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

No. F.DE.15(289)/PSB/2021/ 5202-5207 Dated: 13/12/21

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 accounts and other records maintained by the school at least once in each financial year. Section 18(5) and 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 pursuance to order dated 27.03.2019 of this Directorate, **Columbia Foundation Sr. Sec. School (School ID- 1618245), D Block, Vikas Puri, New Delhi - 110018** had submitted the proposal for fee increase for the academic session **2019-20**. Accordingly, this order is dispensed off the proposal for enhancement of fee submitted by the School for the academic session **2019-20**.

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 **Columbia Foundation Sr. Sec. School (School ID- 1618245), D Block, Vikas Puri, New Delhi - 110018** 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 13 Dec 2019 at 11:20 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 school filed a writ petition (W.P.(C) 4659/2019) in the Hon'ble High Court of Delhi against Directorate's order No. F.DE.15 (418)/PSB/2018/1010-1014 dated 5 Oct 2018 issued by the Directorate of Education to the school post evaluation of the fee increase proposal for FY 2017-2018 order. The Hon'ble High Court in the said petition ordered that the status quo, regarding enhancement of fees would be maintained by the school till the next date of hearing and shall also be maintained by the Directorate regarding taking of any coercive action against the school. Thus, no such action has been initiated by the Directorate.

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. 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 June 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.*"

   The financial statements for FY 2018-2019 submitted by the school along with Audit Report dated 30 Jul 2019 signed by the Chartered Accountant did not cite UDIN, as mandated by ICAI. Therefore, authenticity of the audit and that of the financial statements for FY 2018-2019 submitted by the school could not be verified.

Further, on review of the audited final accounts for FY 2016-2017 to FY 2018-2019 submitted by the school, it was noted that the receipt and payment accounts were only stamped and initialled by the auditor and no reference thereon was drawn to the audit report of the auditor. Also, in its audit report, the auditor only gave his opinion on the true and fair view on:

- In the case of balance sheet of the state of affairs as at 31 Mar and
- In the case of Income and Expenditure account of the Deficit for the accounting year.

Thus, the auditor did not give his opinion on the receipt and payment accounts. The school did not provide reasonable justification for auditor's non-inclusion of receipt and payment account in his audit opinion.

While the school has not complied with the statutory requirement of submission of the 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 2019-2020 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.

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.

2. On examination of the financial statements for FY 2016-2017 to FY 2018-2019, it was noted that financial statements were not properly authenticated since the schedules annexed to the financial statements were not signed or initialled by any of the representatives of the school. Thus, the authenticity of the financial statements and financial information included therein cannot be confirmed.

   The school is directed to ensure that the entire set of financial statements (all pages, schedules including Notes to Account) must be signed or initialled (as appropriate) by two representatives of the school authorised in this regard as per Bye laws or other governing documents

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.

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.*"

Directorate's order no F.DE.15 (418)/PSB/2018/1010-1014 dated 5 Oct 2018 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 up-gradation of building, purchase of library books and payment of establishment expenditure 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 represented that the utilization of development fee was allowed for purchase of fixed assets of the school as tuition fees was to be utilized for payment of salary, as per report of Duggal Committee. As such, the utilization of development fee should not be limited to some specific heads of assets but should be taken in broader sense. In view of above, the expenses incurred by the school for the purchase of library books and up-gradation of assets (building) should be allowed. The school building is one of the basic assets of the school. The students who are studying in the school are accommodated in the classrooms, computer rooms, Science Lab, Playground, etc. The year to year wear and tear of the school needs regular upgradation of its infrastructure to maintain its safety and security of the students.

