

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

No. F.DE.15(598)/PSB/2022/3549-3553

Dated: 25/05/22

ORDER

WHEREAS, **Rockfield Public School, Sector-16, Rohini, Delhi-110085 (School ID: 1413197)** (hereinafter referred to as "School"), run by the Rockfield Educational Society (hereinafter referred to as the "Society"), is a private unaided school recognized by the Directorate of Education, Govt. of NCT of Delhi (hereinafter referred to as "DoE"), under the provisions of Delhi School Education Act & Rules, 1973 (hereinafter referred to as "DSEAR, 1973"). The School is statutorily bound to comply with the provisions of the DSEAR, 1973 and RTE Act, 2009, as well as the directions/guidelines issued by the DoE from time to time.

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

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

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

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

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

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



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

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

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

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

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

AND WHEREAS, accordingly, the DoE vide order No. F.DE.15 (40)/PSB/2019/2698-2707 dated 27.03.2019, directing all the private unaided recognized schools, running on the land allotted by DDA/other land-owning agencies on concessional rates or otherwise, with the condition to seek prior approval of DoE for increase in fee, to submit their proposals, if any, for prior sanction, for increase in fee for the session 2019-20.

AND WHEREAS, in pursuance to Order dated 27.03.2019 of the DoE, the School submitted its proposal for enhancement of fee for the academic session 2019-20. Accordingly, this Order dispenses the proposal for enhancement of fee submitted by the School for the academic session 2019-20.

AND WHEREAS, in order to examine the proposals submitted by the schools for fee increase for justifiability or not, the DoE has deployed teams of Chartered Accountants at HQ level who has evaluated the fee increase proposals of the School very carefully in accordance with the provisions of the DSEAR, 1973, and other Orders/ Circulars issued from time to time by the DoE.

AND WHEREAS, in the process of examination of fee hike proposal filed by the aforesaid School for the academic session 2019-20, necessary records and explanations were also called from the school through email. Further, the School was also provided an opportunity of being heard on 10.12.2019 to present its justifications/ clarifications on fee increase proposal including audited financial statements. Based on discussions, the School was further asked to submit necessary documents and clarification on various issues were noted. During the aforesaid hearing, compliances against Order No. F.DE.15(229)/PSB/2019/1215-1219 dated 29.03.2019 issued for academic session 2017-18, was also discussed and submissions taken on record.

AND WHEREAS, the response of the school along with documents uploaded on the web portal for fee increase, and subsequent documents submitted by the school, were evaluated by the team of Chartered Accountants, the key findings noted are as under:

A. Financial Observations

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

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

- a. *Pension, gratuity and other specified retirement and other benefits admissible to the employees of the school;*
- b. *The needed expansion of the school or any expenditure of a developmental nature;*
- c. *The expansion of the school building or for the expansion or construction of any building or establishment of hostel or expansion of hostel accommodation;*
- d. *Co-curricular activities of the students;*
- e. *Reasonable reserve fund, not being less than ten percent, of such savings.*

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.

The DoE in its Order no. F.DE.15(229)/PSB/2019/1215-1219 dated 29.03.2019 issued post evaluation of fee increase proposal for FY 2017-18, noted that the school incurred INR 22,26,121 for construction of building during the FY 2016-17. This incurred this expenditure without complying with the requirement of Rule 177 of DSER 19173. In the aforesaid order the school was directed to recover this amount from society which still pending for recovery. Further, this expenditure was incurred out the development fund.

As per the SMC meeting, the school submitted that it could not implement the recommendation of the 7th CPC and deposit equivalent amount of its retirement liability in plan assets within the meaning of AS-15 due to shortage of funds. The school instead of making priority for payment of salary to its staff in accordance with 7th CPC has preferred to incur expending on construction of building which is the responsibility of the society and then submitted the fee increase proposal to get the fee hike. Therefore, the contentions and arguments of the school are not correct, and the school should refrain itself from incurring



expenditure on school building and land as this is the responsibility of the society as per the aforesaid provisions.

Therefore, total capital expenditure incurred by the school of INR 22,26,121 on construction of building is recoverable from the society and has been included while deriving the fund position of the school. The school is further directed to recover this amount from the society within 30 days from the date of issue of this order.

2. Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/883-1982 dated 10.02.2005 issued by this directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*"

The DoE in its Order no. F.DE.15(229)/PSB/2019/1215-1219 dated 29.03.2019, noted that the school purchased car (Honda City) for INR 10,75,000 during the FY 2014-15 out of the development fund. As per clause 14 of the order dated 11.02.2009, development fund can only be utilized for purchase, upgrade and replacement of furniture fixture and equipment and not for any other purpose. Further, Rule 177 of DSER, 1973 state "*income derived by an unaided recognised school by way of fees shall be utilised in the first instance, for meeting the pay, allowances and other benefits admissible to the employees of the school. Provided that savings, if any, from the fees collected by such school may be utilised by its management committee for meeting capital or contingent expenditure of the school.....*" Thus, the school can incur capital expenditure if there is saving derived in terms of Rule 177. Accordingly, the aforesaid expenditure was incurred by the school even without complying with Rule 177 of DSER, 1973.

Therefore, the amount spent by the school of INR 10,75,000 for purchase of car is recoverable form the society and has been included while deriving the fund position cconsidering the same as fund available with the school. The school is further directed to recover this amount within 30 days from the date of issue of this order and ensure the compliance with the above-mentioned provisions henceforth.

3. Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "*Accounting for defined benefit plans is complex because actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses.*"

Further, the Accounting Standard defines Plan Assets (the form of investments to be made against liability towards retirement benefits) as:

- (a) Assets held by a long-term employee benefit fund; and
- (b) Qualifying insurance policies.

Further, Para 60 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states "*A defined benefit scheme is a scheme under which amounts to be paid as retirement benefits are determined usually by reference to employee's earnings and/or years of service*".

An appropriate charge to the income and expenditure account for a year should be made through a provision for the accruing liability. The accruing liability should be calculated according to actuarial valuation. However, if a school employs only a few persons, say less than twenty, it may calculate the accrued liability



by reference to any other rational method. The ensuing amount of provision for liability should then be invested in "plan assets" as per AS-15 issued by ICAI.

The documents submitted by the school were taken on record. Review of the documents submitted by the school post personal hearing, it has been noted that the school has total liability for retirement benefit (gratuity and leave encashment) is INR 1,35,81,653 as on 31.03.2018 against which the school has investment of INR 8,85,415 in the form of Fixed Deposit Receipts (FDR) for gratuity only. This investment of INR 8,85,415 in the form of FDR cannot be considered as investment in plan asset within the meaning of AS-15. Since, the school has not invested any amount in the plan assets as required by AS-15, the total provision of INR 1,35,81,653 as well as the provision created for the year INR 42,36,546 has not been considered while deriving the fund position of the school.

The school is hereby directed to invest the equivalent amount as determined by actuary that quality as plan assets within the meaning of AS-15 and submit the compliance status within 30 days from the date of issue of this order.

4. As per Clause 14 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11.02.2009, "*Development Fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture fixtures and equipment's. 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*".

Further, 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.*"

Further, Para 102 of the abovementioned Guidance Note states "*In respect of funds, schools should disclose the following in the schedules/notes to accounts:*

- a) *In respect of each major fund, opening balance, additions during the period, deductions/utilization during the period and balance at the end;*)
- b) *Assets, such as investments, and liabilities belonging to each fund separately*
- c) *Restrictions, if any, on the utilization of each fund balanced)*
- d) *Restrictions, if any, on the utilization of specific assets."*

The DoE in its Order no. F.DE.15(229)/PSB/2019/1215-1219 dated 29.03.2019 issued post evaluation of proposal for enhancement of fee for FY 2017-18, directed to charge depreciation on the assets purchased out of development fee to the income & expenditure account as per above mentioned provisions. However, school has not complied with the directions and has not charged depreciation to the income & expenditure account.



Based on the presentation made in the audited financial statements of FY 2018-19, it has been noted that the upon utilization of development fund, the school has transferred this to general fund in instead of creating separate development fund utilization account (in the deferred revenue). By doing this, the school has overstated the general fund with the notional amount. Further, the school has created depreciation reserve fund out of the development which is also not in accordance with above mentioned provision. It has also been noted that the school has purchase assets out of depreciation reserve fund account of INR 4,44,451 during the FY 2018-19 which is not in accordance with the above-mentioned provisions.

In nutshell, the school is neither reporting the current account balance of general fund nor development fund nor depreciation fund in its audited financial statements. Therefore, the correct closing of development fund as on 31.03.2018 & 31.03. cannot be calculated, accordingly this has been excluded while deriving the fund position of the school.

In view of the above the school is directed rectify its accounting treatment with respect to the collection and utilization of development fee/fund in accordance with the accounting treatment specified in para 99 of the Guidance Note-21 cited above.

5. The order dated 19.01.2016 issued by the Hon'ble High Court of Delhi, every recognized unaided school to whom land was allotted by DDA shall not increase the rate of fees without the prior sanction of Director, Education. Further, as per the directions of Supreme Court in *Modern School vs. Union of India & OINR* (supra), a Circular dated 16.04.2010 has been issued reiterating as under:

- i. It is reiterated that annual fee-hike is not mandatory.
- ii. School shall not introduce any new head of account or collect any fee thereof other than those permitted. Fee/funds collected from the parents/students shall be utilized strictly in accordance with rules 176 and 177 of the Delhi School Education Rules, 1973.
- iii. If any school has collected fee in excess of that determined as per procedure prescribed, the school shall refund/adjust the same against subsequent instalments of fee payable by students.

Also, Clause no. 17 of Letter of Allotment of Land issued by DDA states that "*The school shall not increase the rates of tuition fee without prior sanction of the Directorate of Education, Delhi Admn. and shall follow provisions of Delhi School Education Act/ Rules, 1973 and other instructions issued from time to time.*"

Further, as per order no. F.DE.15(229)/PSB/2019/1215-1219 dated 29.03.2019 issued to the school post evaluation of proposal for enhancement of fee for FY 2017-18, it was noted that school had increased its fees during the FY 2016-17 without getting prior approval of the Director (Education) while the fee increase proposal filed by the school was rejected by the Director (Education) with the direction that in case the school has already increased the fee, the same need to be refunded/adjusted.

However, school has neither refunded/ adjusted the increase fee and has been continually charging the increased from the students. During the personal hearing the school was asked to provide the amount of increased fee collected by during these years which the school has not provided. In the absence of the detailed information no impact has been considered while deriving the fund position of the school.

Therefore, the school is again directed to refund/ adjust the increased fee to the students charged during the FY 2016-17, 2017-18 and 2018-19 and submit the compliance within 30 days from the date of issue of this order.

6. As per rule 100 of DSEAR, 1973 the minimum qualification for appointment for the post other than that of teacher in a school whether aided or not corresponds to any post in the government school, the minimum qualifications for recruitment to such post shall be such as has been specified for such corresponding post in the government school.

Therefore, in view of the above provisions of the DSER, 1973 the post on which the recruitment can be done in the private unaided recognised school must be for the corresponding posts which exists in government and government aided schools under DoE. It is pertinent to mention that the recruitment can be done on the designated post as per recruitment rules of the employees of the recognized private schools which are notified by the administrator and if no recruitment rules which are framed by the administrator for the posts then the rules which are notified for the corresponding post existing in the government and government aided schools shall prevail in private schools and the recruitment shall be strictly done accordingly by the selection committee within the provisions of the rule 96 of DSER 1973.

Therefore, the recruitment as per provision of the DSEAR, 1973 prescribed for various posts in the school, but does not include any position for Manager/ Director. Accordingly, the appointment of the staff beyond the prescribed position is in contravention of the prescribes rules for various posts in the school.

From the record submitted by the school post personal hearing, it has been noted that the school has appointed Deepak Malik as Managing Director of the School w.e.f. 01.07.1997 on fixed remuneration basis which is not in accordance with the above-mentioned provisions as the post of managing direction has not been specified in the Recruitment Rules. The details of the salary paid to the Managing Director during the last three financial year is provided below.

