

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

No. F.DE.15 ( 1630 )/PSB/2023/ 9675-9679

Dated: 24/11/23

**Order**

WHEREAS, **Pragati Public School (School ID- 1821193) Sector-13, Ph-II, Dwarka, New Delhi** (hereinafter referred to as **"the School"**), run by the **Pragati Education and Welfare 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, 1973 (hereinafter referred to as **"DSEA, 1973"**) and the Delhi School Education Rules, 1973 (hereinafter referred to as **"DSER, 1973"**). The school is statutorily bound to comply with the provisions of the DSEA, 1973, DSER, 1973 and the 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 DSEA, 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 DSER, 1973.

AND WHEREAS, as per section 18(5) of the DSEA, 1973 read with sections 17(3), 24 (1) and rule 180 (3) of the above DSEA, 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) of the DSEA, 1973 and the rule 180 (3) of DSER, 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 authorised 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/ land owning agencies.

AND WHEREAS, accordingly, the DoE vide order Nos. F.DE.-15(40)/PSB/2023/1964-1972 dated 01.03.2023 and F.DE.-15(40)/PSB/2023/2685-2692 dated 27.03.2023 for the academic session 2023-24, 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 academic session **2023-24**.

AND WHEREAS, in pursuance to orders dated 01.03.2023 and 27.03.2023 of the DOE, the school submitted its proposal for fee increase for the academic session **2023-24**. Accordingly, the order dispenses the proposal for fee increase submitted by the school for the academic session **2023-24**.

AND WHEREAS, in order to examine the proposals submitted by the schools for fee increase for justifiability or not, the DoE 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 fee increase proposal filed by the aforesaid School for the academic session 2023-24, necessary records and explanations were also called from the school through email. Further, the school was also provided an opportunity of being heard on **26<sup>th</sup> September 2023** to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted. During that hearing, the compliance of order no. F.DE. 15(1245)/PSB/2023/1510-1514 dated 14.02.2023 issued for the academic session 2022-23 was also discussed and the school submission were taken on record.

AND WHEREAS, on receipt of clarification as well as documents uploaded on the web portal for the fee hike post personal hearing, the fee hike proposal was evaluated by DOE and the key suggestions noted for improvement by the school are hereunder:

## A. Financial Suggestions for Improvement

1. 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."*

Rule 177 of DSER, 1973 states *"Income derived by an unaided recognized school by way of fees shall be utilized in the first instance, for meeting the pay, allowances and other benefits admissible to the employees of the school. Provided that, savings, if any, from the fees collected by such school may be utilized 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 recognized 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. As per sub-rule (2) of Rule 177, 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 rule, 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 shall not to be utilised for the same.

Additionally, 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."*

While reviewing the Directorate's Order no. F.DE.15(710)/PSB/2022/4350-4354 dated 07.06.2022 issued for the academic session 2019-20 and Directorate's order no. F.DE. 15(1245)/PSB/2023/1510-1514 dated 14.02.2023 issued for the academic session 2022-23, we observed the following findings:

- (a) The school incurred INR 2,69,25,946 for purchase of a land and additions made to the building in FY 2014-15 and FY 2015-16 and the same was directed to recover from the society vide Directorate's F.DE.15(710)/PSB/2022/4350-4354 dated 07.06.2022 issued for the academic session 2019-20 and order no. F.DE. 15(1245)/PSB/2023/1510-1514 dated 14.02.2023 issued for the academic session 2022-23. However, the School has not complied with the above direction and the aforesaid amount is pending for recovery.





The school had submitted that "After the initial stage of completion of building and commencement of operations, the expenditure on the school building is the responsibility of school managing committee. Further, the school said for fulfilling the condition 1 of Rule 177 of DSER, 1973 (i.e. paying salary to staff as per pay and allowances as admissible to them), had applied to DOE for fee increase proposal to implement 7<sup>th</sup> CPC."

