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

No. F.DE.15 (1675)/PSB/2023/ 10175- 10179 Dated: 15/12/23

Order

WHEREAS, **Airforce Bal Bharti School, Lodhi Road, New Delhi-03, School ID-1924138** (hereinafter referred to as **"the School"**),run by the **Indian Airforce Education 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 16th October 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(911)/PSB/2022/6586-6590 dated 23.08.2022 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. Clause 7.24 of Duggal committee report states *"school should be prohibited from discharging any of the functions, which rightly fall in the domain of the society out of the fees and other charges collected from the students; or where the parents are made to bear, even in part, the financial burden for the creation of facilities including building, on a land which had been given to the society at concessional rates for carrying out a philanthropic activity. One only wonders what is then the contribution of the society that professes to run the school"*.

Further, Clause 2 of Public Notice dated 04.05.1997 states that *"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, Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/883-1982 dated 10.02.2005 issued by DoE states that *"Capital expenditure cannot constitute a component of the financial fee structure."*

Rule 177 of DSER, 1973 states that *"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,*
- *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/or 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-mentioned provisions, the cost relating to land and construction of school building should be met by society being property of society and school funds i.e., fee collected from students should not be used for the same. Further, as per Rule 177 of the DSER, 1973, income derived by way of fees shall be utilized at the first instance, for meeting the pay, allowance and other benefits admissible to the employee of the school. Provided that if there is any saving thereafter, it may be utilized by its management for the specified purposes provided under Rule 177(2) of the DSER, 1973.

As per order no.F.DE.15(911)/PSB/2022/6586-6590 dated 23.08.2022 issued for the academic session 2022-23, it was revealed that the school incurred expenditures of INR 23,73,606 in FY 2019-20 and INR 3,74,821 in FY 2020-21 and capitalized the same under the head of building.

It was also noted that the School incurred these expenditures out of the depreciation reserve fund which was not in accordance with the provision of DSEAR, 1973 and para 99 of the Guidance Note 21 'Accounting by School' issued by the Institute of Chartered Accountants of India (ICAI). As per Clause 7 of Order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and Clause 14 of Order No. F.D.E./ 15(56)/Act/2009/778 dated 11.02.2009. If the school collects development fees, then it is required to maintain a depreciation reserve fund equivalent to the depreciation charged to the revenue account. Further, para 99 of the Guidance Note-21 states where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which should be depreciated as per the recommendations contained in this Guidance Note. The depreciation reserve fund (that is to be created equivalent to the depreciation charged in the revenue account) is the 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 the depreciation reserve on the fund position of the school. The school explained that it had incurred the above expenditure out of the depreciation reserve fund as the school had investment i.e., liquid funds against depreciation reserve funds. As per the Duggal Committee report, the school can collect the following heads of fee which are as under:

- Registration fee: INR 25 per student can be collected at the time of admission only.
- Admission fee: INR 200 per student can be collected at the time of admission only.
- Caution Money: INR 500 per student can be collected at the time of admission. It is not income, but a deposit, which is to be refunded to the student at the time of leaving the school.
- Tuition fee: It is required to determined so as to cover the standard cost of the establishment including terminal benefits and expenses of revenue nature concerning to curricular activities.
- Annual charges: expected to cover all other revenue expenditure of the school not covered from the tuition fee.
- Earmarked levies: are to be charged with respect to facilities provided to the user students only involving additional expenditure in the provision of the same. This is required to be charged on no profit no loss basis; and
- Development fee: It is to be treated as capital receipts and utilized towards purchase, upgradation and replacement of furniture, fixtures and equipment.

Thus, the accounting treatment followed by the school with respect to the creation of the deprecation reserve fund and its utilization is not correct. Accordingly, the assets purchased by the School out of the depreciation reserve fund shall be treated as the School has purchased these assets out of the school funds without complying with the requirement of Rule 177 of the DSER, 1973. Therefore, expenditure totaling to INR 27,48,427 (i.e., INR 23,73,606 in FY 2019-20 and INR 3,74,821 in FY 2020-21) incurred by the school capitalized under the head building is recoverable from the society.

