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

1687
No. F.DE.15(A)/PSB/2023/ 10388 - 10392 **Dated:** 29/12/23

Order

WHEREAS, **Vandana International School, Sector-10, Phase-I, Dwarka, Delhi-110075, (School ID-1821205)** (hereinafter referred to as **"the School"**),run by the**Ved Educational 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 **09.11.2023** 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/(1480)/PSB/2023/6170-6174 dated 07.07.2023 issued for FY 2022-23 was also discussed and the school's submissions 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. Clause (vii) (c) of order No. F.DE/15/Act/2K/243/KKK/883-1982 dated 10.02.2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*"

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

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

   Based on the above provisions, the income of the school should be utilised for meeting pay and allowances including other benefit payable to the employees of the school at first instances. Provided if, there is saving the same may be utilised by the school for meeting the *capital and contingent* expenditure of the school. And that the saving referred above should be accrue to the school incidentally not intentional. Since, the school has also been allowed to collect the development fee up to 15% of the tuition fee for meeting the cost relating to purchase, upgrade and replacement of Furniture, Fixtures and equipment while cost relating to the building and land is to be borne by the society. As the school is being run by the society on "no profit no loss" basis, and therefore, the school cannot adopt unfair practice while determining its fee structure i.e. fee structure cannot include the cost relating to capital expenditure.

   The Directorate videorder No. F.DE.15(216)/PSB/2019/1170-1174 dated 29.03.2019 issued for FY 2017-18 directed the school to recover INR 69,14,513 from the society for amount paid on purchase of buses (Rs 1,01,07,877 less outstanding loan amount of INR 31,93,363). Further, vide order No. F.DE. 15/(660)/PSB/2022/4050-4054 dated 03.06.2022 issued for FY 2018-19 and order No. F.DE. 15/(659)/ PSB/2022/4045-4049 dated 03.06.2022 issued for FY 2019-20, school was directed to recover INR 1,06,15,151, thecost of buses and vans, which was met out of the school funds. The school is yet to recover aforesaid amounts from the society.

As per Directorate's order No. F.DE. 15/(1480)/PSB/2023/6170-6174 dated 07.07.2023 issued for FY 2022-23, school was directed to recover INR 1,29,93,202 which was spent on purchase of buses and vans from school funds (as per table below). However, the recovery is still pending.

The computation of school's funds which was utilised by the school for purchase of vehicle is summarized below:

Financial Year	Purchase Price (in INR)	Interest on Loan (in INR)	Total (in INR)
2013-14	3,23,950	8,92,802	12,16,752
2014-15	30,69,925	3,40,159	34,10,084
2015-16	6,49,440	2,91,906	9,41,346
2016-17	42,09,450	3,30,245	45,39,695
2017-18	22,37,000	2,63,026	25,00,026
2018-19	45,000	2,06,225	2,51,225
2019-20	-	90,420	90,420
2020-21	-	34,257	34,257
2021-22	-	9,397	9,397
Total	**1,05,34,765**	**24,58,437**	**1,29,93,202**
Less: Balance of Loan as on March'22			-
School Fund used for purchase of Vehicles (buses and Vans)			**1,29,93,202**

Further, on review of audited financial statements of the FY 22-23, it is noted that the school has taken Vehicle loan from HDFC Bank Limitedamounting INR 2,51,72,800 and paid installment of loan of INR 23,70,527 (INR 17,95,897 Principal amount plus INR 5,74,630) in FY 2022-23. The school is charging transport fee which is not even adequate to meet revenue (operating) expenses for providing the transport service to the students and the transport fee will not be sufficient to cover the cost of loan repayment and the interest thereon which was taken for the purpose of purchase of buses. This has made the school financial position more vulnerable and put additional burden on other fees collected from the students.