The school was already informed that the reason submitted and their interpretation is incorrect and not in accordance with the provisions of the DSER, 1973. There is no such condition under sub-rule (2) of Rule 177 which requires fee increase is pre-requisite condition before implementation of 7<sup>th</sup> CPC. The fee proposals of the school in the past were not approved as it was noted at that times that the school had sufficient funds to meet its yearly expenses including the impact of 7<sup>th</sup> CPC. Hence, without fulfilling the provisions of sub-rule (2) of Rule 177 of DSER, 1973 (i.e. paying salary to staff as per pay and allowances as admissible to them), the expenditure incurred for expansion of the school is the contravention of Rule 177 of DSER, 1973.

Also, on review of the audited financial statements for the FY 2022-23, it is noted that the School has not recovered any amount from the society against the expenditure incurred for expansion of the school and thus, not complied with the directions of the Director, Education.

(b) Further, the school incurred INR 86,92,710 for repayment of loan for purchase of vehicles during the FY 2016-17 to FY 2018-19 and the same was directed to recover from the society vide Directorate's Order no. F.DE.15(710)/PSB/2022/4350-4354 dated 07.06.2022 issued for the academic session 2019-20 and order no. F.DE. 15(1245)/PSB/2023/1510-1514 dated 14.02.2023 issued for the academic session 2022-23. However, the School has not complied with the above direction and the aforesaid amount is still not recovered from the Society.

On review of the audited financial statements for the FY 2019-20 to FY 2022-23, it is noted that the school has continued the repayment of loan with interest taken on purchase of vehicles. Also, purchased a new car (i.e., MG Hector) by taking loan in FY 2019-20 without complying with the requirement of Rule 177 of DSER,1973. The details of school funds utilised by the school for repayment of loan and interest thereon has been provided below:

S. No	Financial Years	Principal	Interest	Down Payment	Total
1	Till FY 2018-19 vide order no.F.DE.15(710)/PSB/2022/4350-4354 dated 07.06.2022 issued for the academic session 2019-20				86,92,710
2	2019-20	25,61,026	6,11,233	4,77,000	36,49,259
3	2020-21	30,26,916	4,37,141	0	34,64,057
4	2021-22	27,44,452	1,76,903	0	29,21,355
5	2022-23	8,01,705	19,435	0	8,21,140
<b>Total</b>		<b>91,34,099</b>	<b>12,44,712</b>	<b>4,77,000</b>	<b>1,95,48,521</b>

Therefore, the amount utilised by the school towards purchase of land, additions to the building and repayment of loan for purchase of vehicles amounting to INR 4,64,74,467 ( INR 2,69,25,946 + INR 1,95,48,521) is incurred in contravention of clause 2 of public notice dated 04.05.1997 and Rule 177 of DSER,1973 is hereby again considered as fund available with the school to meet expenditure towards investment for staff gratuity and leave encashment or to pay salary arrears outstanding on implementation of the recommendations of 7<sup>th</sup> CPC with the again direction to the school to recover the same from the society within 30 days from the date of issue of the order. Further, the school is also directed to make adjustment in general reserve with respect to interest on loan.



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. As per 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

Para 57 of Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India, "*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.*"

An appropriate charge to the income and expenditure account for a year should be made through a provision for accruing liability. The accruing liability should be calculated according to actuarial valuation. However, if the school employs only a few persons say less than 50, 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.

On review of the documents submitted by the school post personal hearing, it has been noted that the requirement of AS-15 is applicable to the school as it has employed more than 50 staff in a year. On review of audited financial statements for the FY 2022-23, it has been noted that the school has reported provision towards gratuity amounting to INR 2,27,63,046 and INR 12,33,900 towards leave encashment. The school has submitted the actuarial valuation of gratuity liability dated 23.03.2023 wherein the actuary has estimated the gratuity liability as at 31/03/2023 amounting to INR 2,47,32,711.