Also, vide Order No. F.DE 15(267)/PSB/2021/4693-4698 dated 12.11.2021 issued to the school post evaluation of fee increase proposal for FY 2019-20 it was observed that the School incurred INR 19,38,856 for flooring & cladding in gym shed and interlocking concrete pave block without complying with the provision of Rule 177 of DSER, 1973 and incurred INR 30,80,814 for construction of fire stair and new play station for Jr. School playground out of development fund/deprecation reserve during the FY 2017-18 and 2018-19. Accordingly, the School was directed to recover INR 50,19,670 from society, and it was also reiterated in Order No. F.DE 15(911)/PSB/2022/6586-6590 dated 23.08.2022 issued to the school post evaluation of fee increase proposal for FY 2022-23, which is still pending for recovery. Therefore, the total expenditure amounting to INR 77,68,097 incurred by the Schoolis considered as funds available with the school while deriving the fund position of the school with the direction to the school to recover this amount from society within 30 days from date of issue of the order and ensure compliance with Rule 177 of DSER, 1973 and Clause 14 of the order dated 11.02.2009 and pass the necessary rectification entries in its books of accounts.

2. Para 57 of Accounting Standard 15 (AS-15) 'Employee Benefits' issued by the Institute of Chartered Accountants of India states that *"An enterprise should determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.* "Further, Para 7.14 defines the Plan Assets as:

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

   Further, Para 60 of Guidance Note-21 on 'Accounting by Schools' (2005) issued by the Institute of Chartered Accountants of India states that *"A defined benefit scheme is a scheme under which amounts to be paid as retirement benefits are determined usually by reference to employee's earnings and/or years of service".*

   An appropriate charge to the income and expenditure account for a year should be made through a provision for the accruing liability. The accruing liability should be calculated according to actuarial valuation. However, if the school employs only a few persons, say less than twenty, it may calculate the accrued liability by reference to any other rational method. The ensuing amount of provision for liability should then be invested in *"plan assets"* as per AS-15 issued by ICAI.

   On review of the certified financial statements for FY 2022-23 submitted by the school, it has been noted that the school has made a total provision of INR 9,05,01,153 and INR 3,48,88,822 towards gratuity and leave encashment respectively as on 31st March 2023 in accordance with the actuarial valuation report dated 28 July 2023 obtained by the school from an actuary for measuring its liability towards gratuity and leave encashment. The School further, submitted that it has invested INR 9,05,01,153 and INR 3,48,88,822 in an investment which qualifies as a plan asset within the meaning of AS-15 and reported the same in the financial statements. Based on school submissions, the amount of gratuity and leave encashment invested in the plan assets.has been considered while deriving the fund position of the school.

3. Clause 14 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11.02.2009 states *"Development Fee not exceeding 15% of the total am1ual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture fixtures and equipment. Development fee, if required*

to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a depreciation reserve fund equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund will be kept in a separately maintained Development Fund Account".

Further, Para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India (ICAI) 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. "*

And para 102 of the above cited Guidance Note-21 states *"In respect of funds, schools should disclose the following in the schedules/notes to accounts:*

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

As per order no.F.DE.15(911)/PSB/2022/6586-6590 dated 23.08.2022 issued for the academic session 2022-23, in the audited financial statements for FY 2018-19, FY 2019-20 and FY 2020-21, it was noted that the School incurred INR 94,97,376 in FY 2019-20 and INR 6,89,080 in FY 2020-21 for DPL and honorarium paid to activity teachers and smart class. The school utilized the development fund for revenue expenditures in contravention of provisions of clause 14 of the order dated 11.02.2009. Further, the development fund balance was INR 6,32,67,584 as per the audited financial statements for FY 2020-21, while the yearly collection towards development fees comes to INR 1.5 Crores (approx.).Further, during FY 2021-22, the school utilized development of INR 4.12 Crores for investment in planned assets towards leave encashment and payment of leave encashment and INR 1.94 Crores for payment of salary leaving the closing balance of INR 2,06,66,763 as on 31.03.2022. Accordingly, the accumulated development funds used by the school for investment in planned assets and payments for salary to staff has been considered while deriving the fund position of the school.In FY 2022-23, the school has transferred INR 92,31,292 to the general fund from the development fund. Thus, the development fund balance amountingINR 1,86,05,951 and amount transferred to general fund INR 92,31,292 has been totaled and considered while deriving the fund position of the school. School is directed to ensure to utilize the development fee only for the defined purposes.

4. Clause 10 of Form-II of the Right to Children to Free and Compulsory Education Act, 2009 requires the School to maintain liquidity in the form of investment for three month's salary and this investment should be in the joint name of Deputy director of Education and the Manager of the School. Generally, it is done in the form of FDR in any scheduled bank.

While evaluating the fee increase proposal for FY 2022-23, the school was directed to create 03 months' salary reserve and investment the amount for that in accordance with the provision mentioned above. Similar direction was also given at the time of evaluation of fee proposal for FY 2019-20.

From review of the financial statements of FY 2022-23, it has been noted that the school has addition in provision of INR 39,69,286towards three month's salary reserve and has invested an equivalent amount INR 6,62,35,953in accordance with the above-mentioned provisions. Also, school has maintained additional School fund (reserve) amounting INR 1,92,68,120 in form of fixed deposits. During hearing the school has submitted it is being maintained in compliance of Rule 177 of DSER, 1973 and not available freely. Therefore, amount of INR 8,55,04,073 (INR 6,62,35,953 plus INR 1,92,68,120) invested by the school has been considered while deriving the fund position of the school.

B. Other Suggestions for Improvement

1. Para 58(i) of Guidance Note-21 'Accounting by schools' issued by the Institute of Chartered Accountants of India (ICAI) states *"A school should charge depreciation according to written down value method at rates recommended in appendix 1 to the Guidance note"*. In Directorate's Order No. F.DE 15(911)/PSB/2022/6586-6590 dated 23.08.2022 issued to the school post evaluation of fee increase proposal for FY 2022-23, the school explained that the books of accounts are maintained in accordance with the Income Tax Act 1961 and the rates of depreciation prescribed there under are used. Therefore, the school was directed to make necessary adjustments and ensure that depreciation is charged on fixed assets at the rate prescribing in Appendix 1 to Guidance Note-21.

   On review of submitted financial statements for the FY 2020-21 to FY 2022-23, the school has not attached any Fixed assets schedule or depreciation chart along with financial statements. Thus, the compliance cannot be verified from the financial statements. Therefore, the school is again directed to make necessary adjustments and ensure that depreciation is charged on fixed assets at the rate prescribing in Appendix 1 to Guidance Note-21. The above being a procedural finding, no financial impact is warranted for deriving fund position of the school.

2. Clause 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"* Clause 6 of Order No. DE 15/ Act/ Duggal.Com /203 /99 /23033-23980 dated 15.12.1999 state that *"Earmarked levies shall be charged from the user student only."*
   Rule 176 of DSER, 9173 states *"Income derived from collections for specific purposes shall be spent only for such purpose.* " Further, 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-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. The Guidance Note-21 also 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.

On review of the financial statements submitted by the school it has been noted that the School charges earmarked levies in the form of Bus Charges, Girls Hostel & Computer. Although, the School has been preparing separate income and expenditure for these earmarked levies. However, at the end of the financial year, the school transfers the surplus/ deficit earned from these earmarked levies to school funds, which means in case of surplus, the same is used by the school for meeting other expenditures of the school and, in case of loss, the same is met from the school funds. This clearly indicates that the school is not following fund-based accounting with respect to earmarked levies collected by it in the name of Computer, Bus charges and Girls Hostel. Similar observation was also noted inorder no. F.DE.15(911)/PSB/2022/6586-6590 dated 23.08.2022 issued for the academic session 2022-23.

Further, from the record submitted by the school, it has been noted the school has been collecting computer fees from INR 170 to 200 per student per month from all the students of the school and has reported the same under earmarked levies. The component of computer fee and expenditures are as under.

Particulars	**FY 2021-22**	**FY2020-21**
Income (not collected due to Covid Pandemic-19)	-	-
Total	-	-
Expenditure (A)		
-Payment to contractor	43,331	-
-Computer lab expenses	30,627	69,362
-Depreciation	1,21,414	2,02,356
-Pay and Allowances*	40,59,490	38,87,652
-Anti Virus Computer Lab	-	4,889
Total (B)	**42,54,862**	**41,64,259**
Surplus/(deficit) transferred to Income and Expenditure Account **(A-B)**	**(42,54,862)**	**(41,64,259)**

*Includes salary for one PGT, one TGT, two PRT, one LD and other temporary staff.

As the school has not been maintaining a separate bank account for the collection of these earmarked levies and all the money collected by the school is kept in common school's accounts from where all payments related to these earmarked levies are also made and then at the year-end, the School based on its judgement allocates some of the school's expenditures under these heads which in fact is not the correct accounting practice for earmarkedlevies.

The earmarked levies are to be collected only from the user students availing the service/facility. In other words, if any service/facility has been extended to all the students of the school, a separate charge should not be levied for the service/facility as the same would get covered either under tuition fee (expenses on curricular activities) or annual charges (expenses other than those covered under tuition fee).

Thus, the act of the school of charging an unwarranted fee or any other amount/fee under head other than the prescribe head of fee and accumulation of surplus funds therefrom are tantamount to profiteering and commercialization of education as well as charging of capitation fee in other forms. Unintentional surplus, if any, generated from earmarked levies must be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies during subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on a no-profit no-loss basis and not to include fees collected from all students as earmarked levies.

3. Para 99 of Guidance Note-21 issued by the Institute of Chartered Accountants of India (ICAI) 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 I 02 of the abovementioned Guidance Note states *"In respect of funds, schools should disclose the following in the schedules/notes to accounts:*
   a. *In respect of each major fund, opening balance, additions during the period, deductions/utilization during the period and balance at the end;)*
   b. *Assets, such as investments, and liabilities belonging to each fund separately*
   c. *Restrictions, if any, on the utilization of each fund balanced)*
   d. *Restrictions, if any, on the utilization of specific assets.* "

   In Directorate's Order No. F.DE 15(911)/PSB/2022/6586-6590 dated 23.08.2022 issued to the school post evaluation of fee increase proposal for FY 2022-23, it had been noted that the School created assets worth INR 8,31,30,134 out of the development funds and INR 3,40,54,330 out of the depreciation reserve funds, while it had reported INR 11,46,47,133 under 'Project Out of Funds' and INR 16,03,53,858 under "Depreciation Reserve Funds'. Therefore, it appears that the school had not been following correct accounting treatment specified under para 99 with respect to the assets purchased out development funds. Further, in FY 2021-22, the school had transferred INR 5.81 Crores to the salary reserve fund and INR 4.20 Crores to school funds (to the extent of investment) out of the depreciation reserve funds, leaving the closing balance of INR 16,03,53,858 as on 31.03.2022. Therefore, the school was directed to pass the necessary rectifications in its books and accounts and rectify the closing balance of the project out of funds and depreciation reserve funds which is still not rectify.

   The school is directed to pass the necessary rectifications in its books and accounts and rectify the closing balance of the project out of funds and depreciation reserve funds. These being the procedural findings required correction of internal funds moment therefore, no financial impact has been given while deriving the fund position of the school.

