transferred to General Fund	-	1,30,39,625	-
Total Utilization of development funds (B)	**48,14,029**	**1,89,99,586**	**35,51,160**
Development Fund - Closing balance (A-B)	**2,21,14,619**	**1,91,58,672**	**3,00,75,272**

Based on the above table, it was noted that the school has utilized development funds for addition to the school building totalling to INR 44,23,684 (INR 18,54,498 plus INR 25,69,186) during FY 2017-2018 and FY 2018-2019.

The expenditure on addition to the school building, being an expense of developmental nature is covered under Rule 177 of DSER, 1973. However, the school incurred the same without ensuring compliance with the requirements of Rule 177.

The school represented that capital expenditure was not incurred on the construction of building rather was incurred on the repair and renovation of the school. The school building was constructed in the year 1992 and as the building of the school is quire old, it requires regular repair and maintenance. The said expenditure incurred had been capitalized in the books of accounts are line with the Generally Accepted Accounted Standards (GAAP) and has also been certified by the school's statutory auditor. Further, the school has not charged any building fund or development charges from the students, the school has not contravened Clause 2 of public notice dated 14 May 1997.

Based on the fact that the school did not get its liability towards retirement benefits (gratuity and leave encashment) of staff valued from an actuary in accordance with the requirements of Accounting Standard 15 till date and did not make any investment in group gratuity scheme and group leave encashment scheme of LIC/ other insurers till date to secure the statutory liability towards staff retirement benefits till date, the school did not comply with the requirements of Rule 177 (1) i.e. "*Income derived by an unaided utilized 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*".

Also, the figures in above table indicates that the school is collecting development fee at a much higher rate than that spent by the school on purchase of furniture, fixture and equipment reflecting that the school is engaged in profiteering and commercialisation of education. Accordingly, the school is directed to evaluate its need for capital expenditure in furniture, fixture and equipment and optimise the development fee collection from students appropriately to ensure that it is not profiteering and commercialising education. Accordingly, while deriving the fund position of the school (enclosed in the later part of this order), development fund to the extent of fee collection of one year (i.e. amount collected during FY 2018-2019) has been adjusted and remaining balance of development fund has been ignored.

Since the school has not recovered any amount from the Society till date, the above capital expenditure incurred on the school building totalling to INR 64,80,039 (INR 20,56,355 plus INR 44,23,684) during FY 2014-2015 to FY 2018-2019 is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the society within 30 days from the date of this order. Further, the school is directed to follow DOE instruction regarding development fund and ensure that development fund is utilised only towards purchase of furniture, fixture and equipment.

2. As per the land allotment letter issued by the Delhi Development Authority to the Society in respect of the land allotted for the school states "*The school shall not increase the rates of tuition fee without the prior sanction of the Directorate of Education Delhi Admin. and shall follow the provisions of Delhi School Education Act/Rules, 1973 and the instructions issued from time to time*".

   Further, Directorate's order no. F.DE-15/WPC-4109/Part/13/7914-7923 dated 16 Apr 2016 regarding fee increase proposals for FY 2016-2017 stated "*In case, the schools have already charged any increased fee prior to issue of this order, the same shall be liable to be adjusted by the schools in terms of the sanction of the Director of Education on the proposal.*"

   Directorate's order no. F.DE.15(205)/PSB/2019/1135-1139 dated 25 Mar 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school had increased fee under the head tuition fee, development fee and transport fee in FY 2016-2017 without prior approval of the Directorate.

Based on the information submitted by the school and taken on record, it increased the fee from students as under:

Class	Tuition Fee (Monthly)		Development Fee (Monthly)		Transport Fee (Monthly)	
	FY 2015-2016	FY 2016-2017	FY 2015-2016	FY 2016-2017	FY 2015-2016	FY 2016-2017
Prep to XII	2,970	3,267	445	490	1,500	1,800

Directorate's order no. F.DE.15(205)/PSB/2019/1135-1139 dated 25 Mar 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 indicated that the school has accumulated substantial reserves over a period. Accordingly, the fee increase by the school during FY 2016-2017 without prior approval of the Directorate indicates school's intentions of profiteering and commercialisation of education.

