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

No. F.DE.15 (1254)/PSB/2023/ 1569- 1573 **Dated:** 16/02/23

Order

WHEREAS, **Sachdeva Public School (School ID- 1411221), FP-Block, Maurya Enclave Pitampura, New Delhi-110088** (hereinafter referred to as " **the School**"), run by the **Shri Laxman Dass Sachdeva Memorial Educational Society (Regd.)** (hereinafter referred to as "**Society**"), is a private unaided school recognized by the Directorate of Education, Govt. of NCT of Delhi (hereinafter referred to as "**DoE**"), under the provisions of Delhi School Education Act & Rules, 1973 (hereinafter referred to as "**DSEAR, 1973")**. The school is statutorily bound to comply with the provisions of the DSEAR, 1973 and RTE Act, 2009, as well as the directions/guidelines issued by the DoE from time to time.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

AND WHEREAS, in the process of examination of the fee increase proposal filed by the aforesaid school, necessary records and explanations were also called from the school through email and the school was also provided an opportunity of being heard on 09.12.2022 to present its justifications/clarifications on the fee increase proposal. Based on the discussion with the school during personal hearing, the school was further asked to submit necessary documents and clarification on various issues noted. In the aforesaid personal hearing, compliance of Order No F.DE.15(611)/PSB/2022/3645-3649 dated 26.05.2022 issued for academic session 2019-20 were also discussed with the school and school's submissions were taken on record.

AND WHEREAS, on receipt of clarification as well as documents uploaded on the web portal for fee increase, and subsequent documents submitted by the school as a result of the personal hearing on 28.09.2022, were evaluated by the team of Chartered Accountants and the key suggestions noted for improvement by the School are hereunder:

A. Financial Suggestion for Improvements

1. Direction no. 2 included in the Public Notice dated 04.05.1997 states "*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 that *"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.

Based on the aforesaid Public Notice and Judgement of the Hon'ble High Court, the cost relating to construction of Building has to be met by the society, being the property of the society and not from the fund of the school. Further, Rule 177 states that the school is not allowed to make addition to the building if it does not have savings.

The school spent 1,83,01,522 and INR 29,72,409 on addition to the building during FY 2014-15 and FY 2015- 16 respectively without complying Rule 177 of DSER 1973 and the same was directed to recover from the society vide Directorate's Order No Order No F.DE.15(254)/PSB/2019/1450-1454 dated 29.03.2019, Order No F.DE.15(589)/PSB/2022/3630-3634 dated 26.05.2022 and F.DE.15(611)/PSB/2022/3645-3649 dated 26.05.2022 issued for the academic session 2017-18, 2018-19 and 2019-20 respectively.

The compliance report submitted by the school against order dated 29.03.2019 were taken on record. The school submitted that, during FY 2014-15 the financials of Junior school was merged with the financials of main school and therefore while transferring assets and liabilities, the building of INR 1,83,01,522 was transferred to main school along with the liability of society for INR 3,18,89,118 which indicates that the addition to building was made by the society. Further, addition of INR 29,72,409 to building during FY 2015-16 was also made by the society, as increase in the liability of society has been noted. Since, the above additions to building was made by the society, the same has been considered while deriving the fund position of the school with the direction to the school, not to pay the aforesaid amount to the society and transfer the liability of society to corpus fund.

Further, the school had also purchased two mini buses amounting to INR 30,00,000 by taking loan of INR 28,13,800 (i.e. INR 8,98,000*2 + INR 5,08,900*2) and making down payment of INR 1,86,200 during FY 2014-15 from the School funds. In FY 2014-15 to FY 2017-18, the school had paid full amount of loan i.e. INR 28,13,800 along with the interest thereon of INR 4,21,554 out of the school fund and therefore the school was directed to recover INR 34,21,554 from the society vide Directorate's Order No F.DE.15(611)/PSB/2022/3645-3649 dated 26.05.2022 which is still pending for recovery.

Accordingly, the total amount of INR 34,21,554 (INR 28,13,800 plus INR 1,86,200 plus INR 4,21,554) spent by the School for purchase of mini buses, has been included while deriving the fund position of the school considering the same as funds available with the school. The school is again directed to recover the aforesaid amount from the Society within 30 days from the date of issue of this order and transfer the liability of society to corpus fund.

Non-compliance with this directive would be taken seriously, and the department would take appropriate action against the school under Section 24(4) of the DSEA, 1973 without giving any further opportunity to the school.