4. From review of documents submitted by the School with the proposal of fee hike for FY 2023-24, the following has been note with respect to the Fixed Asset Register (FAR) maintained by the school:

- No tagging of the assets has been done in Fixed Assets Register (FAR) and location is not identified due to which assets could not be physically verified.
- Depreciation for the individual assets is not recorded in the FAR, only cost of the assets is available in the FAR and WDV of the assets is not available.
- Invoice number, manufacturer's serial number and location of the asset is not mentioned in the fixed assets register.

Similar observation noted in Directorate's Order No. F.DE 15(911)/PSB/2022/6586-6590 dated 23.08.2022 issued to the school post evaluation of fee increase proposal for FY 2022-23.Therefore, the school is again directed to 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, assets at one place. The school is further directed to comply with the directions for preparing FAR with relevant details mentioned above according to the process for periodic physical verification of assets and documenting the results of physical verification of assets. The same shall be verified at the time of evaluation of the fee hike proposal for subsequent years. This being a procedural finding, no financial impact is warranted on the fund position of the school.

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

   From review of the financial statements of the school as submitted with the fee proposal, it has been noted that the School has not made any disclosure in its audited financial statements related to related parties disclosure. In the absence of such details, the purpose and genuineness of transactions entered between the related parties cannot be determined. Therefore, the School is hereby directed to include such details in audited financial statements of the subsequent year.

6. As per Section 18(5) of the DSEA, 1973, the management committee of every recognized private school shall file every year with the Director such duly audited financial and other returns as may be prescribed, and every such return shall be audited by such authority as may be prescribed.

   Further, Rule 180 of DSER, 1973 states " *(1) every unaided recognised private schools shall submit the returns and documents in accordance with Appendix-I, (2) Every return or documents referred to in sub rule (]), shall be submitted to the Director by 3F' day of July of each year.(3) The account and other records maintained by an unaided private recognized 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 DSA. 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 specify that "final accounts i.e., receipts, and payments account, income and expenditure account and balance sheet of the preceding year should be duly audited by Chartered Accountant.

It has been noticed that Financial Documents/ Certificates Attested by third person misrepresenting themselves as CA Members are misleading the Authorities and the Stakeholders. ICAI is also receivingnumber 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 an innovative 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 Counsel in the 39th meeting of ICAI held on 17.12.2018 and 18.12.2018 made mandatory for all practicing member to obtain 18-digit UDIN before issuing any audits reports/certification etc. in the following manner:

- All Certification done by Practicing Casw.e.f.01.02.2019.
- All GST& Tax Audit Reports w.e.f. 01.04.2019.
- All other attest functions w.e.f. 01.07.2019.

However, on examination of the financial statements submitted by the school for evaluation of fee increase proposal for FY 2020-21 and FY 2021-22, it has been observed that although the financial statements of the school were certified by the Chartered Accountant without mentioning the UDIN as required by the council. Similar observation noted in Directorate's Order No. F.DE 15(911)/PSB/2022/6586-6590 dated 23.08.2022 issued to the school post evaluation of fee increase proposal for FY 2022-23.This beingthe 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 theSchool, it has been finally evaluated/ concluded that:

i. The total funds available with the school for FY 2023-24 amounting to INR **20,53,59,371** out of which estimated expenditures (i.e., outflow) for the FY 2023-24 is to be INR **22,14,24,867.** This results in net deficit amounting to INR **1,60,65,496** for the 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 Financial Statements	1,58,95,846
Investments as on 31.03.23 as perFinancial Statements	22,97,72,916
Liquid Funds as on 31.03.2023	**24,56,68,762**
Add: Amount recoverable from Society for Construction of building and incurring capital expenditure (Refer Financial Suggestion No. 1)	77,68,097
Add: Fees for FY 2022-23 as per Financial Statements (Refer Note 1 below)	18,71,56,610
Add: Other Income for FY 2022-23 as perFinancial Statements (Refer Note 1 below)	39,19,406

Particulars	Amount (in INR)
Total Available Funds for FY 2023-24	**44,45,12,875**
Less: Investment towards Gratuity (Refer Financial Suggestion No. 2)	9,05,01,153
Less: Investment towards leave encashment (Refer Financial Suggestion No. 2)	3,48,88,822
Less: Investment towards Salary Reserve (Refer Financial Suggestion No. 4)	8,55,04,073
Less: Investment towards specific fund (Prize distribution fund)	2,76,271
Less:Security Refundable as on 31.03.2023	1,34,000
Less: Development Fund as on 31.03.2023 as per financial statements of FY 2022-23 (refer Financial Suggestion No. 3)	2,77,37,243
Less: Depreciation Reserve Fund (Refer Note 3 below)	-
Less: Fee Refundable as on 31.03.2022	1,11,942
Net Available Funds for FY 2023-24 (A)	**20,53,59,371**
Less: Budgeted expenses for the session 2023-24 (Refer Note 3 below)	22,14,24,867
Total Estimated Expenditure for FY 2023-24 (B)	**22,14,24,867**
Net Deficit (A-B)	**1,60,65,496**

Note 1: All the fee and other income as per 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 2: As per the Duggal Committee report, there are four categories of fees that can be charged by a private unaided school. The first category of fee comprised *of "Registration fee and all one Time Charges'* levied at the time of admissions such as admission and caution money. The second category of fee comprises *'Tuition Fee'* which is to be fixed to cover the standard cost of the establishment and to cover the expenditure of revenue nature for the improvement of curricular facilities like library, laboratories, science, and computer fee up to class X and examination fee. The third category of the fee should consist of *'Annual Charges'* to cover all expenditure not included in the second category and the fourth category consist of all *'Earmarked Levies'* for the services rendered by the school and be recovered only from the 'User' students. These charges are transport fee, swimming pool charges, Horse riding, tennis, midday meals etc. This recommendation has been considered by the Directorate while issuing order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and order No. F.DE. /15(56)/Act/2009/778 dated 11.02.2009.

The purpose of each head of the fee has been defined and it is nowhere defined the usage of development fee 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 16,73,44,280 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 3: All budgeted expenditure of the school as per the school submission has been considered amounting INR 24,95,73,854 except the following:

Head of Expenditure	**2023-24 (in INR)**	**Amount disallowed (in INR)**	**Remarks**
Salary - Teaching and Non-teaching staff	20,08,00,000	1,07,86,001	Restricted to 110%
Electricity & water expenses	57,00,000	3,67,005	Electricity & water expenses
Lab/ Computer material	6,50,000	4,85,653	Lab/ Computer material
NCC Expenditures	3,00,000	1,31,424	NCC Expenditures
Depreciation	58,82,400	58,82,400	Depreciation being non-cash expenditure, has not been considered in the calculation of funds availability position of the school.
CBSE Affiliation fee	50,000	50,000	Neither Income nor
Transport Expenses	86,97,988	86,97,988	expense has been

Head of Expenditure	2023-24 (in INR)	Amount disallowed (in INR)	Remarks
EWS Expenses	3,00,000	3,00,000	considered on the assumption that earmarked levies are collected on no profit no loss basis
Hostel expenses	14,48,515	14,48,515	
Total	**22,38,28,903**	**2,81,48,986**	

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 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 financialstatements at the end of the financial year.

AND WHEREAS, it is noticed that the school has utilized INR 77,68,097 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 9% 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 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 **Airforce Bal Bharti School, Lodhi Road, New Delhi-110003 (School ID-1924138)** 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 27.03.2023for 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 9% 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. 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 withthe 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.

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

To
The Manager/HoS
Airforce Bal Bharti School
Lodhi Road, New Delhi – 110003, School ID – 1924138

No. F.DE.15 1675 (a)**/PSB/2023/** 10175-10179 Dated : 15/12/23

Copy to:

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

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