It is reiterated that Rule 177 of DSER, 1973 provides that fee, in first instance, be used for payment of staff salaries, allowances and other dues. The school has failed to ensure the compliance of Rule 177 by ensuring payment of salary, 7th CPC arrears, appropriate funds in plan assets for retirement benefits payable, and creation of salary reserve. Instead, the school has created a situation where their funds have been utilized or blocked for purchase of assets, and the benefits of thoseassets i.e., busesshall be availed only by some of the students which is in contravention of Rule 177 (3) read with clause 22 of the order No. F.DE./15(56)/ Act/2009/778 dated 11.02.2009.

In another words, the school has purchased the vehicles and submitting proposals for increase of fee, which in turn means that the school is including capital expenditure as a component of the fee structure of school.

It was also noted from the representation submitted by the school against the DoE's order No. F.DE.15(216)/PSB/2019/1170-1174 dated 29.03.2019, wherein the school has stated *"as the school is running in deficit and cannot afford to implement the recommendation of 7th CPC with effect from January 2016 and thinking to implement the same with effect from April 2019"*. Thus, the contention of the school to purchase the vehicle out the school funds without complying the provision of Rule 177 is incorrect.The aforesaid explanations provided by the school does not justify the basis for allowing the expenditure incurred on purchase of bus.

The school has not recovered any amount from society as directed in the above ordersand accordingly, INR 1,53,63,729 (INR 1,29,93,202 plus INR 23,70,527) spent by the school on purchase of buses and vans from school funds (as per table above) is hereby added to 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 the order.

2. 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, according to para 7.14 of the Accounting Standard 15 "*Plan assets comprise:*
(a) Assets held by a long-term employee benefit fund; and
(b) Qualifying insurance policies.

On review of audited financial statements for FY 2022-23, the school has reported the liability for retirement benefits in its audited financial statements in agreement with the actuarial valuation report. The total liability of the school towards gratuityand leave encashment as on 31.03.2023 are INR 1,04,75,985 and INR 16,20,114 respectively. However, the school has not invested amount in plan assets within the meaning of AS-15 'Employees Benefit' equivalent to the liability towards retirement benefits mentioned above.

Similarobservation was also noted in the Directorate's order No. F.DE.15(216)/PSB/2019/1170-1174 dated 29.03.2019 issued for FY 2017-18, order No. F.DE. 15/(660)/PSB/2022/4050-4054 dated 03.06.2022 issued for FY 2018-19, order No. F.DE. 15/(659)/ PSB/2022/4045-4049 dated 03.06.2022 issued for FY 2019-20 and order No. F.DE. 15/(1480)/PSB/2023/6170-6174 dated 07.07.2023 issued for FY 2022-23.

However, as per audited financial statements for FY 2022-23, the school has invested with LIC amounting to INR 12,74,488only and the same has been considered while deriving the fund position of the school. Also, post hearing school has submitted the copy of deposits made in plan assets amounting INR 60,00,000 and thus, the same has been considered while calculating the fund position.Further, the school is again directed to deposit the amount determined as per actuarial valuation with LIC so that the provision for gratuity and leave encashment stand equals the investment amount.

3. As per clause 2 of 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 AbibhavakMahasangh 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.*"

Also, 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"*

Further, the aforesaid savings shall be arrived at after providing for the following, namely:

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

Accordingly, based on the aforementioned public notice, High Court Judgement and provisions of Rules 177 of DSER, 1973, the cost relating to land and construction of the school building has to be met by the society, being the property of the society and school funds i.e. fee collected from students is not to be utilized for the same.

As per Directorate's order No. F.DE. 15/(1480)/PSB/2023/6170-6174 dated 07.07.2023 issued for FY 2022-23, the school incurred INR 16,00,000 on installation of lift in the school and in FY 2021-22, incurred INR 31,96,441 on artificial turf grass. These capital expenditures are not in accordance with above-mentioned provisions. Therefore, the school was directed to recover INR 47,96,441 from the society. However, the school has not complied with the directions and no amount has been recovered from the society yet.Therefore, while computing the funds available with the school such amount is hence added to the fund position of the school considering the same as funds available with the school and with thedirection to the school to recover this amount from the Society within 30 days from the date of the order.