Further, on review of documents submitted by the school and as per school's submission, the school has allocated FDR's against gratuity and leave encashment amounting to INR 2,29,99,498 which were in the name of school and can be utilised for payment of these liability. But the investment made by the school are in the form of fixed deposits which cannot be considered as plan assets as defined in AS-15. Thus, the contention of the school is not tenable as investment held by the school in the form of FDR does not qualify as Plan Asset. The school has invested INR 33,64,419 (INR 19,69,665 + INR 13,94,754) with LIC in the plan assets within the meaning of AS-15 'Employees Benefit' and shared the deposit receipts. Accordingly, the same has been considered while deriving the fund position of the school.

It is reiterated that the gratuity is the statutory liability which the school is required to pay to their eligible employees on their retirement/resignation, as the case may be. However, over the number of years, the department has noticed that most of the schools have been recording liability for retirement benefits in their financial statements without making any investment in Plan Asset due to paucity of funds or otherwise. Accordingly, many schools keep the retirement benefit 'unfunded', which is not the

True spirit of law, and it also defeats the objectives of maintaining of books of accounts as per Generally Accepted Accounting Principles (GAAP) as directed by the Hon'ble Supreme Court in its landmark judgment titled Modern School Vs. Union of India and Ors. Therefore, it has been felt that in order to protect statutory dues of the employees, instead of disallowing the full liability on account of non-investment in Plan Asset, it would be rational to spread this liability over the period of 13 years on the assumption that normally a student studies 13 years in the school. This will not only allow the schools a breather to make an investment in Plan Asset gradually but also lower down the sudden financial burden of fee on the parents/students on account of huge liability for retirement benefits.

Thus, the amount invested by the school with LIC amounting to INR 33,64,419 (INR 19,69,66 + INR 13,94,754) has been considered while deriving the fund position of the school. Further, the school is directed to deposit the amount in the plan assets with LIC (or other agency) as determined in actuary valuation report for gratuity and leave encashment and ensure that the amount deposited in plan assets is equivalent to the provision for gratuity and leave encashment.

Further, an amount of INR 18,45,919 (i.e.,  $1/13$  of INR 2,39,96,946 = INR 2,27,63,046 + INR 12,33,900) has also been considered while calculating the fund position of the school with the direction to the school to invest more amounts in the plan assets against gratuity and leave encashment liabilities within 30 days from the date of issue of the order. In case the school fails to comply with the above directions, the school shall not be allowed further instalments while evaluating the fee increase proposal for the subsequent years.

3. Clause 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."*

While evaluating the fee increase proposal for the academic session 2022-23, the following observations has been noted with respect to the caution money:

- School has been collecting caution money from the students from FY 2019-20 to FY 2021-22. Further, apart from collecting caution money, the school is also collecting security deposit INR 5,000 per student at the time of admission which is also refundable by the school.
- School had not maintained separate bank account for deposit of caution money.
- School had not refunded interest on caution money along with refund of caution money.
- School had not treated un-refunded caution money as income in the next financial year after expiry of 30 days.

As per Clause 3 of the public notice dated 04.05.1997, the school can collect security deposit of INR 500 per student at the time of admission. In Directorate's order no. F.DE. 15(1245)/PSB/2023/1510-1514 dated 14.02.2023 issued for the FY 2022-23, Therefore, the collection of security deposit more than INR 500 per student is in contravention of Clause 3 of the public notice dated 04.05.1997. Hence,

he school was directed to stop collecting security deposit of INR 5000 per student apart from the collection of caution money.

Hence, the school is again directed to stop collecting security deposit of INR 5000 per student apart from the collection of caution money. Further, the school is also directed to ensure that caution money is refunded along with interest to the students and un-refunded caution money as income while projecting the fee increase proposal of the subsequent year. Therefore, the caution money fund balance amounting to INR 16,73,250 as on 31.03.2023 as per the audited financial statements has been considered while calculating the fund position of the school.

4. Clause 14 of this Directorate'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 income generated from the investment made from this fund, will be kept in a separately maintained Development Fund Account."