2. Clause (vii) (c) of Order No. F.DE/I5/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. Salaries and allowances are revenue expenses incurred during the current year and therefore, have to come ow of the fee of the current year while capital expenditure/investments have to come from savings. "* The same was also upheld by the Hon'ble Supreme Court of India in the matter of Modern School Vs Union of India & OINR Further, section 18(4) (a) of DSEA, 1973 states *"Income derived by unaided schools by way of fees shall be utilised only for such educational purposes as may be prescribed''.*

Moreover, Rule 177 of DSER, 1973 states that *"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.

It has been noted that school had purchased cars of INR 26,49,000 and INR 15,11,718 during FY 2015-16 and 2016-17 out of the school funds without complying with Rule 177 of DSER, 1973. Similar observation was noted by DoE in its Order No F.DE.15(254)/PSB/2019/1450-1454 dated 29.03.2019, Order No F.DE.15(589)/PSB/2022/3630-3634 dated 26.05.2022 and F.DE.15(611)/PSB/2022/3645-3649 dated 26.05.2022 issued for the academic session 2017-18, 2018-19 and 2019-20 respectively and the school was directed to recover the same from the society, which is still pending for recovery.

The school in its response dated 29.04.2019 submitted that the aforesaid vehicles are being used for educational and related purposes. The contention of the school is not tenable since the school has not complied with the provision of Rule 177 of DSER, 1973

Therefore, the school is once again directed to recover INR 41,60,718 from the Society within 30 days from the date of issue of this order. Accordingly, the same has been included while deriving the fund position of the school.

3. As per the DSEAR, 1973 any amount collected by the school should be utilised for imparting better education to the students and not for any other purpose or donation.

On review of the audited financial statements for the FY 2019-20, it has been noted that the school has made donation of INR 21,000 which cannot be considered as an expense for educational purpose. Similar observation was also noted by DoE in its Order No F.DE.15(611)/PSB/2022/3645-3649 dated 26.05.2022 issued for academic session 2019-20, wherein the school had donated INR 4,57,800 during FY 2014-15 to FY 2018-19. As per the response submitted by the school, the donation was made to Maa Kamakhya Yog Sadhna & Social Welfare Society for participation of students for yoga and other cultural activities. The contention of the school is not tenable and therefore the expenditure incurred on donation cannot be considered for educational purpose.

Accordingly, the total amount of donations paid out of the school funds totalling to INR 4,78,800 is hereby added while deriving the fund position of the school 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 issue to this order.

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

On review of the audited financial statements for the FY 2021-22, it has been noted that closing balance of development fund was INR 2,46,17,023 however, as per the bank statement, school has maintained bank balance of INR 10,11,561 which is a contravention of the aforesaid clause. Also, school does not follow the accounting practice suggested in the guidance note cited above and do not maintain any deferred income account. Hence, the closing bank balance of development fund as on 31.03.2022 amounting to INR 10,11,561 has been considered while calculating the fund position of the school.

Hence, the school is directed to maintain equivalent bank balance against the development fund account in accordance with clause 14 of the order dated 11.02.2009. and follow para 99 of GN-21 for correct presentation of its financial statements and make necessary rectification entries in the development fund account, development fund utilization account and general fund account. Non-compliance of the above direction shall be reviewed seriously at the time of evaluation of proposal for enhancement of fee for subsequent year.

5. 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:

1. Assets held by a long-term employee benefit fund; and
2. Qualifying insurance policies.

Further, Para 57 of AS-15 states that *"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."*

On review of the audited financial statements for the FY 2021-22, it has been noted that the school has made provision (i.e. Fund value + Provision) for gratuity amounting to INR 8,21,07,577 and leave encashment amounting to INR 2,98,84,004 in line with actuarial liability determined by the actuary in the report dated 13.06.2022. Further, the school has made investment of INR 5,07,81,678 and INR 1,25,59,515 in plan assets as required by AS- 15 towards gratuity and leave encashment respectively. Since, the school has not invested equivalent amount in plan assets, therefore, amount invested by the school amounting to INR 6,33,41,193 (INR 5,07,81,678 + INR 1,25,59,515) has been considered while calculating fund position of the school.

Accordingly, the school is directed to invest an amount equivalent to the amount determined in the actuarial valuation report in plan assets as per requirement of AS-15 towards gratuity and leave encashment within 30 days from the date of issue this order.