4. The Hon'ble High Court of Delhi dated 19.01.2016 in WPC No. 4109/2013 in the matter of Justice for All vs. GNCT of Delhi and others indicated that every recognized private unaided school to whom land was allotted by DDA shall not increase the rate of fees without the prior sanction of Directorate of Education. Accordingly, the Directorate vide order No. F.DE.15(40)/PSB/2019/2698-2707 dated 27.03.2019, directed that all the Private Unaided

Recognized Schools running on the land allotted by DDA/other Govt. agencies on concessional rates or otherwise, with the condition to seek prior approval of Director of Education for increase in fee, to submit their proposals, if any, for approval from the Director of Education for the academic session 2018-19 and 2019-20. Moreover, as per the directions of the Supreme Court in Modern School vs. Union of India & ORs. (supra), a Circular dated April 16, 2010 has been issued which is as under:

i) It is reiterated that annual fee-hike is not mandatory.
ii) School shall not introduce any new head of account or collect any fee thereof other than those permitted. Fee/funds collected from the parents/students shall be utilized strictly in accordance with rules 176 and 177 of the Delhi School Education Rules, 1973.

iii) If any school has collected fee in excess of that determined as per the procedure prescribed here-above, the school shall refund/adjust the same against subsequent instalments of fee payable by students.

On review of audited financial statements for FY 2021-22 and 2022-23, there are annual charges of INR 2,22,41,669 and INR 1,44,89,361 respectively. This shows that there is an increase of 53.50%. The DoE vide order No. F.DE. 15/(660)/PSB/2022/4050-4054 dated 03.06.2022 issued for FY 2018-19 has allowed the increase in fee by 2% and order No. F.DE. 15/(659)/ PSB/2022/4045-4049 dated 03.06.2022 issued for FY 2019-20 has allowed the increase in fee by 14%. The increases are allowed from 01.07.2022.

Post hearing the school has submitted that it has provided discount of 15% in the annual charges in compliance of the Directorate's order dated 01.07.2021. Thus, the annual charges of FY 2021-22 need to be increased by 15% to make it comparable with the annual charges of FY 2022-23 and the school has increased the fee by 21% to cater the inflation rate. Also, the school has submitted that it has merged the smart class fee of INR 250 per student per month in the annual charges for upto Class X.It is noted the school has increased the annual charges and merged the smart class fee *Suo-moto* without the permission of the Director of Education.

The school is directed to furnish the exact amount of excess fee collected from the students over the years till date without permission of the Directorate and refund the same to the concerned students or adjust the same against the future fee of the concerned students. Further, the school is directed to charge fee as approved or as allowed to increase the fee by the Director, Education. Compliance should be ensured within 30 days from the date of issue of the order and same shall be verified at the time of evaluation of fee proposal of the subsequent years.

5. As per clause 10 of Form-II of Right of Children to Free and Compulsory Education Act 2009, the schools are required to maintain liquidity equivalent to 3 months' salary and this amount should be invested in the joint name of Dy. Director (Education) and manager of the school. Generally, it is done in the form of FDR in any scheduled bank.

The school has proposed a salary of INR 9,12,12,750 in its budgeted expenditure for FY 2023-24 and sought permission to create 3 months' salary reserve from this year. In order to ensure the compliance of aforesaid provision, it would have been appropriate had the school invested or start investing in the Fixed deposits in the joint names of Deputy Director of Education and the Manager of the school earlier. Claiming full amount for 3 months' salary reserve in a single year may cause adverse financial effect or extra burden on the parents/students and thus, it would be rational to spread the financial impact of aforesaid compliance over the period of 14 years on the assumption that normally a student studies 14 years in the school. Accordingly, the school is directed to create and deposit in fixed deposit of INR 16,28,799 (i.e., 1/14 of INR 9,12,12,750 X 3/12) in the joint names of Deputy Director of Education (Distt.) and the Manager, the school within 30 days from the date of issue of the order. In case the school fails to comply with this direction and does not deposit amount in the joint names, no consideration will be availed in the future fee proposal of the school. However, the impact of the same has been considered in the order while calculating the fund availability of the school.