Also, the school has continued to collect this increased fee from students during FY 2017-2018 and onwards. The school did not provide the total amount of increased fees collected from students during FY 2016-2017 and subsequently. Therefore, exact amount of excess fee collected by school could not be derived on account of non-submission of requisite information by the school. Thus, the amount of adjustment/refund to students could not be determined and thus, is not reflected in the fund position of the school (enclosed in the later part of this order).

Based on above, the school is hereby directed to calculate the excess fee/charges collected from students during FY 2016-2017 and onwards and immediately refund/adjust the excess fee collected and submit the evidence of refund/adjustment to the Directorate within 30 days from the date of this order. Further, the school is directed not to increase any fee/charge of any class without approval from the Directorate.

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

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

   a) *receives capitation fee, shall be punishable with fine which may be extend to ten times the capitation fee charged;*

   b) *subjects a child to screening procedures, shall be punishable with fine which may extend to twenty five thousand rupees for the first contravention and fifty thousand rupees for each subsequent contraventions.*

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

On review of financial statements for FY 2017-2018 and FY 2018-2019, it was noted that the school has started collection of orientation and functions charges from the students from FY 2017-2018 onwards. The school had collected total orientation and functions charges of INR 1,18,67,065 (INR 64,32,221 plus INR 54,34,844) during the FY 2017-2018 and FY 2018-2019.

Further, on review of the fee structure and return & documents submitted by the school under Rule 180 of DSER,1973, it was noticed that the school neither disclosed orientation and functions charges in documents/return submitted under Rule 180 of DSER,1973 nor did it disclose the same in its fee hike proposal or the documents submitted thereunder to the Directorate.

Hence, orientation and functions charges collected by school classify the nature of capitation fee and collection of orientation and functions charges from students indicates that the school is engaging in profiteering and commercialisation of education. The charging of unwarranted fee or charging of any other amount/fee thereof prima-facie is considered as collection of capitation fee in other manner and form.

Therefore, the school is directed to stop collecting orientation and functions charges from the students with immediate effect. Also, the school is directed to provide its explanation within 30 days from the date of this order to the Directorate as to why a fine equivalent to ten times of capitation fee charged during the FY 2017-2018 and FY 2018-2019 should not be imposed on the school for collecting capitation fee from students and not complying with the provisions of RTE, 2009.

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 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.*" Further, according to para 7.14 of the Accounting Standard 15, "*Plan assets comprise:*
    a) *assets held by a long-term employee benefit fund; and*
    b) *qualifying insurance policies.*"

Directorate's Order no. F.DE.15(205)/PSB/2019/1135-1139 dated 25 Mar 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school has not made any provision in respect of its liability towards retirement benefits (gratuity and leave encashment) of staff in its financial statements. The school was directed to provide for gratuity and leave encashment as per the requirement of Accounting Standard 15 and Guidance Note 21.

On review of financial statements for FY 2017-2018 and FY 2018-2019 submitted by the school, it was noted that the school had not obtained actuarial valuation of its liability towards gratuity and leave encashment and had not recorded the provision for same in its books of account. During the personal hearing, the school explained that the expenses related to gratuity and leave encashment accounted for in the books of accounts on the basis of actual payment.

Further, it was noted that the school has not made any investment in group gratuity scheme and group leave encashment scheme of LIC/ other insurers till date to secure the statutory liability towards staff retirement benefits.

The school is directed again to obtain actuarial valuation reports for both gratuity and leave encashment, create provisions equivalent to the amount of liability determined by actuary towards gratuity and leave encashment in its books of account and make earmarked equivalent investments against provision for gratuity and leave encashment with LIC (or any other agency) within 30 days from the date of this order so as to protect against its the statutory liabilities towards staff.

Since the school is yet to obtain actuarial valuation and make equivalent earmarked investments, no amount has been considered towards provision for gratuity and leave encashment while deriving the fund position of the school (enclosed in the later part of the order).

C. Other Discrepancies

1. Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states "*Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund, will be kept in a separately maintained Development Fund Account.*"

   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.*"

   Based on the presentation made in the financial statements of the school for FY 2017-2018 and FY 2018-2019 submitted by the school, it was noted that the school transferred an amount equivalent to the purchase cost of the fixed assets purchased from development fund to "General Fund" account. Whereas, as per the above-mentioned clause, the school should have transferred an amount equivalent to the purchase cost of the fixed assets purchased from development fund to "Development Fund Utilisation" account and thereafter, the concerned restricted fund account is treated as deferred income. Further, the school should have transferred an amount equivalent to the depreciation charged on assets from the "Development Fund Utilised" account to the Income and Expenditure Account as income, which is required as per the accounting treatment indicated in the guidance note cited above. Thus, the school has not done the accounting and reporting of development fund in accordance with the requirements of Para 99 of Guidance Note 21.