B. Other Suggestion for Improvements

1. Clause 19 of Order No. F.DE. /15(56)/Act/2009/778 dated 11.02.2009 states *"The tuition fee shall be so determined as to cover the standard cost of establishment including provisions for DA, bonus, etc., and all terminal, benefits as also the expenditure of revenue nature concerning the curricular activities."*

   Clause 21 of Order No. F.DE. /15(56)/Act/2009/778 dated 11.02.2009 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."*

   Clause 22 of Order No. F.DE /15(56)/ Act/2009/778 dated 1.02.2009 states *"Earmarked levies will be calculated and collected on 'no-profit no loss' basis and spent only for the purpose for which they are being charged."*

   Clause 6 of Order No. DE 15/ Act/ Duggal.Com /203 /99 /23033-23980 dated 15.12.1999 states *"Earmarked levies shall be charged from the user student only."*

   Rule 176 states *"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."*

   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 at 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 form of restricted funds, which, according to Guidance Note-21 'Accounting by Schools' issued by the Institute of Chartered Accountants of India, are required to be credited to a separate fund account when the amount is received and reflected separately in the Balance Sheet.

Further, the Guidance Note-21 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 and a corresponding amount is transferred from the concerned restricted fund account to the credit of the Income and Expenditure Account.

From the information provided by the school post personal hearing, it has been noted that school charges earmarked levies in the form of (i) computer fee, (ii) science fee, (iii) health and hygiene fee, (iv) smart class fees, (v) information practices fee and (vi) transport fees from the students. However, the school has not maintained separate fund based accounts for these earmarked levies. The surplus/deficit generated by the school from these earmarked levies in last three financial years are as under:

Particulars	Computer Fee	Science Fee	Health & Hygiene Fee**	Smart Class Fee**	IP Fee	Transport Fee
For the year 2019-20						
Fee Collected during the year (A)	3,16,800	5,77,200	42,88,920	1,07,22,300	3,26,400	10,34,000
Expenses during the year (B)	-		45,39,110	74,32,146	-	10,21,952
Difference for the year (A-B)	**3,16,800**	**5,77,200**	**(2,50,190)**	**32,90,154**	**3,26,400**	**12,048**
For the year 2020-21*						
Fee Collected during the year (A)	-	-	13,920	34,800	600	4,700
Expenses during the year (B)	-	-	7,97,588	4,87,602	-	8,16,378
Difference for the year (A-B)	**-**	**-**	**(7,83,668)**	**(4,52,802)**	**600**	**(8,11,678)**
For the year 2021-22*						
Fee Collected during the year (A)	-	-	-	-	-	-
Expenses during the year (B)	-	-	1,14,879	4,33,460	-	8,83,899
Difference for the year (A-B)	**-**	**-**	**(1,14,879)**	**(4,33,460)**	**-**	**(8,83,899)**
Total (Surplus)	**3,16,800**	**5,77,200**	**(11,48,737)**	**24,03,892**	**3,27,000**	**(16,83,529)**

*Computer fee, Science fee, Health and hygiene fee, Smart class fees, Information practices fee and Transport fees are not collected by the school during the FY 2020-21 and FY 2021-22
** Smart Class Fees and Health and Hygiene Fee are collected from all students.

In view of the above the earmarked levies are to be collected only from the user students availing the services, and if any service/facility has been extended to all the students at the school, a separate charge cannot be levied towards these services by the school as the same would get covered either from tuition fee (expenses on curricular activities) or annual charges (expenses other than those covered under tuition fee). Accordingly, charging earmarked levies in the name of Smart Class Fees and Health and Hygiene Fee from all the students loses its character of earmarked levy. Thus, the school is directed not to charge Smart Class Fees and Health and Hygiene Fee as earmarked fee with immediate effect and should incur the expenses relating to these from tuition fee and/or annual charges.

The school is also 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 in the subsequent proposal of fee increase by ensuring that the proposed levies are calculated on no-profit no-loss basis and not to include fee collected from all students as earmarked levies.

The 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.

2. School was requested to submit the fixed assets register for verification, however, it has failed to provide the same. Therefore, it seems that the school does not follow the practice of preparing Fixed Assets Register (FAR). The FAR should include details such as invoice date, invoice number, supplier name, description of asset, manufacturer's serial number, location, depreciation, asset identification number, etc. to facilitate identification of asset and document complete details of assets at one place.

Accordingly, the school is directed to prepare the fixed assets register by capturing all the details mentioned above and submit the compliance report within 30 days from the date of issue of this order. Compliance of the above shall be verified at the time of evaluation of proposal for enhancement of fee for subsequent year.