Based on the aforementioned order, development fund can 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 upgradation of assets, purchased of motorcycle, library books and transfer to Income and Expenditure Account as revenue receipt. The details of development fee collected and utilized from FY 2014-2015 to FY 2018-2019 are as follows:

Particulars	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018	FY 2018-2019
Development Fund - Opening Balance	28,15,762	23,29,839	10,00,239	83,536	21,848
Add: Development fees received during the year	44,25,300	43,94,630	46,09,745	44,24,710	44,50,000
Total Development fund Available	**72,41,062**	**67,24,469**	**56,09,984**	**45,08,246**	**44,71,848**
Less: Utilization of development funds					
- Purchase of fixed assets (FFE)	13,69,656	11,96,096	14,77,618	14,43,113	11,53,764
- Purchase of Library Books	60,399	84,083	1,16,656	7,885	85,138
- Purchase of Motorcycle	-	-	-	-	71,200
- Amount reflected as revenue receipts in its Income and Expenditure Account	-	35,08,529	26,96,693	14,52,620	17,95,500
- Renovation of School building	34,81,168	9,35,522	12,35,481	-	-
- Upgradation of Assets	-	-	-	15,82,780	12,71,221
Total Utilization of development funds	**49,11,223**	**57,24,230**	**55,26,448**	**44,86,398**	**43,76,823**
Development Fund - Closing balance	**23,29,839**	**10,00,239**	**83,536**	**21,848**	**95,025**

The school submitted a sample of invoices in relation to upgradation of assets for FY 2017-2018 and FY 2018-2019. Based on the review of those invoices, it was noted that the school has continued to utilize development funds totalling to INR 28,54,001 (INR 15,82,780 during FY 2017-2018 and INR 12,71,221 during FY 2018-2019) towards renovation/development of school building such as providing and fixing of granite, plaster work, wall construction, etc. out of development fund and the same was neither routed through the Income and Expenditure Account nor capitalised as fixed asset in the fixed assets schedule during the FY 2017-2018 and FY 2018-2019 indicating that the school diverted these funds. While the school routed the regular repair and maintenance expenses through the Income and Expenditure Account, it chose to utilise development fund for expenditure on the upgradation of the building indicating that such expenses were not regular repair and maintenance expenses of the school.

Therefore, the expenditure, which was reflected as upgradation of assets, was incurred by the school in contravention of the aforementioned provisions. Further, any expenditure incurred on upgradation of an asset, which increases the useful life of the asset, it must be capitalised in accordance with para 7 of Accounting Standard 10 (Revised 2016) titled 'Property, Plant and Equipment' issued by the Institute of Chartered Accountants of India (applicable from FY 2017-2018 onwards), which states "*The cost of an item of property, plant and equipment should be recognised as an asset if, and only if:*

(a) it is probable that future economic benefits associated with the item will flow to the enterprise; and

(b) *the cost of the item can be measured reliably.*"

The expenditure on renovation/development of 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. Based on the fact that the school did not implement the recommendations of 7th CPC till date and did not make any investment in plan-assets for securing staff gratuity and leave encashment 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*".

Therefore, above mentioned expenditure amounting to INR 28,54,001 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.

Based on above rationale, the budgeted expenses of INR 18,25,000 towards upgradation of assets has 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).

2. 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(418)/PSB/2018/1010-1014 dated 5 Oct 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school provided for gratuity and leave encashment on the basis of management estimates instead of actuarial valuation and the school was directed to get actuarial valuation for retirement benefits.

   The school submitted copy of actuarial valuation report of its liability towards gratuity and leave encashment for FY 2018-2019. It was noted that the school obtained actuarial valuation of its liability towards gratuity of INR 1,97,24,634 and INR 45,21,429 towards leave encashment and recorded the liability in the books of the account as on 31 Mar 2019. However, 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 not implemented the recommendations of 7th CPC till date and the school has not yet created investments equivalent to its liability towards staff retirement benefits in previous years, 50% of the amounts determined by the actuary as on 31 March 2019 towards gratuity and leave encashment of INR 98,62,317 (50% of INR 1,97,24,634) and INR 22,60,715 (50% of INR 45,21,429) respectively have been considered while deriving the fund position of the school (enclosed in the later part of this order) for FY 2019-2020 with the direction to the school to deposit these amounts in investments that qualify as plan assets (such as group gratuity scheme and group leave encashment scheme of LIC/ other insurers) as per Accounting Standard 15 within 30 days from the date of this order to protect statutory liabilities towards staff. 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 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).

3. Incomes (fee collected from students) reported in the Income and Expenditure Account/ Receipt and Payment 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/ Receipt and Payment 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)**
Annual Fee	47,54,400	45,50,810	2,03,590	4.47%
Smart Class Fee	13,87,810	13,45,200	(42,610)	3.17%

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 school has to prepare and submit the reconciliation to the Directorate, 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, 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, Smart Class fees and Science Lab fees from students. However, the school is yet to 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, which was also mentioned in Directorate's order no. F.DE.15 (418)/PSB/2018/1010-1014 dated 5 Oct 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 and the school was directed to follow fund based accounting. Details of calculation of deficit, based on breakup of expenditure provided by the school for FY 2018-2019 is given below:

Earmarked Fee	Income (INR)	Expenses (INR)	Surplus/(Deficit) (INR)
	A	B	C=A-B
Transport Fees^	10,96,090	18,13,014	(7,16,924)
Smart Class Fees	13,87,810	21,33,956*	7,19,154
Science Lab Fees	14,65,300		

^ 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.

* The school indicated combined expenses and did not provide the breakup of expenses incurred against the earmarked levy separately for smart class fees and science lab fees.

The school has been operating its transport facility at huge deficit as expenses incurred by the school are 65% more than the fee collected from students. The school must re-evaluate transport expenses incurred by it and optimise the same for matching it with income generated from transport facility. The school is strictly directly not to transfer the financial impact (i.e. deficit from transport facility) from the inefficient operation of transport facility to students not availing transport facility i.e. it must not adjust the deficit from school funds. The school is instructed to operate transport facility on strict no-profit no-loss basis.

Also, 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. The school is charging Smart Class fees 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. Based on the nature of the Smart Class fees and details provided by the school in relation to expenses incurred against the same, the school should not charge Smart Class fee as earmarked fee with immediate effect and should incur the expenses relating to these from tuition fee or annual charges, as applicable collected from the students.

While the school is not following fund-based accounting, the surplus generated from earmarked levy has been applied towards meeting general revenue expenditure of the school on account of which fund balance of earmarked levy could not separate from the total funds maintained by the school. Accordingly, total fees (including earmarked fee) have been included in the budgeted income and budgeted expenses (included those for earmarked purposes) while deriving the fund position of the school (enclosed in the later part of this order).

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 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. Further, the school is directed to stop collecting smart class fee, which is mandatorily collected from all the students. The school is also directed not to collect any earmarked levy compulsorily from students and the same should be optional and at the discretion of the students.

2. 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 while the school transferred an amount equivalent to the purchase cost of the fixed assets purchased from development fund to "Development Fund Utilised against Fixed Assets" account. However, the school did not transfer an amount equivalent to the depreciation on assets from the "Development Fund Utilised against Fixed Assets" 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 transfer an amount equivalent to the depreciation from "Development Fund Utilised against Fixed Assets" 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.

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*".

   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*"

   Directorate's order no. F.DE.15(418)/PSB/2018/1010-1014 dated 5 Oct 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school had not refunded interest on caution money along with refund of caution money to exiting students and was directed to include interest earned on caution money in the refund amount.

   From the submissions of the school, it was noted that the school is not paying interest along with caution money refund to students. Also, the school has not refunded caution money to its ex-students and nor has it communicated with them to collect the same. During the personal hearing, the school mentioned that it has stopped collecting caution money from the students for FY 2019-2020 and the school also mentioned that the un-refunded caution money will be recorded as income in FY 2019-2020 after sending communication to the ex-students.

   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 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).

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 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."*

   On review of the financial statements for FY 2016-2017 to FY 2018-2019 submitted by the school, it was noted that the school did not mention previous year's figures in Receipt & Payment account and schedules annexed to the financial statements.

   Basis the presentation made in the financial statements for FY 2018-2019 submitted by the school, it was noted that the fixed assets schedule relating to assets procured from development fund annexed to the financial statements included break up of opening block of assets, additions, deletions, closing 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 fixed assets schedule relating to assets purchased from general fund did not include details of historic cost and accumulated depreciation rather only opening written down value, depreciation during the year and closing written down value of assets. Also, on the face of the Balance Sheet, the school reported Fixed Assets (other than assets purchased from development fund) at written down value, which is not in accordance with the disclosure requirements included in the guidance note citied above.

   Further, it was noted that the fixed assets schedule pertaining to assets purchased from development fund included block of building and vehicles. 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. Thus, fixed assets such as buildings and vehicles must not be reported as part of fixed assets purchased from development fund.

   From the financial statements of the school, 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 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 school is directed to make necessary rectifications in presentation of building and vehicle, which must not be reflected in the fixed assets schedule relating to assets procured from development fund. The school is further directed to follow rates of depreciation specified in the Guidance Note, provide previous year's figures against all items in the financial statements and ensure that the financial statements are prepared as per the requirements of Guidance Note cited above

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. Review of the proposal for enhancement of fee for FY 2019-2020 submitted by the school indicated that the school did not include/disclose transport fee collected by it from students in its proposal for fee hike submitted for FY 2019-2020.

   The school is directed to mention details of all fees collected from students including earmarked levies. Also, the school should be cautious while submitting details to the Directorate and ensure that such omissions are not repeated.

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 2016-2017	FY 2017-2018	FY 2018-2019
Total No. Students	1,309	1,317	1,338
No. of EWS students	197	200	207
% of EWS students to Total students	15.04%	15.18%	15.47%

   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 8,36,27,936 out of which cash outflow in the year 2019-2020 is estimated to be INR 5,36,14,546. This results in net surplus of INR 3,00,13,389. The details are as follows:

Particulars	Amount (INR)
Cash and Bank Balance as on 31 Mar 2019 (as per financial statements of FY 2018-2019)	27,69,015
Investments (Fixed Deposits) as on 31 Mar 2019 (as per financial statements of FY 2018-2019)	4,43,40,587
Total Liquid Funds Available with the School as on 31 Mar 2019	**4,71,09,602**
Add: Fees/Incomes for FY 2019-2020 (based on income reported in financial statements of FY 2018-2019) [Refer Note 1]	4,74,81,114
Add: Amount recoverable from Society on account of expenditure of developmental nature incurred on building during FY 2017-2018 and FY 2018-2019 [Refer Financial Discrepancy No. 1]	28,54,001
Gross Estimated Available Funds for FY 2019-2020	**9,74,44,717**
Less: FDR jointly with CBSE and DoE (as per financial statements of FY 2018-2019)	3,52,125
Less: Caution Money Fund balance (as per financial statements of FY 2018-2019)	12,46,600
Less: Development Fund balance (as per financial statements of FY 2018-2019)	95,025
Less: Staff retirement benefits – Gratuity [Refer Financial Discrepancy No. 2]	98,62,317
Less: Staff retirement benefits – Leave Encashment [Refer Financial Discrepancy No. 2]	22,60,715
Net Estimated Available Funds for FY 2019-2020	**8,36,27,936**
Less: Budgeted Expenses for FY 2019-2020 (as per budget submitted by the school along with its fee increase proposal) [Refer Note 2]	5,36,14,546
Estimated Surplus as on 31 Mar 2020	**3,00,13,389**

Notes:

1. Fees and incomes as per financial statements of FY 2018-2019 have been considered (other than non-cash income such as reversal of excess salary provision) 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 5,70,07,296, 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 Allowed	Amount Disallowed	Remarks
Gratuity	65,65,347	5,50,000	-	5,50,000	Refer Financial Discrepancy No. 2
Leave Encashment	6,84,651	1,10,000	-	1,10,000	
Provision for salary	-	9,07,750	-	9,07,750	Being a non-cash expense does not

Expense Heads	Actuals FY 2018-2019	Budget FY 2019-2020	Amount Allowed	Amount Disallowed	Remarks
					result in cash outflow. Hence, it has not been considered.
Upgradation of Assets (from development fund)	12,71,221	18,25,000	-	18,25,000	Refer Financial Discrepancy No. 1
Total	**85,21,219**	**33,92,750**	**-**	**33,92,750**	

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.

AND WHEREAS, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that along with certain financial and other irregularities, that the sufficient funds are available with the school to carry out its operations for the academic session 2019-20. 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.

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 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 **Columbia Foundation Sr. Sec. School (School ID- 1618245), D Block, Vikas Puri, New Delhi - 110018** 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 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 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).
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
Columbia Foundation Sr. Sec. School
School ID- 1618245
D Block, Vikas Puri
New Delhi - 110018

No. F.DE.15(289)/PSB/2021/ 5202-5207 Dated: 13/12/21

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

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