Further, from the financial statements submitted by the school, it was noted that the school was not crediting interest earned on the development fund bank account and fixed deposit to development fund, instead the school treated interest income as revenue receipt. Thus, the school did not comply with the condition cited above.

The school is directed to create "Development Fund Utilised" account and transfer an amount equivalent to the depreciation from "Development Fund Utilised" account to Income and Expenditure Account as income to comply with the accounting and disclosure requirements of the guidance note. The school is also directed to ensure compliance with Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 by transferring income earned on investments to development fund account.

2. Clause 19 of Order No. F.DE./15(56)/Act/2009/778 dated 11 Feb 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.*"

   Para no. 22 of Order No. F.DE./15(56)/ Act/2009/778 dated 11 Feb 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, the Hon'ble Supreme Court through its 2004 judgement in the case of Modern School Vs Union of India and Others directed all recognised unaided schools of Delhi to maintain the accounts on the principles of accounting applicable to non-business organizations/not-for-profit organizations. Earmarked levies collected from students are a form of restricted funds, since these can be utilised only for the purposes for which these have been collected, and according to Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India, the financial statements should reflect income, expenses, assets and liabilities in respect of such funds separately.

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).

From the information provided by the school and taken on record, it was noted that the school charges earmarked levies in the form of transport fees and activity fees from students. However, the school does not maintain separate fund accounts for these earmarked levies and the school has been generating surplus from earmarked levies, which has been utilised for meeting other expenses of the school or has been incurring losses (deficit) that has been met from other fees/income. The same was also highlighted in the Directorate's Order No. F.DE.15(205)/PSB/2019/1135-1139 dated 25 Mar 2019 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018. Details of calculation of surplus/ deficit, based on breakup of expenditure provided by the school for FY 2017-2018 is given below:

Earmarked Levy	Income (INR)	Expenses (INR)	Surplus/(Deficit) (INR)
	A	B	C=A-B
Transport Fees	80,91,620	1,07,95,488	(27,03,868)
Activity Fees	2,06,26,225	1,25,94,492	80,31,733

Based on 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 charging of unwarranted fee or charging of any other amount/fee under different heads other than prescribed and accumulation of surplus fund thereof prima-facie is considered as collection of capitation fee in other manner and form. Directorate's Order No. F.DE.15(205)/PSB/2019/1135-1139 dated 25 Mar 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school is collecting activity fees from all its students and directed the school to stop the collection of activity fees. However, the school is continuing to charge activity fees from the students of all classes.

The school represented that the school is collecting activity fees from the students and have been incurring certain expenses such as computer expenses, sports expenses, student welfare and activity expenses. It is undisputed this levy are made for the purpose of education and for the overall development of the child. Further, such levy was approved by the School Management Committee (SMC) which also has the representative of DoE as DE and AB nominee therein and these charges were always categorically mentioned in all the annual submission and returns filed under section 17(3) of DSEA,1973 and Rule 180 of DSER,1973 respectively.

The fee charged from all students loses its character of earmarked levy, being a non-user-based fees. Thus, based on the nature of the activity fees and details provided by the school in relation to expenses incurred against the same, the school should not charge activity fees as earmarked fee with immediate effect and should incur the expenses relating to these from tuition fee or annual charges, as applicable.

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 during subsequent proposal for enhancement of fee 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 school must also ensure that earmarked levies are optional in nature and not mandatory for students.

3. Direction no. 3 of the public notice dated 4 May 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 Feb 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.*"

   From the information provided by the school, it was noted that the school was not refunding interest along with caution money to students. During the personal hearing, school mentioned that the school is not refunding interest along with caution money to students at the time of leaving the school.

The school is directed to ensure compliance of directions include above especially ensuring that caution money is refunded along with interest to the students.