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.*"

Further clause 21 of the aforesaid order states "*No annual charges shall be levied unless they are determined by the Managing Committee to cover all revenue expenditure, not included in the tuition fee and 'overheads' and expenses on play-grounds, sports equipment, cultural and other co-curricular activities as distinct from the curricular activities of the school.*"

Rule 176 - 'Collections for specific purposes to be spent for that purpose' of the DSER, 1973 states "*Income derived from collections for specific purposes shall be spent only for such purpose.*"

Para no. 22 of order No. F.DE./15(56)/ Act/2009/778 dated 11.02.2009 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.*"

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

Also, earmarked levies collected from students are a form of restricted funds, which, according to Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India, are required to be credited to a separate fund account when the amount is received and reflected separately in the Balance Sheet.

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

On review of audited financial statements for FY 2020-21 to FY 2022-23, it has been noted that the school charges earmarked levies in the form of Transport Fees from students. However,the school is not maintaining separate fund accounts for these earmarked levies but has been generating surplus from earmarked levies, which has been utilised for meeting other expenses of the school or has been incurring losses (deficit), which has been met from other fees/income. Based on theinformation provided by the school the surplus/ deficit generated by the school is summarized as under:

Particulars	**Transport Fee^**
For the year 2020-21	
Fee Collected during the year (A)	-
Expenses during the year (B)	4,93,358
Difference for the year (A-B)	**4,93,358**
For the year 2021-22	
Fee Collected during the year (A)	-
Expenses during the year (B)	19,08,996
Difference for the year (A-B)	**19,08,996**
For the year 2022-23	
Fee Collected during the year (A)	1,58,30,339
Expenses during the year (B)	2,08,88,927
Difference for the year (A-B)	**50,58,588**
Total	**74,60,942**

^ Based on the audited financial statements, it could not be determined whether the above expenditure includes salary cost relating to driver and conductor or not.

Similar observations were also noted in Directorate's order No. F.DE. 15/(660)/PSB/2022/4050-4054 dated 03.06.2022 issued for FY 2018-19, order No. F.DE. 15/(659)/ PSB/2022/4045-4049 dated 03.06.2022 issued for FY 2019-20 and order No. F.DE. 15/(1480)/PSB/2023/6170-6174 dated 07.07.2023 issued for FY 2022-23.

Further, as per the Duggal Committee report, there are only four categories of fee that can be charged by a school. The first category of fee comprises of "registration fee and all One Time Charges" which is levied at the time of admission such as Admission and Caution Money. The second category of fee comprise of "Tuition Fee" which is to be fixed to cover the standard cost of the establishment and also to cover expenditure of revenue nature for the improvement of curricular facilities like Library, Laboratories, etc., and 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 should consist of all "Earmarked Levies" for the services rendered by the school and to be recovered only from the 'User' students. These charges are Transport Fee, Swimming Pool Charges, Horse Riding, Tennis, Midday Meals etc.

Based on the aforesaid provisions, earmarked are to be collected only from the user students availing the services. And if the services are extended to all the students of the school, a separate charge should not be levied by the school as it would get covered either from the Tuition Fee or from Annual Charges.

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. Therefore, the school is directed to determine its fee structure in accordance with above mentioned provisions.

Unintentional surplus, if any, generated from earmarked levies must be utilized or adjusted against earmarked fees collected from the users in the subsequent year.

Accordingly, 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. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies during subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on no-profit no-loss basis and not to include fee collected from all students as earmarked levies.