Also, para 67(ii) of the Guidance Note-21 states "*The financial statements should disclose, inter alia, the historical cost of fixed assets.*"

Para 99 of Guidance Note-21 Accounting by Schools 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 Guidance Note-21 also states "In respect of funds, schools should disclose the following in the schedules/notes to accounts:

- i. In respect of each major fund, opening balance, additions during the period, deductions/utilization during the period and balance at the end;
- ii. Assets, such as investments, and liabilities belonging to each fund separately;
- iii. Restrictions, if any, on the utilization of each fund balance;
- iv. Restrictions, if any, on the utilisation of specific assets."
- v. Also, as per para 67(ii) of the Guidance Note-21 "*The financial statements should disclose, inter alia, the historical cost of fixed assets.*"

Taking the cognisance from the above para, the school needs to create the 'Development Fund Utilisation Account' as deferred income to the extent of cost of assets purchased out of development fund and then this deferred income should be amortised in the proportion of the depreciation charged to income and expenditure account. If the school follows the accounting treatment specified by para 99 of the guidance note, the depreciation reserve fund would be mere an accounting head and school is not required to invest equivalent for that. However, on review of the audited financial statements of FY 2022-23 revealed that the school is not following para 99 of the GN 21 cited above as the school has neither created the deferred income account upon purchase of assets out of the development fund nor has transferred any amount from deferred income account to the credit of income and expenditure



account equivalent to the depreciation charged on those assets. Similar observation noted in Directorate's order no. F.DE. 15(1245)/PSB/2023/1510-1514 dated 14.02.2023 issued for the FY 2022-23.

Moreover, review of audited financial statements also revealed that the school has not maintained separate bank account for development fee collection which is again the contravention of aforesaid clause 14 of order dated 11.02.2009.

Therefore, the school is again directed to ensure that the development fund is to be utilized only towards purchase, up-gradation and replacement of furniture, fixture and equipment and directed to follow para 99 of GN -21 for correct presentation of its financial statements and make necessary rectification entries in its books of accounts. The compliance of the same will be reviewed in the subsequent fee increase proposal.

## **B. Other Suggestions for improvement**

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) Activity fees, (ii) Other earmarked levies, (iii) smart class fees and (iv) transport fees from the students but has not maintained fund-based accounting. The surplus/deficit generated by the school from these earmarked levies in last three financial years are as under:

(Figures in INR)

Particulars	Activity Fees	Transport Fees	Other Earmarked Levies Fees	Smart Class Fees
<b>For the year 2020-21</b>				
Fee Collected during the year (A)	2,11,590	54,255	37,68,040	67,530
Expenses during the year (B)	11,65,634	82,81,232	57,01,089	-
<b>Difference for the year (A-B)</b>	<b>-954,044</b>	<b>-8,226,977</b>	<b>-1,933,049</b>	<b>67,530</b>
<b>For the year 2021-22</b>				
Fee Collected during the year (A)	8,95,003	90,425	28,61,314	-
Expenses during the year (B)	12,03,975	90,03,764	64,86,625	-
<b>Difference for the year (A-B)</b>	<b>-308,972</b>	<b>-8,913,339</b>	<b>-3,625,311</b>	<b>-</b>
<b>For the year 2022-23</b>				
Fee Collected during the year (A)	23,72,820	1,00,69,800	13,96,150	-
Expenses during the year (B)	42,94,409	1,56,83,651	83,40,496	-
<b>Difference for the year (A-B)</b>	<b>-1,921,589</b>	<b>-5,613,851</b>	<b>-6,944,346</b>	<b>-</b>
<b>Total</b>	<b>-3,184,605</b>	<b>-22,754,167</b>	<b>-12,502,706</b>	<b>67,530</b>

\*Activity fees comprise science fees, physical education fees and computer fees ; Other Earmarked levies expenses comprise lab fee expenses examination fee expenses

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 Activity fees, other earmarked levies and smart class fees from all the students loses its character of earmarked levy. Thus, the school is directed not to charge such fee as earmarked levy with immediate effect and should incur the expenses relating to these from tuition fee and/or annual charges. Similar observation noted in Directorate's order no. F.DE. 15(1245)/PSB/2023/1510-1514 dated 14.02.2023 issued for the FY 2022-23.

Therefore, the school is again directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from students. Unintentional surplus/deficit, if any, generated from earmarked levies must be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies 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. 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 students belonging to weaker section. However, as per the information provided by the school for FY 2020-21 to FY 2022-23, it has been noted that the school was not complying with the above-mentioned DOE's Order and condition mentioned in the land allotment letter which provides for granting of free ship to the extent of 25% to the children belonging to EWS category. 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 2020-21 to 2022-23 are tabulated below:

Particulars	FY 2020-21	FY 2021-22	FY 2022-23
EWS	355	389	448
Total Strength	1918	1966	2129
% Of EWS students to total strength	18.51	19.79	21.04

Similar point was also noted in Directorate order no. F.DE.15(710)/PSB/2022/4350-4354 dated 07.06.2022 issued post evaluation of fee increase proposal for academic session 2019-20 and order no. F.DE. 15(1245)/PSB/2023/1510-1514 dated 14.02.2023 issued for the FY 2022-23. As the school has not complied with the direction issued in the previous year order, therefore the school is again directed to comply with the directions included in orders above.

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 2020-21	FY 2021-22	FY 2022-23
Total Number of Students (A)	1918	1966	2129
Number of Teachers (B)	74	83	55
Students to teacher ratio(A/B)	25.92	23.69	38.71

In view of the above calculation, it has been observed that there is one teacher on every 24 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.



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 2023-24 amounting to INR 14,38,94,432 out of which estimated expenditures (i.e., outflow) for the FY 2023-24 is to be INR 15,84,59,332. This results in surplus of INR 1,45,64,900 for FY 2023-24 after making all payments. The details are as follows:

Particulars	Amount (in INR)
Cash and Bank balances as on 31.03.23 as per Audited Financial Statements	21,10,121
Investments as on 31.03.23 as per Audited Financial Statements	2,36,99,539
Less: Bank overdraft as on 31.03.2023 as per Audited Financial Statements	(556,827)
<b>Liquid Funds as on 31.03.2023</b>	<b>2,52,52,833</b>
Add: Amount recoverable from Society for purchase of land, additions made to building and repayment of loan taken for purchase of vehicles (Refer Financial Suggestion No. 1)	4,64,74,467
Add: Fees for FY 2022-23 as per Audited Financial Statements (Refer Note No. 2 Below)	9,79,39,089
Add: Other Income for FY 2022-23 as per Audited Financial Statements	16,80,703
<b>Total Available Funds for FY 2023-24</b>	<b>17,13,47,092</b>
Less: Investment with LIC for Gratuity and Leave Encashment (Refer Financial Suggestion No. 2)	33,64,419
Less: Investment to be made in plan assets with LIC (Refer Financial Suggestion No. 2)	18,45,919
Less: Caution Money as per audited financial statements as at 31.03.2023 (Refer Financial Suggestion No. 3)	16,73,250
Less: FDRs with CBSE as on 31.03.2023 (Refer Note No. 1 Below)	2,62,048
Less: FDR with DOE as on 31.03.2023 (Refer Note No. 1 Below)	4,37,993
Less: Development Fund as per audited financial statements as at 31.03.2023	1,98,69,031
<b>Net Available Funds for FY 2023-24 (A)</b>	<b>14,38,94,432</b>
Less: Budgeted expenses for the session 2023-24 (Refer Note No. 3 below)	11,34,39,500
Less: Impact of 7th CPC on salaries for FY 2023-24 (as per school's submissions) (Refer Note No. 4 below)	4,50,19,832
<b>Total Estimated Expenditure for FY 2023-24 (B)</b>	<b>15,84,59,332</b>
<b>Net Deficit (A-B)</b>	<b>1,45,64,900</b>

**Note 1:** The detail of fixed deposit held by the school as per the audited financial statements of FY 2022-23 is provided below:

Particulars	Amount (in INR)	Remarks
FDR for DOE	4,37,993	FDR in the joint name of School and DoE hence, the same has been deducted while calculating the fund position of the school.
FDR for CBSE	2,62,048	FDR in the joint name of school and Society hence, the same has not been deducted while calculating the fund position of the school.
Other Investments	2,29,99,498	Refer Financial Suggestion No. 2
<b>Total</b>	<b>2,36,99,539</b>	

**Note 2:** All the other income as per audited financial statements of FY 2022-23 has been considered with the assumption that the amount received in FY 2022-23 will at least accrue during FY 2023-24 except profit on sale of fixed assets amounting to INR 59,492.

**Note 3:** All budgeted expenditure proposed by the school has been considered while deriving the fund position of the school except the following:

Heads	Budget Expenditure in 2023-24	Amount Disallowed	Remarks
Earmarked Expenses	1,02,00,000	1,02,00,000	Neither income nor expense has been considered on the assumption the earmarked levies are collected on no profit no loss basis
Transport Expenses	1,37,50,000	1,37,50,000	
Repayment of Loan	7,42,500	7,42,500	Repayment of loan is not allowed. Refer financial suggestion for improvement no.1.

**Note 4:** In accordance with Section 10(1) of Delhi School Education Act 1973, scales of pay and allowance, medical facilities, pension gratuity, provident fund, and other prescribed benefits of the employees of a recognized private school shall not be less than those of the employees of the corresponding status in schools run by the appropriate authority.

Further, Directorate of Education has adopted the Central Civil Serviced (Revised Pay) Rules, 2016 vide Circular No 30-3(17)/(12)/VII pay Comm./2016/11006-11016 dated 19.08.2016 and No. 30-3(17)/(12)/VII pay Comm./Coord./2016/12659-12689 dated 14.10.2016 for employees of Government Schools.

Further, in exercise of the powers conferred under clause (xviii) of Rule 50 of the Delhi School Education Rules, 1973, vide Competent Authority order No DE.15 (318)/PDB/2016/18117, dated 25.08.2017, the managing committees of all Private unaided Recognized Schools have already been directed to implement central Civil Services (Revised Pay) Rule, 2016 in respect of the regular employees of the corresponding status with effect from 01.01.2016 (for the purpose of pay fixation and arrears). Further, guidelines/detailed instructions for implementation of 7<sup>th</sup> CPC recommendations in Private Un-aided Recognized Schools of Delhi has been issued vide DOE order dated 17.10.2017.

As per school's reply during hearing, it was held that the school has not implemented 7<sup>th</sup> CPC till date. Further, school has provided calculation on the salary arrears as per 7<sup>th</sup> CPC for the period Jan 2016 to March 2023 amounting to INR 10,67,72,401.

The school was allowed 7<sup>th</sup> CPC salary arrears upto 31<sup>st</sup> March 2023 in Directorate order no. F.DE. 15(1245)/PSB/2023/1510-1514 dated 14.02.2023 issued for the FY 2022-23. Also, school has submitted that in the year 2023-24, the impact of 7<sup>th</sup> CPC would be INR 2,30,00,000. The school has submitted that due to financial constraints it could not implemented the 7<sup>th</sup> CPC till date for payment of salaries to staff

and with each passing of year without any fee increase, the liability on account of non-payment of salaries on 7<sup>th</sup> CPC basis in the form of salary arrears has become substantial amount and fee increase should be permitted accordingly. As stated above, the school has been allowed 7<sup>th</sup> CPC arrears in each previous orders issued by the directorate and it would not be inappropriate if whole amount of arrears is allowed to the school again. Based on facts produced before and the considering the financial implication on parents and the teachers' salaries, the salary arrears of last FY 2022-23 amounting INR 2,20,19,832 along with impact of 7<sup>th</sup> CPC on salaries for FY 2023-24 amounting INR 2,30,00,000 have been dealt in the order. The school is also directed to ensure to disclose its full liability for 7<sup>th</sup> CPC arrears in the audited financial statements and no impact of salary arrears will be allowed unless the same is disclosed/presented as liability of the school in the financial statements duly audited by the independent auditor.

- ii. In view of the above examination, it is evident that the school does not have adequate funds for meeting all the operational expenditure for the academic session 2023-24. In this regard, Directorate of Education has already issued directions to the schools vide order dated 16.04.2010 that,

*"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 the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, the proposal of the school for the session 2023-24 have been evaluated and certain financial suggestions have been identified (appropriate financial impact has been taken on the fund position of the school) and certain procedural suggestions which were also noted (appropriate instruction against which have been given in the order) that the sufficient funds are not available with the school to carry out its operations for the academic session 2023-24.

AND WHEREAS, while evaluating the fee hike proposal, department considers that how much liquid funds would require the school for a particular session considering the budgeted expenditures for smooth operation without compromising with the quality of education. Thus, while deriving the fund position of the school all legitimate expenditures revenue as well as capital in accordance with the provisions DESAR, 1973 and pronouncement of Courts judgment have been considered. Therefore, balance of the other current assets other and current liabilities has not been considered. Because it is clear that the current assets, loans and advances and current liabilities are cyclic in nature and the same have already been considered in the form of budgeted income and expenditure of the school in the earlier years. Thus, current assets, loans and advances and current liabilities will always reflect in the financial statements at the end of the financial year.

AND WHEREAS, it is noticed that the school has utilized INR 4,64,74,467 in contravention of 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 the society. 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 the order. Non-compliance with this direction shall be viewed seriously as per the provision of the DSEA, 1973 and the DSER, 1973 without providing any further opportunity of being heard.





AND WHEREAS, the fee proposal of the school 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 sufficient funds are not available with the school for meeting financial implication for the academic session 2023-24. 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 01 April 2023.**

AND WHEREAS, considering the financial situation and existing deficiencies and keeping in view that salary and other employee's benefits can be paid to the teachers and staff smoothly, the fee hike is allowed to the school with the suggestions for improvement. Further, school is hereby directed that the additional income received on account of increase fee should be utilized at first instance only for payment of salary and salary arrears and submit the compliance report within 30 days from the date of issue of the order.

AND WHEREAS, the act of the school of charging unwarranted free or any other amount/fee under head other than the prescribed head of fee and accumulation of surplus fund thereof tantamount to profiteering and commercialization of education as well as charging of capitation fee in other form and thus, school should ensure to charge fee only under the prescribed heads and utilized the fees collected for the defined purposes in accordance with the provisions of the DSEA, 1973 and the DSER, 1973.

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 the order to the D.D.E (PSB).

Accordingly, it is hereby conveyed that the proposal for fee hike of **Pragati Public School (School ID- 1821193) Sector-13, Ph-II, Dwarka, New Delhi** filed by the school in response to the order Nos. F.DE.-15(40)/PSB/2023/1964-1972 dated 01.03.2023 and F.DE.-15(40)/PSB/2023/2685-2692 dated 27.03.2023 for the academic session 2023-24, is accepted by the Director (Education) with the above conclusion and suggestions and the school is allowed to increase the fee **by 15% for session 2023-24 to be effective from 01.04.2023.**

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

1. To increase the fee by 15% from the specified date i.e. 01.04.2023.
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. Further, the management of said School is hereby directed under section 24(3) of DSEA, 1973 to comply with the following directions:



Non-compliance of the 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.

*(Signature)*  
24/11/23

(Bimla Kumari)

Dy. Director of Education

(Private School Branch)

Directorate of Education, GNCT of Delhi

To

The Manager/HoS

Pragati Public School (School ID- 1821193)

Sector-13, Ph-II, Dwarka,

New Delhi.

No. F.DE.15(1630)/PSB/2023/9675-9679

Dated: 24/11/23

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 (South 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.

*(Signature)*  
24/11/23

(Bimla Kumari)

Dy. Director of Education

(Private School Branch)

Directorate of Education, GNCT of Delhi