4. As per Order No. F.DE-15/ACT-I/WPC-4109/PART/13/7905-7913 dated 16 April 2016, *"The Director hereby specify that the format of the return and documents to be submitted by schools under rule 180 read with Appendix –II of Delhi School Education Rules, 1973 shall be as per format specified by the Institute of Chartered Accountants of India, established under Chartered Accountants Act, 1949 (38 of 1949) in Guidance Note on Accounting by Schools (2005) or as amended from time to time by this Institute."*

   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."*

   The school was directed vide Order No. F.DE.15(205)/PSB/2019/1135-1139 dated 25 Mar 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 to follow the depreciation rates as prescribed by the Guidance Note -21 "Accounting by Schools".

   From the financial statements of the school for FY 2017-2018 and FY 2018-2019, it was also noted that the school did not charge depreciation at the rates specified in Appendix I to the Guidance Note, which was a contravention of the directions issued by this Directorate.

   Accordingly, the school is directed to follow rates of depreciation specified in the Guidance Note. Compliance of the same shall be validated during evaluation of subsequent fee increase proposal as may be submitted by the school. The above being a presentation/ disclosure finding, no financial impact is warranted for deriving the fund position of the school.

5. As per Directorate's Order no. 15072-15871 dated 23 March 1999 "*All pre-primary schools being run by the registered society/ trust in Delhi as Branches of the recognized schools by the appropriate authority in or outside the school premises shall be deemed as one Institution for all Purposes"*. Further, the Hon'ble High Court of Delhi in the matter of Social Jurist vs. the Govt. of NCT of Delhi & others concluded *"We do not find any proper reason or rationale to keep Pre-school apart and segregated by those regular schools where Preschool facilities exist and admission starts from that stage."*

   During the process of evaluation of fee hike proposal submitted by the school for FY 2018-2019, it was identified that St. George's School (operating from class 1) was admitting most of the students directly from the pre-school - "St. George's Kinder Garten School " based on the information provided by the school, which on that basis has been considered as feeder school of St. George's School. Accordingly, the conditions and requirements applicable to St. George's School would apply in the same manner to "St. George's Kinder Garten School".

   The school had not submitted details of feeder school along with its proposal for enhancement of fee for FY 2018-2019. However, the school submitted the financial information later during the course of evaluation of the fee increase proposal, which have been considered while evaluating the fee increase proposal of the school. The figures included in this order are combined for both St. George's School and St. George's Kinder Garten School.

The school is directed to ensure that it submits complete details of feeder school similar to the main school along with its subsequent fee hike proposals for appropriate and timely evaluation of its fee increase proposal.

6. As per the land allotment letter issued by the Delhi Development Authority to the Society in respect of the land allotted for the school, it shall ensure that percentage of freeship from the tuition fees, as laid down under rules by the Delhi Admn. from time to time, is strictly complied. The school shall ensure admission to the students belonging to weaker sections to the extent of 25% and grant freeship to them.

   From the breakup of students provided by the school, it had admitted students under Economically Weaker Section (EWS) Category as under:

Particulars	FY 2017-2018	FY 2018-2019
Total No. of Students	2,689	2,770
No. of EWS Students	266	237
% of EWS students to total students	9.89%	8.55%

   While the school has not complied with the requirements of land allotment and should thus take comprehensive measures (including enhancement of EWS seats) to abide by the conditions of the land allotment letter issued by the Delhi Development Authority.

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 2018-2019 amounting to INR 18,40,17,664 out of which cash outflow in the year 2018-2019 is estimated to be INR 16,10,75,079. This results in net surplus of INR 2,29,42,585. The details are as follows:

Particulars	Amount (INR)
Cash and Bank Balance as on 31 Mar 2018 (as per audited financial statements of FY 2017-2018)	3,49,92,463
Investments (Fixed Deposits) as on 31 March 2018 (as per audited financial statements of FY 2017-2018)	10,99,531
Total Liquid Funds Available with the School as on 31 Mar 2018	**3,60,91,994**
Add: Fees/Incomes for FY 2018-2019 (as per financial statements of FY 2018-2019) [Refer Note 1]	15,97,09,078
Add: Amount recoverable from society on account of development funds utilized for addition to the school building during FY 2014-2015 to FY 2018-2019 [Refer Financial Discrepancy No. 1]	64,80,039

Particulars	Amount (INR)
Gross Estimated Available Funds for FY 2018-2019	**20,22,81,111**
Less: FDR held jointly with DOE (as per financial statements of FY 2018-2019)	11,73,187
Less: Staff retirement benefits [Refer Financial Discrepancy No. 4]	-
Less: Development Fund Balance [Refer Financial Discrepancy No. 1]	1,44,67,760
Less: Caution Money Balance as on 31 Mar 2018 (as per audited financial statements of FY 2017-2018)	26,22,500
Less: Refund/Adjustment of increased fees collected from students during FY 2016-2017 to FY 2018-2019 [Refer Financial Discrepancy No. 2]	Amount not quantified
Net Estimated Available Funds for FY 2018-2019	**18,40,17,664**
Less: Expenses for FY 2018-2019 (as per financial statements for FY 2018-2019) [Refer Note 1]	14,82,72,159
Less: Arrears of salary as per 7th CPC for the period Jan 2016 to Aug 2017 (as per the budget submitted by the school along its fee increase proposal for FY 2017-2018)	1,28,02,920
Estimated Surplus as on 31 Mar 2019	**2,29,42,585**

Notes:

1. The school submitted its financial statements for FY 2018-2019. Based on the financial statements for FY 2018-2019 submitted by the school, all fees and incomes (except unclaimed caution money written back, retention money written back and accounts payable written back, being non-cash incomes) and all expenses (other than depreciation and accounts receivable written off, being a non-cash expense) have been considered.

In view of the above examination, it is evident that the school has adequate funds for meeting all the expenses for the financial year 2018-2019.

ii. The directions issued by the Directorate of Education vide circular no. 1978 dated 16 Apr 2010 states "*All schools must, first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase.*" The school has sufficient funds to carry on the operation of the school for the academic session 2018-2019 on the basis of existing fees structure and after considering existing funds/reserves.

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, certain financial irregularities were identified (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings were also noted (appropriate instructions against which have been given in this order), the funds available with the school to carry out its operations for the academic session 2018-2019 and payment of salaries as per the recommendations of 7th CPC are sufficient. Accordingly, the fee increase proposal of the school may be rejected.

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 relevant materials were put before Director of Education for consideration and who after considering all material on record has found that the school has sufficient funds for payment of salaries as per the recommendations of 7th CPC and meeting the expenses for the financial year 2018-2019. Since the school has accumulated surplus funds, increasing fee from students would result in profiteering and commercialisation of education. Therefore, Director (Education) rejects the proposal submitted by the school for enhancement of fee for the academic session 2018-2019.

Accordingly, it is hereby conveyed that the proposal for enhancement of fee for session 2018-2019 of **St. Georges School (School ID-1925263), Alaknanda, New Delhi-110019** has been rejected by the Director of Education. Further, the management of said school is hereby directed under section 24(3) of DSEA, 1973 to comply with the following directions:

1. Not to increase any fee/charges during FY 2018-2019. In case, the school has already charged increased fee during FY 2018-2019, 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 communicate with the parents through its website, notice board and circular about rejection of fee increase proposal of the school by the Directorate of Education.

3. To ensure that salaries and benefits are paid to the staff in accordance with section 10(1) of DSEA, 1973 and Directorate's order dated 25 Aug 2017.

4. To ensure that the salaries and allowances shall come out from the fees whereas capital expenditure will be a charge on the savings in accordance with the principles laid down by Hon'ble Supreme Court of India in its Judgment of Modern School vs Union of India and Others. Therefore, school must not include capital expenditure as a component of fee structure (to be submitted by the school under section 17(3) of DSEA, 1973).

5. To utilise 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.

6. To remove all the financial and other irregularities/violations as listed above and submit the compliance report within 30 days from the date of this order to the D.D.E (PSB).

7. The Compliance Report detailing rectification of the above listed deficiencies/ violations must also be attached with the proposal for enhancement of fee of subsequent academic session, as may be submitted by the school. Compliance of all the directions mentioned above will be examined before evaluation of proposal for enhancement of fee for subsequent academic session

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 order 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
St. Georges School
School ID-1925263
Alaknanda, New Delhi-110019

No. F.DE.15(299)/PSB/2021/ 5392-5397 Dated: 21/12/21

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 East) 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