3. As per Right to Education act, the pupil teacher ratio for primary classes and upper primary classes should be 30:1 and 35:1 respectively. Also, as per the affiliation bye-laws prescribed by Central Board of Secondary Education (CBSE), the student's teacher ratio should not exceed 30:1 excluding principal, physical education teacher and counsellor to teach various subjects. However, based on the information submitted by the school relating to total students and number of teachers following ratios have been derived:

Particulars	**FY 2019-20**	**FY 2020-21**	**FY 2021-22**
Total Number of Students (A)	3536	3429	3330
Number of Teachers (B)	143	119	122
Students to teacher ratio(A/B) – rounded off	**25**	**29**	**27**

In view of the above calculation, it has been observed that there is one teacher on every 26 students which is higher than the standard prescribed by the CBSE and mentioned in the RTE Act. It seems that there is overstaffing of teaching staff in the school. Therefore, the school management is required to look into this aspect and try to establish an equilibrium, without compromising the standard of education, between the standard prescribed by the CBSE and the existing student teacher ratio.

4. The Directorate vide its order No. F.DE.15/Act-I/08155/2013/5506-5518 dated 04.06.2012 directed that the school shall provide 25% reservation to children belonging to EWS category. Even as per the land allotment letter, the school is required to provide free ship to the students belonging to weaker section. However, as per the information provided by the school for the FY 2019-20 to FY 2021-22, it has been noted that the school has not complied with above requirement. Therefore, DDE District may be requested to look into this matter and ensure compliance with the above requirements. The details of total students and EWS students for the FY 2019-20 to 2021-22 are tabulated below:

Particulars	**FY 2019-20**	**FY 2020-21**	**FY 2021-22**
No. of students	3536	3429	3330
No. of EWS Students	544	568	618
% of EWS Students – rounder off	**15**	**17**	**19**

5. 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 Practicing 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 practicing Chartered Accountants from 1 July 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.*"

However, on review of the audited financial statements for the FY 2019-20 to FY 2021-22, it has been observed that the financial statements of the school were certified by the Chartered Accountant without mentioning the UDIN as required by the council. Similar observation was also noted by DoE in its Order No F.DE.15(611)/PSB/2022/3645-3649 dated 26.05.2022 issued for academic session 2019-20. This being the procedural observation therefore, the school management are directed to ensure this compliance from the Auditor of the school.

After detailed examination of all the material on record and considering the clarification submitted by the school, it was finally evaluated/ concluded that:

i. The total funds available for the FY 2022-23 is INR **19,41,08,873** out of which the expected expenditures of the school would be INR **22,02,00,104** resulting in net deficit of INR **2,60,91,231** for the FY 2022-23. The detailed calculation is as under:

Particulars	**Amount (in INR)**
Cash and Bank balances as on 31.03.22 as per Audited Financial Statements	1,16,51,592
Investments as on 31.03.22 as per Audited Financial Statements **(Refer Note 1 Below)**	6,46,32,019
Liquid Funds as on 31.03.2022	**7,62,83,611**
Add: Fees for FY 2021-22 as per Audited Financial Statements (On the assumption that the amount received in FY 2021-22 will at least accrue in FY 2022-23) **(Refer Note 2 Below)**	16,98,68,984
Add: Other income for FY 2021-22 as per Audited Financial Statements (On the assumption that the amount received in FY 2021-22 will at least accrue in FY 2022-23) **(Refer Note 3 Below)**	42,47,958
Add: Recovery from society for additions done in building and purchase of vehicles **(Refer Financial Observation 1)**	34,21,554
Add: Amount recoverable from for purchase of luxury car in FY 18-19 **(Refer Financial Observation 2)**	41,60,718
Add: Amount Recoverable from society for donations **(Refer Financial Observation 3)**	4,78,800
Total Available Funds for FY 2022-23	**25,84,61,625**
Less: FDR with joint name of School Manager and DOE against 3 month salary reserve as on 31.03.2022 **(Refer Note 1 Below)**	-
Less: Development Fund as on 31.03.2022 **(Refer Financial Suggestion No. 4)**	10,11,561
Less: Depreciation Reserve Fund as on 31.03.2022 **(Refer Note 4 Below)**	-
Less: Gratuity and Leave Encashment Bank Balance **(Refer Financial Suggestion No. 5)**	6,33,41,191
Net Available Funds for FY 2022-23 (A)	**19,41,08,873**
Less: Budgeted expenses for the session 2022-23 **(Refer Note 5 Below)**	20,22,24,697
Less: 7th CPC Arrears **(Refer Note 6 Below)**	1,79,75,407
Total Estimated Expenditure for FY 2022-23 - (B)	**22,02,00,104**
Net Deficit (A-B)	**2,60,91,231**