Particulars	Gross Salary (Monthly)	Gross Salary (Yearly)
FY 2016-17	82,500	9,90,000
FY 2017-18	82,500	9,90,000
FY 2018-19	86,625	10,39,500
Total		30,19,500

Accordingly, the amount paid to managing director from FY 2016-17 to FY 2018-19 totalling to INR 30,19,500 is recoverable from the managing director/ society and therefore, has been included while deriving the fund position of the school with the direction to the school to recover this amount from the managing director/ society within 30 days from the date of issue of this order.

7. Rule 172 of DSER, 1973 states '*trust or society not to collect fees, etc. schools to grant receipts for fees, etc., collected by it*'

- (a) *No fee, contribution or other charge shall be collected from any student by the trust or society running any recognised school, whether aided or not.*
- (b) *Every fee, contribution or other charge collected from any student by a recognised school, whether aided or not, shall be collected in its own name and a proper receipt shall be granted by the school for every collection made by it"*

On review of the documents submitted by the school post personal hearing, it has been noted that society has received fees deposited by the students in their bank account instead of being deposited in school's bank account. As per the details provided by the school it has been noted that the Society has collected INR 84,350 during FY 2016-17 and INR 1,55,286 during the 2017-18. The school has further submitted that such errors were made on part of bank by crediting wrong account of the school and matter was brought to the bank. Therefore, INR 2,39,636 is recoverable from the society and has been included while deriving the fund position of the school with the direction to the school to recover this amount from the society within 30 days from the date of issue of this order.

B. Other Observations

1. 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.*"

Clause 22 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11.02.2009 states that *Earmarked levies shall be charged from the user student only. Earmarked levies for the services rendered shall be charged in respect of facilities involving expenditure beyond the expenditure on the earmarked levies already being charged for the purpose. They will be calculated and collected on 'no profit no loss' basis and spent only for the purpose for which they are being charged. All transactions relating to the earmarked levies shall be an integral part of the school accounts*

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

Also, earmarked levies collected from 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 and Smart class from students. However, the school has not maintained separate fund accounts for these earmarked levies. The school has been generating surplus from smart classes which has been utilised for meeting other expenses of the school and has incurred loss (deficit), which has been met from other fees/income. Details of calculation of surplus/deficit, based on breakup of expenditure provided by the school for FY 2016-17, FY 2017-18 and FY 2018-19 are given below:

Particulars	Smart Class	Transport Charges
For the year 2016-17		
Fee Collected during the year (A)	18,06,800	20,90,060
Expenses during the year (B)	15,35,605	26,11,547
Difference for the year (A-B)	2,71,195	-5,21,487
For the year 2017-18		
Fee Collected during the year (A)	21,45,800	24,50,091
Expenses during the year (B)	20,08,033	24,25,585
Difference for the year (A-B)	1,37,767	24,506
For the year 2018-19		
Fee Collected during the year (A)	21,33,980	23,70,678
Expenses during the year (B)	19,85,573	26,00,034
Difference for the year (A-B)	1,48,407	-2,29,356
Total (Surplus)	5,57,369	-7,26,337

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 computer fee and co-curriculum 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 fee. Thus, based on the nature of computer fee and co-curriculum fee and details provided by the school in relation to expenses incurred against the same, the school should not charge such fee as earmarked levy and should incur the expenses relating to these either from the tuition fee or from the annual charges as applicable. Accordingly, total fees (including earmarked fee) have been considered while deriving the fund position of the school.

It is also important to mention that 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.

In view of the above the school is directed not collect this fee with immediate effect from the students and to maintain separate fund account depicting clearly the amount collected, amount utilized and balance amount for each earmarked levy collected from students for all earmarked levies collected from students. Unintentional surplus, if any, generated from earmarked levies must be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies during



subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on no-profit no-loss basis and not to include fee collected from all students as earmarked levies.

2. As per the generally accepted accounting principle, all the revenue income and expenditure incurred should be routed through income and expenditure account. However, on review of audited financial statements for FY 2018-19 it has been noted that the income and expenditure in respect of earmarked levies such as Transport fee and Excursion charges has not been shown in the income and expenditure account. Similar observation was noted in Order no. F.DE.15(229)/PSB/2019/1215-1219 dated 29.03.2019.

Accordingly, the income and expenditure from these earmarked levies has been considered in calculation of fund availability with the school and school is directed to comply with generally accepted accounting principles and route income and expenditure from transport income and excursion charges through income & expenditure account as the same shall be verified at the time of evaluation of proposal for enhancement of fee for next financial year.

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

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

Clause 3 and 4 of Order No. DE/15/150/Act/2010/4854-69 dated 09.09.2010 stated *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, this income shall also be taken into account while projecting fee structure for ensuing Academic year"*.

On review of audited financial statements for FY 2018-19, it has been noted that school has not been refunding caution money principal to the students and has not been refunding interest along with such caution money at the time of leaving school by the students.

Therefore, the school is directed to ensure compliance with the aforementioned directions including refund of caution money along with interest to exiting 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. Further, the balance of caution money outstanding INR 4,03,600 as on 31.03.2019 has been considered while deriving the fund position of the school.



4. As per clause 103 on Related Party Disclosure, contained in Guidance Note 21 on 'Accounting by Schools', issued by the ICAI, there is a requirement that keeping in the view the involvement of public funds, schools are required to disclose the transactions made in respect of related parties.

From review of the audited financial statements of 2018-19, it has been noted that the School has not made any disclosure relating to related party transactions in its audited financial statements. In the absence of such details, the purpose and genuineness of transactions entered into between the related parties cannot be determined. Therefore, the School is hereby directed to include such details in audited financial statements of the subsequent year.

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 Academic session 2019-20 amounting to INR **6,03,40,161** out of which cash outflow is estimated to be INR **6,48,98,138**. This results in net deficit of INR **45,57,977**. The details are as follows:

Particulars	Amount in INR
Cash and Bank balances as on 31.03.19 as per Audited Financial Statement	3,89,223
Investments in fixed deposits as on 31.03.19 as per Audited Financial Statements	9,40,502
Liquid fund as on 31.03.19	13,29,725
Add: Recovery from the society for additions to building (Refer Financial observation No. 1)	22,26,121
Add: Recovery from the society towards amount spent on purchase of Car out of school funds(Refer Financial observation No. 2)	10,75,000
Add: Recovery of Salary paid to the Manager of the School (Refer Financial observation No.6)	30,19,500
Add: Amount Recoverable from Society agaisnt fee collected by it (Refer Financial observation No.7)	2,39,636
Add: Impact of Fee increase as per previous years Order F.DE.15(229)/PSB/2019/1215-1219 dated 29.03.2019	49,97,683
Add: Fees for FY 2018-19 as per Audited Financial Statement (Refer Note 1 below)	4,72,85,070
Add: Other income for FY 2018-19 as per audited Financial Statements (Refer Note 1 below)	5,71,026
Total available funds for FY 2019-20	6,07,43,761
Less: Caution money as on 31.03.2019 (as per audited financial statements for FY 2018-19) (Refer Other Discrepancies no. 5)	4,03,600
Less: Investment made with LIC against provision made for retirement benefits (Refer Financial Discrepancies No. 3)	-
Less: Development Fund (Refer Financial Observaion No. 4)	-
Less: Depreciation reserve fund (Refer Note 2 below)	-
Estimated Available Funds for FY 2019-20	6,03,40,161
Less: Budgeted expenses for the session 2019-20 (Refer Note 2 and 3)	5,21,98,876

Particulars	Amount in INR
Less: Arrears on implementation of 7th CPC for the period 01.01.16 to 31.03.18 (Refer Note 4 below)	1,26,99,262
Estimated Deficit	45,57,977

Note 1: Income as per audited financial statements for FY 2018-19 has been considered.

Note 2: As per the Duggal Committee report, there are four categories of fees that can be charged by a private unaided school. The first category of fee comprised of "Registration fee and all one Time Charges" levied at the time of admissions such as admission and caution money. The second category of fee comprises 'Tuition Fee' which is to be fixed to cover the standard cost of the establishment and to cover the expenditure of revenue nature for the improvement of curricular facilities like library, laboratories, science, and computer fee up to class X and examination fee. The third category of the fee should consist of 'Annual Charges' to cover all expenditure not included in the second category and the fourth category consist of all 'Earmarked Levies' for the services rendered by the school and be recovered only from the 'User' students. These charges are transport fee, swimming pool charges, Horse riding, tennis, midday meals etc. This recommendation has been considered by the Directorate while issuing order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and order No. F.DE./15(56)/Act/2009/778 dated 11.02.2009.

The purpose of each head of the fee has been defined and it is nowhere defined the usage of development fee or any other head of fee for investments against depreciation reserve fund.

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

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

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

Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year.”

Accordingly, the depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue account) is mere of an accounting head for the appropriate accounting treatment of depreciation in the books of account of the school in accordance with Guidance Note -21 issued by the Institute of Chartered Accountants of India. Thus, there is no financial impact of depreciation reserve on the fund position of the school. Accordingly, the depreciation reserve fund of INR 9,776 as reported by the school in the audited financial statements for the FY 2018-19 has not been considered while deriving the fund position of the school.

Note 3: All expenditure of the school for FY 2019-20 has been considered while deriving the fund position of the school except the following

Particulars	Amount Disallowed	Remarks
Provision for Gratuity and Leave Encashment	30,00,000	Refer Financial observation No.4
Salary-Managing Director	16,02,000	In addition to Financial observation No.6 this has been disallowed for the salary paid in 2019-20
Salaries-Teaching & Non-Teaching staff	1,78,61,432	Detailed calculation has not been provided. Therefore, this has been restricted to 120% of the actual expenditure incurred by school during FY 2018-19 because the salary has been considered separately (refer note 4 below)
Computer Repair & Maintenance	1,58,000	Reasonable explanation or supporting documents not provided by the school for such unusual increase under these heads. Thus, these expenditure has been restricted to 110% of the actual expenditure incurred in FY 2018-19 considering the rise in inflation.
Electricity & Water Expenses	1,87,924	
Office Maintenance	92,699	
School Maintenance	10,62,630	
Function Expenses	85,571	
Legal & Professional Expenses	1,00,000	
Smart Class Expenses	2,15,870	
Total	2,43,66,126	

Note 4: The Directorate vide Order No. DE.15 (318)/PDB/2016/18117, dated 25.08.2017, the Managing Committee of all the private unaided recognized schools were directed to implement the Central Civil Revised Pay Rules 2016 in respect of the regular employees of the corresponding status in their schools with effect from 01.01.2016 as adopted by the Government of NCT of Delhi vide its circulars No. 30-3(17)/(12)/VII Pay Comm./Coord./2016/110006-11016 dated 19.08.2016 and No. 30-3(17)/(12)/VII Pay Comm./Coord./2016/12659-12689 dated 14.10.2016. Further, vide order No. F.DE.15/(318)/PSB/2019/11925-30 dated 09.10.2019, the managing committee of all Private Unaided Schools once

again directed to implement the recommendation of 7th CPC with effect 01.01.2016 within 15 days from the date of issue of aforesaid order.

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

As per the minutes of meeting of the School Management Committee dated 27.04.2019, it has been noted that School Management has not yet implemented the recommendations of 7th CPC with effect from 01.01.2016 on the ground of insufficient funds with the school and has decided to implement the same from April 2019.

While as per Directorate's Order no. F.DE.15(229)/PSB/2019/1215-1219 dated 29.03.2019 issued post evaluation of fee increase proposal of the school for the FY 2017-18, wherein school was allowed to increase its fee after considering the impact of 7th CPC and was directed to implement the recommendations of 7th CPC but the school has not complied with the direction mentioned in the previous year's order. Further in the budget submitted by the school for FY 2019-20 it has been clearly mentioned that the establishment expenses presented as per the recommendation of 7th CPC with all allowances.

Accordingly, the impact of salary arrears which is still pending for payment (only arrears of salary as per 7th CPC payable till 31.03.18 as allowed to the school in the previous year order has been taken since school has not provided calculations for arrears payable for FY 2018-19 along with its submission of proposal for enhancement of fee) has been considered separately while deriving the fund position of the school with the direction to the school to implement the recommendations of 7th CPC in full within 30 days from the date of issue of this order. A strict action against the school would be initiated u/s 24(3) of DSEA, 1973 for non-compliance with the direction cited above.

- ii. In view of the above examination, it is evident that the school does not has adequate funds for meeting all the operational expense for the financial year 2019-20. In this regard, 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."

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 observations that were identified (appropriate financial impact has been taken on the fund position of the school) and



certain procedural findings which were also noted (appropriate instructions against which have been given in this order), that the sufficient funds are not available with the to carry out its operations for the academic session 2019-20. Accordingly, the fee increase proposal of the school may be accepted.

AND WHEREAS, it has been noted that the School has incurred INR 22,26,121 for building in contravention of clause 2 of public notice dated 04.05.1997 and Rule 177. Further, the school has incurred INR 10,75,000 on purchase of car in contravention of clause 14 of the order dated 11.02.2009 and the school fees of INR 2,39,636 was credited in the Society's account during FY 2016-17, 17-18 due to bank error. Thus, the school is directed to recover total amount of INR 35,40,757 from the society. The amount of above receipt along with copy of bank statement showing the receipt of above-mentioned amount should be submitted with DoE, in compliance of the same, within thirty days from the date of issuance of this order. Non-compliance of this shall be taken up as per DSEA&R, 1973.

AND WHEREAS, it is relevant to mention that Covid-19 pandemic had a widespread impact on the entire society as well as on general economy. Further, charging of any arrears on account of fee for several months from the parents is not advisable not only because of additional sudden burden fall upon the parents/students but also as per the past experience, the benefit of such collected arrears is not passed to the teachers and staff in most of the cases as was observed by the Justice Anil Dev Singh Committee (JADSC) during the implementation of the 6th CPC. Keeping this in view, and exercising the powers conferred under Rule 43 of DSER, 1973, the Director (Education) has accepted the proposal submitted by the school and allowed an increase in fee by 9% to be effective from 01 July 2022.

AND WHEREAS, recommendation of the team of Chartered Accountants along with relevant materials were put before the Director of Education for consideration and who after considering all the material on the record, and after considering the provisions of section 17 (3), 18(5), 24(1) of the DSEA, 1973 read with Rules 172, 173, 175 and 177 of the DSER, 1973 has found that funds are not available with the school for meeting financial implication for the academic session 2019-20.

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

Accordingly, it is hereby conveyed that the proposal of fee increase for academic session 2019-20 of **Rockfield Public School, Sector-16, Rohini, Delhi-110085 (School ID: 1413197)**, is accepted by the Director of Education and the school is hereby allowed to increase the tuition fee by **9% to be effective from 1 July, 2022.**

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

1. To increase the fee only by the prescribed percentage from the specified date.
2. To ensure payment of salary is made in accordance with the provision of Section 10(1) of the DSEA, 1973. Further, the scarcity of funds cannot be the reason for non-payment of salary and other benefits admissible to the teachers/ staffs in accordance with section 10 (1) of the DSEA,



1973. Therefore, the Society running the school must ensure payment to teachers/ staffs accordingly.

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

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

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



(Yogesh Pal Singh)

Deputy Director of Education

(Private School Branch)

Directorate of Education, GNCT of Delhi

To:

The Manager/ HoS
Rockfield Public School (School ID: 1413197)
Sector-16, Rohini,
Delhi-110085

No. F.DE.15 (598)/PSB/2022 / 3549-3553

Dated: 25/05/22

Copy to:

1. P.S. to Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. DDE (North West-B) to ensure the compliance of the above order by the School Management.
4. In-charge (I.T Cell) with the request to upload on the website of this Directorate.
5. Guard file.



(Yogesh Pal Singh)

Deputy Director of Education

(Private School Branch)

Directorate of Education, GNCT of Delhi