2. 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 and income generated from the investment made out of this fund, will be kept in a separately maintained Development fund Account.*"

The Directorate's order No.F.DE.15/(216)/PSB/2019/1170-1174 dated 29.03.2019 issued for FY 2017-18 noted that the school had incurred expenditure on purchase of library books of INR 41,661 during FY 2016-17 and reflected the same as utilisation of development fund in the audited financial statements for FY 2016-17.

Further, as per Directorate's order No. F.DE. 15/(1480)/PSB/2023/6170-6174 dated 07.07.2023 issued for FY 2022-23, the school incurred INR 16,00,000 on installation of lift in FY 2019-20 and INR 31,96,441 on installation of artificial grass in FY 2021-22 out of development fund. These utilisations are not in accordance with the clause 14 of order dated 11.02.2009 as installation of lift and artificial grass did not constitute under the category of equipment. Therefore, the school was directed to ensure the compliance of clause 14 of order dated 11.02.2009 regarding utilization of development fund.

3. The Directorate'sorder No.F.DE.15(216)/PSB/2019/1170-1174 dated 29.03.2019 issued for FY 2017-18, order No. F.DE. 15/(660)/PSB/2022/4050-4054 dated 03.06.2022 issued for FY 2018-19, order No. F.DE. 15/(659)/ PSB/2022/4045-4049 dated 03.06.2022 issued for FY 2019-20 and order No. F.DE. 15/(1480)/PSB/2023/6170-6174 dated 07.07.2023 issued for FY 2022-23, noted that the school has no defined procedure to write-off old/obsolete items. It was

recommended that there should be a committee to carry out the physical verification and write-off obsolete/missing items. The school in its compliance report has mentioned the list of members of physical verification committee constituted by the school.

Also, it was noted that the school is not maintaining fixed asset register (FAR). The school should prepare a FAR, which should include details such as asset description, purchase date, supplier name, invoice number, manufacturer's serial number, location, purchase cost, other costs incurred, depreciation, asset identification number, etc. to facilitate identification of asset and documenting complete details of assets at one place.

On review of submission of documents along with the compliance report, it was noted that school has maintained fixed assets register only with few details. Hence, the school is directed to comply with the directions given by producing procedure for writing off such old/obsolete items and by updating the FAR with relevant details mentioned above in accordance with the process for periodic physical verification of assets and document the results of physical verification of assets. The same shall be verified at the time of evaluation of fee hike proposal for subsequent year.

4. The Directorate in its order No. F.DE.15(216)/PSB/2019/1170-1174 dated 29.03.2019 issued for FY 2017-18, order No. F.DE. 15/(660)/PSB/2022/4050-4054 dated 03.06.2022 issued for FY 2018-19, order No. F.DE. 15/(659)/ PSB/2022/4045-4049 dated 03.06.2022 issued for FY 2019-20 andorder No. F.DE. 15/(1480)/PSB/2023/6170-6174 dated 07.07.2023 issued for FY 2022-23, directed the school to implement proper internal control system in relation to procurement of goods and services so as to ensure that contracts are awarded on arms' length and competitive prices only.

   The school in its previous year compliance report has submitted the list of members of purchase committee and physical verification committee of the school. But the school has not submitted any policy/procedure. Also, no documents regarding the procurement process carried out for awarding the contracts were made available.

   Hence, the school is again directed to implement proper internal control system in relation to procurement of goods and services so as to ensure that contracts are awarded on arms' length and competitive prices only.

5. The Directorate vide order No. F.DE.15/(216)/PSB/2019/1170-1174 dated 29.03.2019 issued for FY 2017-18 had noted while doing the inspection of the school which were as under:

   - The gate entry on purchases were not stamped on the bills/invoices. There is no procedure to maintain such record at the school gate.
   - Proper stock/consumable records were not maintained by the school. The details of issue of materials were not properly filled in the consumable records. Also, the folio on which such stock entry has been recorded in the stock record was not mentioned on the bills/invoices.
   - The quantity of sports goods, lab items etc were not mentioned in the assets/stock register.