Note 1: The detail of fixed deposits held by the school as per the audited financial statements of FY 2021-22 is provided below:

Particulars	**Amount (in INR)**	**Remarks**
FDR with LIC	6,33,41,193	Gratuity and Leave Encashment Fund Investment
FDR with UBI	12,90,826	Reserve Fund Investment
Total	**6,46,32,019**	

Note 2: The Department vide its Order No.F.No.PS/DE/2020/55 dated 18.04.2020 and Order No.F.No.PS/DE/2020/3224-3231 dated 28.08.2020 had issued guidelines regarding the chargeability of fees during the pandemic COVID 2019. The department in both the above-mentioned orders directed to the management of all the private schools not to collect any fee except the tuition fee irrespective of the fact whether running on the private land or government

land allotted by DDA/other land-owning agencies and not to increase any fee in FY 2020-21 till further direction.

The department in pursuance of the order dated 31.05.2021 in WPC 7526/2020 of Single Bench of the Hon'ble High Court of Delhi and interim order dated 07.06.2021 in LPA 184/2021 of the Division Bench of Hon'ble High Court of Delhi and to prevent the profiteering and commercialization, again directed to the management of all the petitioners private unaided recognized schools through its Order No. F. No. DE.15 (114) /PSB /2021 /2165-2174 dated 01.07.2021:

(i) *"to collect annual school fee (only all permitted heads of fees) from their students as fixed under the DSEAR, 1973 for the academic year 2020-21, but by providing deduction of 15% on that amount in lieu of* ***unutilized facilities*** *by the students during the relevant period of academic year 2020-21".* And if the school has collected the fee in excess to the direction issued by the Hon'ble Court, the same shall be refunded to the parents or adjusted in the subsequent month of fee or refund to the parents.

(ii) The amount so payable by the concerned students be paid in six equal monthly instalments w.e.f. 10.06.2021.

On review of the audited financial statements for the FY 2021-22 and based on the further information provided by the school post personal hearing, it has been noted that the school has reported 100% of the tuition fees and 85% of the annual charges and development fees in its audited financial statements of FY 2021-22 on receipts basis. Therefore, the income collected by the school during the FY 2021-22 with respect to annual charges and development fees has been grossed up to make comparative income with the FY 2022-23. The detailed calculation has been provided below:

Particulars	Income as per AFS for FY 2021-22	Income Considered while deriving the fund position for the FY 2022-23	Remarks
Tuition Fee	12,76,33,445	12,92,42,660	Tuition Fees has been considered as per the fee reconciliation for FY 2021-22 after deducting concession to EWS.
Annual Fee	1,36,69,260	1,63,03,671	Annual Charges and development Fee has been considered as per fee reconciliation for FY 2021-22 after deducting concession to EWS and then grossed up to 100%.
Development Fee	1,93,75,225	2,31,14,329	
Total	**16,06,77,930**	**16,86,60,660**	

Note 3: All the other income as per audited financial statements of FY 2021-22 has been considered with the assumption that the amount received in FY 2021-22 will at least accrue during FY 2022-23 except income from sale of scrap of INR 1,53,717.

Note 4: As per the Duggal Committee report, there are four categories of fees that can be charged by a private unaided school. The first category of fee comprised of "*Registration fee and all one Time Charges*' levied at the time of admissions such as admission charges and caution money. The second category of fee comprises '*Tuition Fee'* which is to be fixed to cover the standard cost of the establishment and to cover the expenditure of revenue nature for the improvement of curricular facilities like library, laboratories, science, and computer fee up to class X and examination fee. The third category of the fee should consist of *'Annual Charges'* to cover all expenditure not included in the second category and the fourth category consist of all *'Earmarked Levies'* for the services rendered by the school and be recovered only from the 'User' students. These charges are transport fee, swimming pool charges, Horse riding, tennis, midday meals etc. This recommendation has been considered by the Directorate while issuing order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and order No. F.DE. /15(56)/Act/2009/778 dated 11.02.2009.

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

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

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

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

Note 5: All amount budgeted by the school has been considered while deriving the fund position of the school for the FY 2022-23 except in respect of the heads mentioned in below table. Further, new head of expenditure proposed by the school without giving satisfactory explanation/ Justification were also not considered.

Head of Expenditure	FY 2022-23	Amount Disallowed (INR)	Remarks
Salaries and allowances to teaching staff	13,65,44,436	2,35,85,500	Restricted up to 110% of the actual expenses incurred in FY 2021-22
Salaries and allowances to non-teaching staff	3,03,00,444	1,22,93,727	
Staff Welfare	7,00,000	6,35,436	
Security and Safety Expenses	500000	4,53,212	
Service Charges- Class IV Employees	1,80,00,000	23,34,456	
Internet Expenses	8,00,000	7,71,356	
Educational Goods/Toys and Edu.	5,00,000	4,84,774	
Extra Curriculum Activities	12,00,000	7,71,314	
Employer Provident Fund	33,17,100	4,08,508	
Provision for Bonus	11,39,820	11,39,820	New Head of Expense
Salary to Teachers/Assistants	37,12,000	37,12,000	
Service Charges- Ayas and Sweepers	8,00,000	8,00,000	
Dress Material/ Books etc (RTE)	8,00,000	8,00,000	
Study Material	4,00,000	4,00,000	
Computer Stationery	8,00,000	8,00,000	
Service Charges- Drivers and Conductors	6,60,000	6,60,000	
Arrears of establishment expenses	13,38,55,607	13,38,55,607	
Vehicles Expenses/ Maintenance	12,00,000	12,00,000	No income and expense have been considered.
Swings	17,00,000	17,00,000	In Contravention of clause 14 of DoE's Order No. F.DE./15 (56) /Act /2009 / 778 dated 11.02.2009
Upgradation of Solar Power System	10,00,000	10,00,000	
Water tank	7,00,000	7,00,000	
Math, psycho and language, lab expenses, library	15,00,000	15,00,000	
Total	**34,01,29,407**	**19,00,05,710**	

Note 6: As per the submission made by the school, it has been noted that the school has not implemented 7th CPC till date. Further, the school has submitted 7th CPC salary arrears for the period January 2016 to March 2022 amounting to INR 7,74,69,527 out of which INR 90,81,528 accounts for the employees who had already left the school. However, in the Directorate order no. F.DE.15(611)/PSB/2022/3645-3649 dated 26.05.2022 for the academic session 2019-20, the

school was allowed 7th CPC salary arrears upto March 2020 amounting to INR 5,04,12,592 (i.e. INR 2,50,42,645 and INR 2,53,69,947 till FY 2018-19 and FY 2019-20 respectively.).

Hence, the remaining 7th CPC salary arrears amounting to INR 1,79,75,407 (INR 7,74,69,527 – INR 90,81,528- INR 5,04,12,592) i.e. upto 31.03.2022 has been considered while calculating the fund position of the school.

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

"All schools must, first of all, explore and exhaust the possibility of utilizing the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilized for years together may also be used to meet the shortfall before proposing a fee increase."

AND WHEREAS, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants along with certain financial and other suggestions that the sufficient funds are not available with the school to carry out its operations for the academic session 2022-23. Accordingly, the fee increase proposal of the school may be accepted.

AND WHEREAS, it is noticed that the school has incurred INR 56,56,916 in contravention to the provisions of DSEAR, 1973 and other orders issued by the departments from time to time. Therefore, the school is directed to recover the aforesaid amount from society/ management. The receipts along with copy of bank statements showing receipt of the above-mentioned amount should be submitted with DoE, in compliance of the same, within 30 days from the date of issue of this order. Non-compliance with this direction shall be viewed seriously as per the provision of DSEAR, 1973 without providing any further opportunity of being heard.

AND WHEREAS, 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 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 15% to be effective from 1st October 2022.

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

Accordingly, it is hereby conveyed that the proposal for fee increase of **Sachdeva Public School (School ID- 1411221), FP-Block, Maurya Enclave Pitampura, New Delhi-110088** is accepted by the Director (Education) with the above conclusion and suggestions and the school is hereby allowed to increase the fee by 15% to be effective from 1st October 2022.

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

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

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

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

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

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

Nandini

(Nandini Maharaj)
Additional Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi

To
The Manager/ HoS
Sachdeva Public School
(School ID- 1411221),
FP-Block,
Maurya Enclave Pitampura,
New Delhi-110088

No. F.DE.15 (1254)/PSB/2023/ 1569-1573 Dated: 16/02/23

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 (North 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.

Nandini

(Nandini Maharaj)
Additional Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi