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

No. F.DE.15(194)/PSB/2021/ 3381-85 Dated: 09/09/21

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, **Maharaja Aggarsain Adarsh Public School (School ID-1411231), Pitampura, Delhi-110034** submitted its proposal for enhancement of fee for the academic session 2019-2020 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 **Maharaja Aggarsain Adarsh Public School (School ID-1411231), Pitampura, Delhi-110034** for the academic session 2019-2020, necessary records and explanations were called from the school through email. Further, school was also provided an opportunity of being heard on 25 Feb 2019 at 10:00 AM 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 by the team of Chartered Accountants and after evaluation of fee proposal of the school key findings noted are as under:

A. Authenticity of Audited Financial Statements

1. 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.

   On account of number of complaints received by the Institute of Chartered Accountants of India (ICAI) regarding signatures of Chartered Accountants (CAs) are being forged by non-CAs and corresponding findings by ICAI that financial documents/certificates attested by third person misrepresenting themselves as Chartered Accountants (CA) are misleading the Authorities and Stakeholders, ICAI, at its 379th Council Meeting, made generation of Unique Document Identification Number (UDIN) mandatory for every signature of Full time Practising Chartered Accountants in phased manner for the following services:

   - All Certificates with effect from 1 Feb 2019
   - GST and Income Tax Audit with effect from 1 Apr 2019
   - All Audit and Assurance Functions with effect from 1 Jul 2019

   Therefore, generation of UDIN has been made mandatory for all audit and assurance functions like documents and reports certified/ issued by practising Chartered Accountants from 1 Jul 2019. The UDIN System has been developed by ICAI to facilitate its members for verification and certification of the documents and for securing documents and authenticity thereof by Regulators.

   Further, ICAI issued an announcement on 4 Jun 2019 for the attention of its Members with the requirement of mentioning UDIN while signing the Audit Reports effective from 1 Jul 2019, which stated "*With a view to bring uniformity in the manner of signing audit reports by the members of ICAI, it has been decided to require the members of ICAI to also mention the UDIN immediately after the ICAI's membership number while signing audit reports. This requirement will be in addition to other requirements relating to the auditor's signature prescribed in the relevant law or regulation and the Standards on Auditing.*"

   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 states "*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.*"

   On review of audited financial statements for FY 2017-2018 and FY 2018-2019 submitted by the school, it was noted that while the Balance Sheet, Income and Expenditure Account and Receipt and Payment Account were duly signed by the auditor with reference thereon to the separate Auditor's Report of even date, the school did not submit the Audit Report along with its financial statements.

   Further, in absence of audit report and no mention thereof on the financial statements for FY 2018-2019 submitted by the school, it could not be verified if the Chartered Accountant generated UDIN in relation to the audit of the financial statements of the school for FY 2018-2019, which were dated 29 Aug 2019, as mandated by ICAI.

Further, since the financial statements were signed on 29 Aug 2019, the school did not comply with the requirement of submission of audited final accounts in accordance with the timeline prescribed in Rule 180(1).

While the school has not complied with the statutory requirement of submission of audited final accounts and has submitted unauthentic final accounts, these financial statements for FY 2018-2019 have been taken on record by the Directorate and the same have been considered for evaluation of the fee increase proposal of the school for the academic session 2018-2019 assuming the same as unaudited/provisional financial statements.

The school is directed to confirm from the auditor whether UDIN was generated in respect of the audit opinion issued by the auditor on the financial statements of the school for FY 2018-2019. If it was generated, the same should be mentioned by the school in its compliance report. In case, UDIN was not generated by the auditor, the school is directed to seek explanation from the auditor for not complying with the requirements notified by ICAI and get the said audit report and financial statements verified from the Institute of Chartered Accountants of India for its authenticity and validity.

Accordingly, the school is directed to ensure the financial statements as per the requirements of Rule 180(1) are appropriately prepared and submitted to the Directorate within the prescribed timelines. The school is also directed to ensure submission of audit opinion, which is issued by the auditor on the entire set of financial statements (i.e. Balance Sheet, Income & Expenditure Account and Receipt & Payment Account) complying with the requirements of SA 700.

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

B. Financial Discrepancies

1. 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."*

   The Hon'ble Supreme Court of India in its judgement in the matter of Modern School Vs Union of India and Others also upheld that the schools can collect development fee only if it treats it as capital receipt and utilise the same only towards purchase, upgradation and replacement of furniture, fixtures and equipment.

Directorate Order No. F.DE.15(669)/PSB/2018/30828-30832 dated 24 Dec 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school is treating development fees as revenue receipt. Further, basis the presentation made in the financial statements for FY 2017-2018 and FY 2018-2019 submitted by the school, it was noted that the school has continued to treat development fund as revenue receipt and reported the same as income in its Income and Expenditure Account. Thus, the school has not complied with direction included in aforementioned order and has also not complied with the accounting treatment described for the same in Guidance Note cited above.

While the school has treated development fee as revenue receipt, the details of development fee collected, and fixed assets purchased during FY 2014-2015 to FY 2018-2019 were compared and noted hereunder:

Particulars	**FY 2014-2015**	**FY 2015-2016**	**FY 2016-2017**	**FY 2017-2018**	**FY 2018-2019**
Development fees received during the year (A)	47,97,178	51,28,596	55,82,215	57,35,655	57,03,365
Fixed Assets purchased during the year^ (B)	6,16,706	5,36,237	9,28,659	1,86,297	3,71,454
Surplus (A-B)	**41,80,472**	**45,92,359**	**46,53,556**	**55,49,358**	**53,31,911**

^ includes cost of furniture, fixture and equipment purchased by the school.

Based on the table above, it has been derived that the school is collecting development fee excessive to its needs towards purchase, upgradation and replacement of furniture, fixture and equipment, which has resulted profiteering and commercialisation of education.

Further, it was noted that the school has not opened separate bank account/ investment to earmark development fee collected from students.

On account of non-compliance noted relating to not treating development fee as capital receipts and collecting excessive development fee, the school is hereby directed to stop collecting development fee from students with immediate effect. As development fund is treated as revenue receipt and no fund balance has been reflected by the school in its financial statements for FY 2018-2019, no impact of the same has been considered in the fund position of the school (enclosed in the later part of this order).

The school is directed to follow DOE instruction and ensure that development fund is utilised only towards purchase, upgradation and replacement of furniture, fixture and equipment. Also, the school is directed to open separate bank account/ investment to earmark development fund and to add the interest earned on development fund balance to development fund account. Compliance of the same would be checked at the time of evaluation of subsequent fee increase proposal.

2. 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 Hon'ble 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.

   Directorate's Order No. F.DE.15(669)/PSB/2018/30828-30832 dated 24 Dec 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that as per audited financial statements for FY 2014-2015 and FY 2016-2017, the school had made additions to the building amounting to INR 3,74,590 (INR 31,090 in FY 2014-2015 and INR 3,43,500 in FY 2016-2017). In the aforementioned order, the school was instructed to recover the amount of INR 3,74,590 from the society.

   Further, it was noted that the school has continued to incur capital expenditure on construction of building amounting to INR 58,48,049 (INR 46,43,317 in FY 2017-2018 and INR 12,04,732 in FY 2018-2019), which were capitalised as 'Work in Progress (Construction)" in its financial statements.

   The school submitted a bank statement of its account with Corporation Bank in respect of recovery of funds from the Society. On review of bank statement, it was noted that the school has recovered funds of INR 22,46,206 (INR 3,74,590 towards building plus INR 18,71,616 towards bus) from the society in Mar 2019, which were credited to the Society's Account and reflected on the liability side of the Balance Sheet as on 31 Mar 2019.

   Based on the fact that the school did not implement the recommendations of 7th CPC until 1 Apr 2018, it did not even get its complete liability towards retirement benefits (gratuity and leave encashment) of staff valued from an actuary in accordance with the requirements of Accounting Standard 15 until 23 Jan 2019 (i.e. the first time actuarial valuation for gratuity and leave encashment obtained by the school) and did not secure the funds against staff gratuity and leave encashment in group gratuity scheme and group leave encashment scheme of LIC or other insurers, 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*"

   Accordingly, an amount of INR 58,48,049 incurred on building during FY 2017-2018 and 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 net-off the amount already received during FY 2018-2019 from the society within 30 days from the date of this order. The school is further directed not to incur capital expenditure on building from school funds without ensuring compliance of Rule 177.

3. Directorate's Order No. F.DE.15(669)/PSB/2018/30828-30832 dated 24 Dec 2018 regarding fee increase proposals for FY 2017-2018 states "*Not to increase any fee in pursuance to the proposal submitted by school on any account including implementation of 7th CPC for the academic session 2017-2018 and if the fee is already increased and charged for the academic session 2017-2018, the same shall be refunded to the parents or adjusted in the fee of subsequent months*".

   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.

   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*".

   Based on the fees structure and sample of fee receipts of students submitted by the school for FY 2016-2017 to FY 2019-2020, it was noticed that the school collected increased tuition fee, annual charges and development charges during the aforementioned years from students of different classes without prior approval of the Directorate, which is in contravention of aforementioned orders/conditions. Based on the information submitted by the school and taken on record, it increased the fee from students as under:

Class	**Tuition Fee (Monthly in INR)**				**Development Charges (Per Month in INR)**		**Annual Charges (Yearly in INR)**	
	FY 2016-2017	**FY 2017-2018**	**FY 2018-2019**	**FY 2019-2020**	**FY 2016-2017**	**FY 2017-2018**	**FY 2016-2017**	**FY 2017-2018**
Pre School	2,080	2,280	Q1 & Q2 – 2,620 Q3 & Q4 – 2,280	3,000	310	340	8,300	9,300
Pre-Primary	2,080	2,080	Q1 & Q2 – 2,390 Q3 & Q4 – 2,080	2,740	-	-	8,300	9,300
I to V	2,080	2,080	Q1 & Q2 – 2,390 Q3 & Q4 – 2,080	2,740	-	-	6,800	9,300
VI to VII	2,300	2,300	Q1 & Q2 – 2,645 Q3 & Q4 – 2,300	3,040	-	-	7,400	10,400

Class	Tuition Fee (Monthly in INR)				Development Charges (Per Month in INR)		Annual Charges (Yearly in INR)	
	FY 2016-2017	**FY 2017-2018**	**FY 2018-2019**	**FY 2019-2020**	**FY 2016-2017**	**FY 2017-2018**	**FY 2016-2017**	**FY 2017-2018**
IX to XII	2,600	2,600	Q1 & Q2 – 2,990 Q3 & Q4 – 2,600	3,430	-	-	7,400	10,400

Accordingly, the fee increase by the school during FY 2016-2017 to FY 2019-2020 without prior approval of the Directorate indicates school's intentions of profiteering and commercialisation of education.

The school did not provide the total amount of increased fees collected from students during the aforementioned years. 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 to FY 2019-2020 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.

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(669)/PSB/2018/30828-30832 dated 24 Dec 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school did not obtained actuarial valuation in respect to its liability towards staff gratuity and leave encashment and did not make any provision towards the same in its financial accounts.

The school submitted copy of its first actuarial valuation report of its liability towards gratuity and leave encashment for FY 2018-2019. It was noted that the school has obtained actuarial valuation of its liability towards gratuity of INR 2,87,55,796 and leave encashment of INR 42,26,362 and has recorded the same in the books of the account as provision for gratuity and leave encashment as on 31 Mar 2019.

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

Since the school has started implementation of recommendations of 7th CPC from 1 Apr 2018, but the school has not yet created investments equivalent to its liability towards staff retirement benefits in previous years, amount of INR 1,43,77,898 (50% of INR 2,87,55,796 towards gratuity) and INR 21,13,181 (50% of INR 42,26,362 towards leave encashment) equivalent to the 50% of gratuity and leave encashment liability respectively determined by the actuary as on 31 Mar 2019 has been considered while deriving the fund position of the school (enclosed in the later part of this order) for FY 2019-2020 with a direction to the school to deposit this amount in investments that qualify as plan assets as per Accounting Standard 15 within 30 days from the date of this order to protect statutory liabilities. Further, the school should keep on depositing amounts in plan-assets in subsequent years to ensure that the value of the investments matches with the liability towards retirement benefits determined by the actuary.

Accordingly, since the 50% of the liability determined by the actuary towards staff gratuity and leave encashment has been adjusted, the additional amounts budgeted by the school towards provisions for gratuity and leave encashment have not been considered as part of the Budgeted Expenses for FY 2019-2020 while deriving the fund position of the school (enclosed in the later part of this order).

5. Incomes (fee collected from students) reported in the Income and Expenditure Account for FY 2018-2019 were recomputed to evaluate the accuracy of incomes reported based on the approved fee structure of the school and details of number of students enrolled (non-EWS) provided by the school. Basis the computation prepared, differences were noted in the fee collection reported by the school during FY 2018-2019 in its Income & Expenditure Account and amount of fee arrived/computed as per details provided by the school.

Following differences were derived based on the computation of FY 2018-2019:

Particulars	**Income reported in Income & Expenditure Account (A)**	**Fee computed based on details no. of students provided by the school (B)**	**Derived Difference (C)= (A-B)**	**Derived % Difference (D)=(C/B*100)**
Development fee	57,03,365	51,94,805	5,08,560	8.92%
Annual charges	1,38,18,281	1,25,78,581	12,39,700	8.97%

The school should perform a detailed reconciliation of the amount collected from students and income to be recognised based on the fee structure and number of students enrolled by the school.

Since the reconciliation needs to be performed by the school, no adjustment has been made in the fund position of the school (enclosed is the later part of the order).

C. Other Discrepancies

1. 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, which, according to Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India, are required to be credited to a separate fund account when the amount is received and reflected separately in the Balance Sheet.

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

   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 fee, Science fee, Technical Academic

Learning fee ("TAL") and School magazine fee from the students. However, the school has not maintained separate fund accounts for any of these earmarked levies separately 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 mentioned in Directorate's Order No. F.DE.15(669)/PSB/2018/30828-30832 dated 24 Dec 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018. Details of calculation of surplus/deficit, based on breakup of expenditure provided by the school for FY 2018-2019 is given below:

Earmarked levies	Income (INR)	Expense (INR)	Surplus/(Deficit) (INR)
	A	B	C=A-B
Transport fee^	55,45,320	69,49,313	(14,03,993)
Science fee	92,475	4,81,041	(3,88,566)
Technical academic learning fee	73,04,500	91,10,003	(18,05,503)
School magazine fee	3,96,100	2,36,992	1,59,108

^ The school has not apportioned depreciation on vehicles used for transportation of students in the expenses stated in table above for creating fund for replacement of vehicles, which should have been done to ensure that the cost of vehicles is apportioned to the students using the transport facility during the life of the vehicles.

Furthermore, on review of proposal for enhancement of Fee for the academic session 2019-2020 submitted by school, it was noted that school did not disclosed any earmarked levies, except science fee, collected from the students in its proposal for enhancement of fee for the above-mentioned year submitted to the Directorate.

Further, earmarked levies are to be collected only from the user students availing the service/facility. In other words, if any service/facility has been extended to all the students of the school, a separate charge should not be levied for the service/facility as the same would get covered either under tuition fee (expenses on curricular activities) or annual charges (expenses other than those covered under tuition fee). The school is charging Technical Academic Learning fee ("TAL") and School magazine fee from the students of all classes. Thus, 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 TAL fee and School magazine fee and details provided by the school in relation to expenses incurred against the same, the school should not charge such fee as earmarked fee with immediate effect and should incur the expenses relating to these from tuition fee and/or annual charges, as applicable collected from the students. The school explained that annual fee collected from students is not sufficient to meet the revenue expenses of the school.

The school is hereby 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 has to be utilized or adjusted against earmarked fees collected from the users in the subsequent year.

Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies during subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on no-profit no-loss basis and not to include fee collected from all students as earmarked levies. Also, the school is directed to disclose all incomes and expenses in its financial statements and submit details of all earmarked levies collected from students in the proposal/fee structure submitted to the Directorate. The school is also directed not to include fee collected from all students as earmarked levies and stop collecting TAL Fee and School Magazine Fee from students

2. 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* It was noticed that the school had not refunded caution money to the students along with interest at the time of leaving the school. Further, school had not treated un-claimed caution money as income in the next financial year after the expiry of 30 days, which should have been done

   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.*"

   Further, Clause 3 and Clause 4 Order no .DE/15(150)/Act/2010/4854-69 dated 9 Sep 2010 states "*In case of those ex-students who have not been refunded the Caution Money/Security Deposit, the schools shall inform them (students) at their last shown address in writing to collect the said amount within thirty days. After the expiry of thirty days, the un-refunded caution money belonging to the ex-students shall be reflected as income for the next financial year & it shall not be shown as liability. Further the income shall also be taken into account while projecting fee structure for ensuing academic year*"

   The following were noted under Directorate's Order No. F.DE.15(669)/PSB/2018/30828-30832 dated 24 Dec 2018:

   - 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

   It was noticed that the school had not refunded caution money along with interest to students at the time of leaving the school. Further, school had not treated un-claimed caution money as income in the next financial year after the expiry of 30 days.

   During the personal hearing, the school informed that it was not paying any interest on caution money refund to the students. The school also mentioned that the un-refunded caution money will be recorded as income in FY 2019-2020.

Therefore, the school is directed to ensure compliance with the aforementioned directions including refund of caution money along with interest to existing students and treat un-claimed caution money as income after the expiry of 30 days from the date of communication with ex-students to collect the same.

Accordingly, based on the explanation of the school, the amount reported in the audited financial statements for FY 2018-2019 in respect of outstanding caution money has been considered while deriving the fund position of the school (enclosed in the later part of this order).

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

   Para 67 of the Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India states *"The financial statements should disclose, inter alia, the historical cost of fixed assets."*
   Further, para 58(i) of the Guidance Note states "*A school should charge depreciation according to the written down value method at rates recommended in Appendix I to the Guidance Note.*"

   Directorate's Order No. F.DE.15(669)/PSB/2018/30828-30832 dated 24 Dec 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that depreciation was charged by the school as per Income Tax Act,1961, however the same should be as per the Guidance Note 21. The school was directed to comply with the directions of GN 21.

   Basis the presentation made in the financial statements for FY 2017-2018 and FY 2018-2019 submitted by the school, it was noted that the fixed assets schedule did not include details of historic cost and accumulated depreciation rather only opening written down value, additions, deletions, depreciation during the year and closing written down value of assets. Also, the school is reporting fixed assets at written down value on the face of the Balance Sheet and has not created any depreciation reserve, which is not in accordance with the disclosure requirements included in the guidance note citied above.

   From the financial statements of FY 2018-2019, it was further 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.

   On review of the financial statements for FY 2017-2018 and FY 2018-2019 submitted by the school, it was noted that the school did not to mention previous year's figures in the schedules annexed to the financial statements.

Accordingly, the school is directed to disclose all fixed assets at gross (historic) value on the face of Balance Sheet on the assets side and accumulated depreciation as depreciation reserve on the liability side of the Balance Sheet. Further, the fixed assets schedule should include complete details regarding opening gross block of fixed assets, additions, deletions, closing gross block of fixed assets, opening depreciation reserve, depreciation during the year, adjustment (if any), closing balance of depreciation reserve and net (WDV) opening and closing block of fixed assets. The school is further 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.

4. 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 2016-2017	FY 2017-2018	FY 2018-2019
Total No. of Students	1,691	1,752	1,749
No. of EWS Students	248	260	272
% of EWS students to Total Students	14.67%	14.84%	15.55%

   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 year 2019-2020 amounting to INR 14,30,21,161 out of which cash outflow in the year 2019-2020 is estimated to be INR 9,24,10,099. This results in net surplus of INR 5,06,11,063. The details are as follows:

Particulars	Amount (INR)
Cash and Bank Balance as on 31 Mar 2019 (as per audited financial statements of FY 2018-2019)	1,09,21,944
Investments (Fixed Deposits) including accrued interest as on 31 Mar 2019 (as per audited financial statements of FY 2017-2018)	6,64,78,831
Total Liquid Funds Available with the School as on 31 Mar 2019	**7,74,00,825**
Add: Estimated Fees and other income for FY 2019-2020 based on financial statements of FY 2018-2019 of the school [Refer Note No. 1]	7,85,96,209

Particulars	Amount (INR)
Add: Amount recoverable from Society towards additions to building [Refer Financial Discrepancy No. 2]	58,48,049
Gross Estimated Available Funds for FY 2019-2020	**16,18,45,083**
Less: Caution Money (as per audited financial statements for FY 2018-2019) [Refer Other Discrepancy No. 2]	23,32,843
Less: Staff retirement benefits - Gratuity [Refer Financial Discrepancy No. 4]	1,43,77,898
Less: Staff retirement benefits – Leave Encashment [Refer Financial Discrepancy No. 4]	21,13,181
Less: Development Fund (as per financial statements of FY 2018-2019) [Refer Financial Discrepancy No. 1]	-
Less: Refund/Adjustment of increased fees collected from students during FY 2016-2017 to FY 2019-2020 [Refer Financial Discrepancy No. 5]	Amount could not be quantified
Net Estimated Available Funds for FY 2019-2020	**14,30,21,161**
Less: Budgeted Expenses for FY 2019-2020 [Refer Note 2]	7,36,38,153
Less: Arrears of salary as per 7th CPC for the period Jan 2016 to Mar 2018 (as per the computation of 7th CPC submitted by the school)	1,87,71,946
Estimated Surplus as on 31 Mar 2020	**5,06,11,063**

Notes:

1. Fees and incomes as per financial statements of FY 2018-2019 have been considered with the assumption that the amount of income during FY 2018-2019 will at least accrue during FY 2019-2020.

2. Per the Budget Estimate for FY 2019-2020 submitted by the school along with proposal for fee increase, the school had estimated the total expenditure during FY 2019-2020 of INR 8,11,58,000, which in some instances was found to be unreasonable/ excessive. Based on the explanations and details provided by the school during personal hearing, most of the expenses heads as budgeted were considered. Further, during review of budgeted expenses, certain discrepancies were noted in some of the expense heads, which were adjusted from the budgeted expenses. The same were discussed during personal hearing with the school. Therefore, the following expenses have been adjusted while considering the budgeted expenses for FY 2019-2020:

Expense heads	Actuals FY 2018-2019	Budget FY 2019-2020	Amount disallowed	Amount allowed	Remarks
Gratuity & Leave Encashment	3,29,82,158	35,00,000	35,00,000	-	Refer Financial Discrepancy No. 4
Extra Co-Curricular Activities	-	1,75,000	1,75,000	-	The school did not provide any rationale or explanation for this new head of expense proposed by it. Thus, this

Expense heads	Actuals FY 2018-2019	Budget FY 2019-2020	Amount disallowed	Amount allowed	Remarks
					additional expense head has not been considered.
Welfare Exp	99,639	3,25,000	2,15,397	1,09,603	No reasonable justification/ explanation provided by the school for such increase in expense as compared with FY 2018-2019. Accordingly, budgeted expenses for FY 2019-2020 have been restricted to 110% of the expense incurred during FY 2018-2019.
Smart Class Exp	3,81,140	5,00,000	80,746	4,19,254	
Transportation Expenses	22,15,550	30,00,000	5,62,895	24,37,105	
Examination Exp	1,65,996	3,00,000	1,17,404	1,82,596	
Computer Exp	1,59,074	2,80,000	1,05,019	1,74,981	
Sports Exp	16,318	1,00,000	82,050	17,950	
Electricity & Water Charges	10,67,454	14,50,000	2,75,801	11,74,199	
Miscellaneous Exp	6,894	90,000	82,417	7,583	
Newspaper & Periodicals	1,710	75,000	73,119	1,881	
Depreciation	20,31,875	22,50,000	22,50,000	-	This being a non-cash item does not entail cash outflow; hence, it has not been considered.
Total	**3,91,27,808**	**1,20,45,000**	**75,19,848**	**45,25,153**	

In view of the above examination, it is evident that the school has adequate funds for meeting all the budgeted expenses for the financial year 2019-2020.

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 2019-2020 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, it was recommended by the team Charted Accountants that along with 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 2019-2020 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 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 2019-2020. 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 2019-2020.

Accordingly, it is hereby conveyed that the proposal for enhancement of fee for session 2019-2020 of **Maharaja Aggarsain Adarsh Public School (School ID-1411231), Pitampura, Delhi-110034** 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 2019-2020. In case, the school has already charged increased fee during FY 2019-2020, 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 rectify the financial and other irregularities/violations as listed above and submit the compliance report within 30 days from the date of this order to D.D.E.(PSB).

5. 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. 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).

6. 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.

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
Maharaja Aggarsain Adarsh Public School,
School ID-1411231
Pitampura, Delhi-110034

No. F.DE.15(194)/PSB/2021/ 3381-85 Dated: 09/09/21

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 concerned ensure the compliance of the above order by the school management.
4. Guard file.

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