The school has provided gate entry register w.e.f. 01.04.2022 and has recorded the gate entry on purchase with following details namely serial number, date and time of entry, invoice number, supplier name, description of items and quantity.

The Directorate vide their order No. F.DE. 15/(660)/PSB/2022/4050-4054 dated 03.06.2022 issued for FY 2018-19, order No. F.DE. 15/(659)/ PSB/2022/4045-4049 dated 03.06.2022 issued for FY 2019-20 and order No. F.DE. 15/(1480)/PSB/2023/6170-6174 dated 07.07.2023 issued for FY 2022-23,directed the school to implement proper control system in relation to receipt and issue/utilisation of stock and consumables so as to ensure a correct inventory of items at any particular date.

The school did not provide stock register/ records and sample invoices in respect of rectification of other discrepancies noted above. Therefore, the School is directed to provide documents in compliance of the aforesaid directions and the same will be verified at the time of evaluation of proposal for subsequent year.

6. As per para 67 of the Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India, *"The financial statements should disclose, inter alia, the historical cost of fixed assets."*

As per Directorate's order No. F.DE. 15/(1480)/PSB/2023/6170-6174 dated 07.07.2023 issued for FY 2022-23, it was noted that the schooldisclosed fixed assets (purchased out of General Fund) at WDV. This being a contravention of para 67 of Guidance Note issued by the ICAI, therefore the school was directed to prepare financial statements, fixed asset schedule that disclose the historical cost of fixed assets in accordance with the Guidance Note-21 on Accounting by Schools. The school has not complied with the directions. Therefore, the school is again directed to compliance of theaforesaid direction.

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

As per Directorate's order No. F.DE. 15/(1480)/PSB/2023/6170-6174 dated 07.07.2023 issued for FY 2022-23, it was stated that the disclosures relating to related partytransactions in its audited financial statementswere not made. However, the school has submitted following related party disclosure post hearing:

Payment Made to	FY 2019-20	FY 2020-21	FY 2021-22	Nature	Designation
Mr. Ved Prakash	22,94,178.00	25,09,542.00	25,84,764.00	Salary	Principal
Mr. Harsh Tandon	12,03,765.00	16,42,158.00	12,54,960.00	Salary	Vice-Principal
Ms. Akansha Tandon	7,24,986.00	1,27,260.00	-	Salary	TGT

On review of audited financial statement for FY 2022-23, it is noted that the school still has not made any disclosure relating to related party transactions in its audited financial statements. Accordingly, the school is again directed to ensure the compliance of clause 103 of Guidance Note 21 issued by the ICAI.

8. As per Section 18(5) of the DSEA, 1973, *"the management 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."*

Further, Rule 180 of DSER, 1973 states *"(1) every unaided recognised private schools shall submit the returns and documents in accordance with Appendix-1, (2) Every return or documents referred to in sub-rule (1), shall be submitted to the Director by the 31st July of each year.(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 any officers authorised by the Comptroller and Auditor General of India"*

And Section 24 (2) of DSEA, 1973 states *"The Director may arrange special inspection of any school on such aspects of its working as may, from time to time, be considered necessary by him."*

Whereas Appendix-II to Rule 180 of the DSER, 1973 specify that *"final accounts i.e. receipts, and payment account, income and expenditure and balance sheet of the preceding year should be duly audited by Chartered Accountant."*

And that Financial Documents/ Certificates attested by third person misrepresenting themselves as CA Members are misleading the Authorities and Stakeholders. ICAI is also receiving number of complaints of signatures of CAs being forged by non CAs.To curb such malpractices, the Professional Development Committee of ICAI has come out with a concept of UDIN i.e., Unique Document Identification Number which is being implemented in phased manner. It will secure the certificates attested/certified by practicing CAs. This will also enable the Regulators/Banks/Third parties to check the authenticity of the documents.

Accordingly, the Council in the 379th meeting of ICAI held on 17.12.2018 and 18.12.2018, made mandatory for all practicing member to obtain 18 digits UDIN before issuing any audits reports/ certification etc. in the following manner:

- All Certification done by Practicing CAs w.e.f. 1.02.2019.
- All GST & Tax Audit Reports w.e.f. 1.04.2019.
- All other attest functions w.e.f. 1.07.2019.

The Directorate in its order No. F.DE. 15/(1480)/PSB/2023/6170-6174 dated 07.07.2023 issued for FY 2022-23 noted that UDIN for audited financial statements of FY 2021-22 has only been mentioned on the auditor's report and not for the audited financial statements of FY 2019-20 and 2020-21.

Further, UDIN for audited financial statements of FY 2022-23 has only been mentioned on the auditor's report. This being the procedural finding therefore, the school management are instructed 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 amounting to INR**13,57,20,351**out of which cash outflow in the FY 2022-23 is estimated to be INR **14,26,52,926.** This results in deficit of INR**69,32,575**for FY 2022-23 after 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	6,68,296
Investments as on 31.03.23 as per Audited Financial Statements	20,55,737
Liquid Funds as on 31.03.2023	**27,24,034**
Add: Recovery from the society towards cost of vehicles and interest on loan taken for purchase of buses in contravention of Rule 177 of DSER,1973 **(Refer Financial Suggestion for improvement No. 1)**	1,53,63,729
Add: Recovery from the society towards capital expenditure incurred by the school in contravention of clause 2 of Public Notice dated 04.05.1997 and Rule 177 of DSER,1973 **(Refer Financial Suggestion for improvement No. 3)**	47,96,441
Add: Fees for FY 2022-23 as per Financial Statements **(Refer Note 2 below)**	11,31,61,132
Add: Other Income for FY 2022-23 as per Financial Statements **(Refer Note 2 below)**	3,20,213
Add: Additional Fees due to increase in fee @8% from 01.04.2023 **(Refer Note 3 below)**	90,39,338
Total Available Funds for FY 2023-24	**14,54,04,887**
Less: FDR in the joint name of Dy Director of Education and Manager of the school as on 31.03.2023 **(Refer Note 1 below)**	7,81,249
Less: Investment towards Gratuity and leave encashment with LIC of India **(Refer Financial Suggestion for Improvement No. 2)**	12,74,488
Less: Depreciation reserve fund **(Refer Note 4 below)**	-
Less: Salary Reserve (Refer Financial Suggestion for improvement no. 5)	16,28,799
Less: Amount deposited with LIC (as per School's submission)	60,00,000
Net Available Funds for FY 2023-24 (A)	**13,57,20,351**
Less: Budgeted expenses for the session 2023-24 **(Refer Note 5 below)**	13,72,04,338
Less: Salary Arrears of 7th CPC (01.04.2022 to 31.03.2023) **(Refer Note 6 below)**	54,48,588
Total Estimated Expenditure for FY 2023-24 (B)	**14,26,52,926**
Net Deficit (A-B)	**69,32,575**

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

Particulars	**Amount (in INR)**	**Remarks**
FDR in the joint name of Manager and Dy. Director of Education	7,81,249	Deducted while calculating available funds of the school.
Total	**7,81,249**	

Note 2: All the fee and other income as per audited financial statements for the 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.

Note 3: The school was allowed to increase fee 8% vide order No. F.DE. 15/(1480)/PSB/2023/6170-6174 dated 07.07.2023 issued for FY 2022-23 from 1st July, 2023. School has submitted that it has increased the fee @14% from 1st April 2023. Accordingly, additional income on account of fee increase will also accrue to the school in FY 2023-24 and thus, following amount has been considered as funds available with the school:

Fee heads	Actual receipt in FY 2022-23	Increased fee (with fee increase @8%)
Tuition fees	8,65,37,349	9,34,60,337
Annual Charges	2,22,41,669	2,40,21,003
Development Fee	42,12,706	45,49,722
Total	**11,29,91,724**	**12,20,31,062**
Impact of fee increase		**90,39,338**

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 and caution money. The second category of fee comprises *'Tuition Fee'* which is to be fixed to cover the standard cost of the establishment and to cover the expenditure of revenue nature for the improvement of curricular facilities like library, laboratories, science, and computer fee up to class X and examination fee. The third category of the fee should consist of *'Annual Charges'* to cover all expenditure not included in the second category and the fourth category consist of all *'Earmarked Levies'* for the services rendered by the school and be recovered only from the 'User' students. These charges are transport fee, swimming pool charges, Horse riding, tennis, midday meals etc. This recommendation has been considered by the Directorate while issuing order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and order No. F.DE. /15(56)/Act/2009/778 dated 11.02.2009.

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

Further, Clause7 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 J5% 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 maintainedDevelopment Fund Account.* "Thus, the above direction provides for:

- Not to charge development fee for more than 15% of tuition fee.
- Development fee will be used for purchase, upgradation and replacement of furniture, fixtures, and equipment.

- Development fee will be treated as capital receipts.
- Depreciation reserve fund is to be maintained.

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

Accordingly, the depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue account) is mere of an accounting head for the appropriate accounting treatment of depreciation in the books of account of the school in accordance with Guidance Note -21 issued by the Institute of Chartered Accountants of India. Thus, there is no financial impact of depreciation reserve on the fund position of the school. Accordingly, the depreciation reserve fund of INR 2,23,00,292 as reported by the school in the financial statements for the FY 2022-23 has not been considered while deriving the fund position of the school.

Note 5: All budgeted expenditure proposed by the school amounting to INR 17,03,33,550 has been considered while deriving the fund position of the school except the following:

Head of Expenditure	**2023-24 (in INR)**	**Amount disallowed (in INR)**	**Remarks**
Salary - Teaching and Non-teaching staff	9,12,12,750	1,55,81,012	Restricted to 130% of expenditure incurred in FY 2022-23
CBSE Students fee	9,85,900	9,85,900	Neither Income nor expense has been considered on the assumption that earmarked levies are collected on no profit no loss basis
Transport Expenses	1,57,09,100	1,57,09,100	
EWS Expenses	8,53,200	8,53,200	
Total	**10,87,60,950**	**3,31,29,212**	

Note 6: 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 7th 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 hasimplemented 7th CPC recommendations partially w.e.f. 01.04.2019.Further,salary arrears amounting to INR 1,15,68,157 was allowed in the Directorate'sorder No. F.DE. 15/(660)/PSB/2022/4050-4054 dated 03.06.2022 issued for FY 2018-19and additional amount of salary arrears of INR 1,19,81,726 for the period 01.04.2019 to 31.03.2022 was considered vide order No. F.DE. 15/(1480)/PSB/2023/6170-6174 dated 07.07.2023 issued for FY 2022-23. Therefore, salary arrears for the period 01.04.2022 to 31.03.2023 amounting to INR 54,48,588has been considered while evaluating the funds availability position of the school.

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 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 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 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 2,01,60,170 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 within30 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 6% to be effective from 01 October 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 for the defined purposes.

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 **Vandana International School, Sector-10, Phase-I, Dwarka, Delhi- 110075, (School ID-1821205)**filed by the school in response to the order Nos. F.DE.-15(40)/PSB/2023/1964-1972 dated 01.03.2023and 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 6% for session 2023-24 to be effective from 01.10.2023.

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 only by the prescribed percentage from the specified date i.e., 01.10.2023.

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. 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 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.

(BIMLA KUMARI)
Deputy Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi

To
The Manager/ HoS
Vandana International School,
Sector-10, Phase-I, Dwarka,
Delhi- 110075, (School ID-1821205)

No. F.DE.15 (1687)/PSB/2023/ 10388-10392

Dated: 29/12/23

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.

(BIMLA KUMARI)
Deputy Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi