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

No. F. DE. 15 (273)/PSB/2019/1500-1504

Dated: 04/04/19

ORDER

WHEREAS, this Directorate vide its order No. DE.15 (318)/PSB/2016/19786 dated 17 Oct 2017 of Directorate of Education, Govt. of NCT of Delhi, has issued 'Guidelines for implementation of 7th Central Pay Commission's recommendations in private unaided recognized schools in Delhi' and required that private unaided schools, which are running on land allotted by DDA/other govt. agencies with the condition in their allotment letter to seek prior approval of Director (Education) before any fee increase, need to submit its online fee increase proposal for the academic session 2017-2018. Accordingly, vide circular no. 19849-19857 dated 23 Oct 2017 the fee increase proposals were invited from all aforesaid schools till 30 Nov 2017 and this date was further extended to 14 Dec 2017 vide Directorate's order No. DE.15 (318)/PSB/2016/20535 dated 20 Nov 2017 in compliance of directions of Hon'ble High Court of Delhi vide its order dated 14 Nov 2017 in CM No. 40939/2017 in WPC 10023/2017.

AND WHEREAS, attention is also invited towards order of Hon'ble High Court of Delhi dated 19 Jan 2016 in writ petition No. 4109/2013 in the matter of Justice for All versus Govt. of NCT of Delhi and others where it has been directed by the Hon'ble Delhi High Court that the Director of Education has to ensure the compliance of term, if any, in the letter of allotment regarding the increase of the fee by all the recognized unaided schools which are allotted land by DDA.

AND WHEREAS, The Hon'ble High Court while issuing the aforesaid direction has observed that the issue regarding the liability of Private unaided Schools situated on the land allotted by DDA at concessional rates has been conclusively decided by the Hon'ble Supreme Court in the judgment dated 27 Apr 2004 passed in Civil Appeal No. 2699 of 2001 titled Modern School Vs. Union of India and others wherein Hon'ble Supreme Court in Para 27 and 28 has held as under:-

"27....

(c) It shall be the duty of the Director of Education to ascertain whether terms of allotment of and 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 Supreme Court in the above said Judgment also held that under section 17(3), 18(4) read along with rule 172, 173, 175 and 177 of Delhi School Education Rules, 1973, Directorate of Education has the authority to regulate the fee and other charges to prevent commercialization of education.

AND WHEREAS in response to this directorate's circular dated 23 Oct 2017 referred to above, **De Indian School (School ID-1413294), Rohini, Delhi-110085** submitted its proposal for enhancement of fee for the academic session 2017-2018 in the prescribed format including the impact on account of implementation of recommendations of 7th CPC with effect from 1 Jan 2016.

AND WHEREAS, in order to ensure that the proposals submitted by the schools for fee increase are justified or not, this Directorate has deployed teams of expert Chartered Accountants at HQ level who has evaluated the fee increase proposals of the school very carefully in accordance with the provisions of the DSEA, 1973, the DSER, 1973 and other orders/ circulars issued from time to time by this Directorate for fee regulation.

AND WHEREAS, necessary records and explanations were also called from the school through email. Further, school was also provided multiple opportunities of being heard through emails to appear on 4 June 2018, 5 June 2018, 2 July 2018, 16 Aug 2018, 21 Aug 2018, 29 Aug 2018 and through letter no. PSB/2018/28170 dated 6 Sep 2018 sent at the address of the school to present its justifications/ clarifications on fee increase proposal including audited financial statements. However, the school did not respond to any to the emails/letter and did not appear to avail the opportunity of being heard. Accordingly, the fee hike proposal has been disposed-off based on available documents and taken on record.

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

A. Financial Discrepancies

1. As per direction no. 2 included in the Public Notice dated 4 May 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 Oct 1998 in the case of Delhi Abibhavak Mahasangh concluded that *"The tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society."* Also, Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/ 883-1982 dated 10 Feb 2005 issued by this Directorate states *"Capital expenditure cannot constitute a component of the financial fee structure."*

Accordingly, based on the aforementioned public notice and Hon'ble High Court judgement, the cost relating to land and construction of the school building has to be met by the society, being the property of the society and school funds i.e. fee collected from students is not to be utilised for the same.

The financial statements of the school for FY 2014-2015, FY 2015-2016 and FY 2016-2017 revealed that the school has incurred expenditure on construction of building and swimming pool out of school funds and has capitalised building and swimming pool totalling to INR 2,30,34,717 in the aforesaid financial years, which was not in accordance with the aforementioned provisions. Further, this capital expenditure was incurred on the building without complying the requirements prescribed in Rule 177 of DSER, 1973. Though the

financial statements of the school reflect opening block of building, adjustment in the fund position of the school has been done to the extent of additions made in the past three financial years (based of financial statements obtained for evaluation of the fee increase proposal for FY 2017-2018).

Thus, this amount of INR 2,30,34,717 is hereby added to the fund position of the school (enclosed in the later part of this order) 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 this order.

2. As per the Directorate's Order No. DE 15/Act/Duggal.com/203/ 99/23033/23980 dated 15 Dec 1999, the management is restrained from transferring any amount from the recognized unaided school fund to society or trust or any other institution. The Supreme Court also through its judgement on a review petition in 2009 restricted transfer of funds to the society.

The audited financial statements of the school for FY 2016-2017 reflected a receivable balance of INR 13,23,412 from Golden Bells School (another school under the management of the same society), which has been carried over from previous financial years. In its response, the school mentioned that there was a fraud in relation to the school funds in 2011 against which the school filed a first information report (FIR) with police. The response further mentioned that the funds were later recovered from State Bank of India with the help of police, but by that time the school had closed the bank account with SBI on account of which cheques received were deposited in the bank account of Golden Bells School. Golden Bells School later returned this amount in 2011, but the school recorded that receipt as income in its financial statements instead of adjusting the ledger account of Golden Bells School. The school would rectify this error in FY 2017-2018.

The response of the school was not substantiated with supporting documents other than a written explanation and copy of the FIR. Also, it could not be understood if this amount was received by way of cheque, then how the cheques favouring De Indian Public School could have been deposited in the bank account of Golden Bells School. Thus, the response of the school seems inappropriate that the funds that were subjected to fraud were received by Golden Bells School. Accordingly, in absence of any evidence of receipt of funds, the amount of INR 13,23,412 is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the concerned school within 30 days from the date of this order.

Further, the audited financial statement of the school reflected payable balance to M.D. Education Society (Society) as on 31 March 2016 of INR 4,31,76,063 and as on 31 March 2017, the same was INR 3,32,76,063. Thus, the school had transferred an amount of INR 99,00,000 to M.D. Education Society (parent society) during FY 2016-2017. The school, along with its documents, submitted in its written response that in the year 2011, the school needed funds for purchase of furniture and equipment and to meet the demand interest free loan of

INR 1 crore was taken from the Society against which the amount of INR 99 lakhs was repaid to the society in the year 2017. However, school did not submit any evidence of the such funds received by the school from the society. Accordingly, in absence of any details regarding actual liability towards the society, this amount of INR 99,00,000 is hereby added to the fund position of the school (enclosed in the later part of this order) 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 this order.

3. Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states "*Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixtures and equipment.*" Also, Hon'ble Supreme Court of India in its judgement in the matter of Modern School vs Union of India & Others concluded that "... *management of recognized unaided schools should be permitted to charge development fee not exceeding 15% of the total annual tuition fee.*"

Directorate's order No. F. DE-15/ACT-IWPC-109/PART/13/964 dated 13 Oct 2017 issued post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 noted that the school was charging development fee in excess of 15% of annual tuition fee. Further, details provided by the school in respect of FY 2016-2017 also indicated that the school had collected development fee exceeding 15% of the annual tuition fee. The school, along with documents, submitted in its written response that it is collecting development fee only once from the student at the time of admission and does not charge it again in any of the subsequent year till the student studies at the school. Accordingly, as per the school, it is charging development fee much less than 15% of the total tuition fee that the student would pay throughout his/her education at the school. School further mentioned that, based on the aforementioned order of the Directorate, it has limited development fee to 15% of the annual tuition fee collected from the students in their first year at the school and submitted some fee receipts for FY 2017-2018 with development fee equal to 15% of annual tuition fee.

Based on the explanation and documents submitted by the school, the school has started charging development fee equal to 15% of the annual tuition fee at the time of admission. The school is hereby instructed to ensure that it complies with the directions of the Directorate in this regard and the judgement of the Hon'ble Supreme Court of India by charging development fee upto 15% of the annual tuition fee.

4. The school had increased its fees during FY 2016-2017 without prior approval of the Directorate. Whereas, post evaluation of fee increase proposal for FY 2016-2017 submitted by the school, the fee increase proposal was rejected by DoE with the direction that in case increased fee has already been charged from the parents, the same shall be refunded/adjusted vide Order No. F.DE-15/ACT-IWPC-4109/PART/13/964 dated 13 Oct 2017. Based on the information provided by the school, the school collected an amount of

INR 11,57,280 on account of increased tuition fee and INR 4,46,040 on account of increased development fee totalling to INR 16,03,320 which has not been refunded/adjusted till date.

Further, incomes (fee collected from students) reported in the audited Income and Expenditure Account/ Receipt and Payment Account for FY 2016-2017 were recomputed to evaluate the accuracy of incomes reported based on the approved fee structure of the school and details of number of students enrolled (non-EWS) provided by the school. Basis the computation prepared, differences were noted in the fee collection reported by the school during FY 2016-2017 in its audited Income & Expenditure Account/ Receipt and Payment and amount of fee arrived/computed as per details provided by the school. The derived difference could not be reconciled by the school and reasons for the same were not explained. Following differences were derived based on the computation of FY 2016-2017:

Particulars	As per Income & Expenditure A/c (A)	Computed figure based on details provided by school (B)	Income recorded on account of increased fee (C)	Derived Difference (A-B-C)
Tuition fee	2,58,44,448	2,33,62,200	11,57,280	13,24,968
Development fee	64,58,674	64,42,800	4,46,040	(4,30,166)
Annual charges	77,97,950	61,95,000	-	16,02,950

The school should perform a detailed reconciliation of the amount collected/income from students and the income that should have been recognised based on the fee structure and number of students enrolled by the school. Compliance of the above will be examined at the time of evaluation of proposal for enhancement of fee for subsequent academic session.

The school is directed to immediately refund/adjust the excess fee collected from the students of INR 16,03,320 during FY 2016-2017 and submit evidence of the same within 30 days from the date of this order. Accordingly, this amount of INR 16,03,320 to be adjusted/refunded to students has been considered while deriving the fund position of the school (enclosed in the later part of this order).

B. Other Discrepancies

1. Clause 19 of Order No. F.DE./15(56)/Act/2009/778 dated 11 Feb 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."*

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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 Feb 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).

From the information provided by the school and taken on record, it has been noted that the school charges earmarked levies in the form of transport fee, Science fee, Computer fee, Activity fee, Informatics Practices, etc. However, the school has not maintained separate fund accounts for these earmarked levies and the school has been generating surplus from earmarked levies, which has been utilised for meeting other expenses of the school. Details of calculation of surplus, based on breakup of expenditure provided by the school for FY 2016-2017 is given below:

Earmarked Fee	Income (INR)	Expenses (INR)	Surplus (INR)
	A	B	C=A-B
Transportation Charges [^]	31,65,600	18,51,945	13,13,655
Science fee	36,000	3,15,140	2,79,140
Computer Fee	7,82,160	2,85,134	4,97,026
Activity Fee	85,57,330	0*	85,57,330
Informatics Practices	32,400	0*	32,400
PTA	33,885	0*	33,885

[^] The school did not apportion depreciation on vehicles used for transportation of students in the expenses stated in table above for creating fund for replacement of vehicles, which should have been

done to ensure that the cost of vehicles is apportioned to the students using the transport facility during the life of the vehicles.

* Details of expenses incurred against earmarked levies collected from students was not provided by the school.

On the basis of aforementioned orders, earmarked levies are to be collected only from the user students availing the service/facility. In other words, if any service/facility has been extended to all the students of the school, a separate charge should not be levied for the service/facility as the same would get covered either under tuition fee (expenses on curricular activities) or annual charges (expenses other than those covered under tuition fee). The school is charging Activity fee and PTA fee from the students of all classes. Thus, the fee charged from all students loses its character of earmarked levy, being a non-user based fees. The school should not charge such fee as earmarked fee with immediate effect and should incur the expenses relating to these from tuition fee and annual charges, as applicable collected from the students. Based on the computation provided by the school, the tuition fee collected from students is not sufficient to meet the establishment cost and annual charges are also not sufficient to meet other revenue expenses of the school. Thus, the surplus generated from earmarked levies has been applied by the school for meeting establishment cost/ other revenue expenses of the school on account of which fund balance of earmarked levies could not be separated from the total funds maintained by the school. Accordingly, total fees (including earmarked fee) have been included in the budgeted income and budgeted expenses (included those for earmarked purposes) have been considered while deriving the fund position of the school (enclosed in the later part of this order).

The school is hereby directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from students. Unintentional surplus, if any, generated from earmarked levies has to be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies during subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on no-profit no-loss basis and not to include fee collected from all students as earmarked levies.

2. Clause 16 of Order No.F.DE./15(56)/Act/2009/778 dated 11 Feb 2009 states "*No Registration Fee of more than twenty five rupees per student prior to admission shall be charged.*" Further, Directorate's order No. F. DE-15/ACT-I/WPC-109/PART/13/964 dated 13 Oct 2017 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017 noted that the school was charging registration fee of INR 200, which was not in compliance with the above order.

From the audited financial statements for FY 2016-2017, it was noted that the school has reported equal amount against admission fee and registration charges. Further, the proposal for FY 2017-2018 indicated that the school was charging INR 200 as registration fees during

FY 2016-2017. Accordingly, based on the documents placed on record, the school collected excessive registration fee during FY 2016-2017. The school, along with its documents, submitted its written response that it was collecting INR 25 for registration and INR 175 towards prospectus from parents who wish to know more about the school. Even if the response of the school is considered, it appears that the school had made it mandatory for the parents applying admission of their wards in the school to purchase prospectus at the time of registration, as the amount of registration fee and admission fee (also collected @ INR 200 per student), reported in the audited financial statements of the school for FY 2016-2017, matched exactly. It was further noted that in its proposal for enhancement of fee for FY 2017-2018 submitted to the Directorate, the school has proposed to reduce the registration fee to INR 25. Further, the school, along with its documents, submitted its written response that from FY 2017-2018, it has reduced the registration fee to INR 25 per student and submitted a couple of fee receipts for FY 2017-2018 indicating that the school is charging registration fee @ INR 25 from students admitted to school.

The school is strictly directed not to collect registration charge more than INR 25 from students and sale of prospectus should not be made mandatory in accordance with the provisions of DSEA & R, 1973. Compliance of the same shall be examined at the time of evaluation of proposal for enhancement of fee for subsequent academic session.

3. Para 99 of guidance note on accounting by schools (2005) issued by the Institute of Chartered Accountants of India states *"Where the fund is meant for meeting capital expenditure, upon incurrance 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."*

Basis the presentation made in the audited financial statements for FY 2016-2017 submitted by the school, it was noted that the school transferred an amount equivalent to purchase cost of the assets from development fund to general reserve, which was not in compliance with the accounting treatment of development fund indicated in the guidance note issued by the Institute of Chartered Accountants of India.

Further, the school did not prepare fixed assets schedule separately for assets purchased against development fund and those purchased against general reserve for one to one reconciliation of amounts reported in the financial statement for FY 2016-2017.

This being a procedural finding, the school is instructed to make necessary rectification entries relating to development fund to comply with the accounting treatment indicated in the Guidance Note. Further, the school should prepare separate fixed assets schedule for assets purchased against development fund and other assets purchased against general reserve/ fund.

4.

4. The Directorate of Education, in its Order No. DE.15/Act/Duggal.Com/ 203/99/23033-23980 dated 15 Dec 1999, indicated the heads of fee/ fund that recognised private unaided school can collect from the students/ parents, which include:

- Registration Fee
- Admission Fee
- Caution Money
- Tuition Fee
- Annual Charges
- Earmarked Levies
- Development Fee

Further, clause no. 9 of the aforementioned order states *"No fee, fund or any other charge by whatever name called, shall be levied or realised unless it is determined by the Managing Committee in accordance with the directions contained in this order"*

The aforementioned order was also upheld by the Hon'ble Supreme Court in the case of Modern School vs Union of India & Others.

It was noted that the school's fee structure include PTA fund, which is collected from the students without any defined usage.

It was observed from the proposal submitted by the school for enhancement of fee for the academic session 2017-2018 that school has started collecting an additional fee (under the aegis of 'operational charges') of INR 7,500 with effect from FY 2017-2018 from students at the time of admission. The school, along with the documents, submitted a written response that operational charges are collected to meet operating expenses, which are related to the operation of a business, or to the operation of a device, component, and piece of equipment or facility such as sending SMS to parents on day to day basis, maintenance of website, photocopies of assignments, holiday home work, day plan, other technical support given to students etc. The heads of expenses mentioned by the school in its response are already covered under annual charges collected by the school from students. Thus, levy of this additional head of fee, without prior approval of Directorate, is not in compliance with the provisions of DSEA&R, 1973 and directions of Hon'ble Court.

Thus, the school is strictly directed not to collect any one-time fee, by whatever name called from the students admitted to the school and adjust/refund the fee collected during FY 2017-2018 immediate and submit evidence of the same within 30 days from the date of this order. Since the budgeted income for FY 2017-2018 has been considered based on fee collected by the school during FY 2016-2017 (during which such one-time fee was not collected) while deriving the fund position of the school (enclosed in the later part of this order), no further impact in relation to adjustment/refund of one-time fee has been considered.



5. As per Order No. F.DE-15/ACT-IWPC-4109/PART/13/7905-7913 dated 16 April 2016, *"The Director hereby specify that the format of the return and documents to be submitted by schools under rule 180 read with Appendix –II of Delhi School Education Rules, 1973 shall be as per format specified by the Institute of Chartered Accountants of India, established under Chartered Accountants Act, 1949 (38 of 1949) in Guidance Note on Accounting by Schools (2005) or as amended from time to time by this Institute."*

The school did not prepare Receipt and Payment Account for FY 2016-2017 and did not enclose the same as part of the audited financial statements of the school. The school was asked to submit the same, in response the school submitted an unaudited Receipt and Payment Account for FY 2016-2017. The school is hereby directed to ensure that Receipt and Payment Account as per the prescribed format annexed with the aforementioned order of the Directorate must be prepared for each financial year, which must be audited as part of the annual accounts and should be submitted to the Directorate as part of complete set of audited financial statements. Compliance will be verified at the time of evaluation of subsequent fee increase proposal.

6. Directorate's Order No. F.DE-15/ACT-IWPC-4109/PART/13/964 dated 13 Oct 2017 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017 noted that no fee structure for 'Play School' operated by the school during FY 2013-2014 and 2014-2015 was submitted to DoE. School has submitted that Play school has been closed since 2014-2015. However, no document were submitted by the school in respect of the play school and the school also did not appear for hearing. Thus, compliance of the same will be examined at the time of evaluation of proposal for enhancement of fee for subsequent academic session.
7. Directorate's Order No. F.DE-15/ACT-IWPC-4109/PART/13/964 dated 13 Oct 2017 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017 noted that the school has been making payment to EduComp towards smart-class hardware on instalment basis and treating the instalments amounts paid towards the liability as revenue expense in Income and Expenditure account. The school, along with the documents, submitted its written response that instalments of Educomp for previous contract ended in June 2016. If there is any further need considering the expansion plans of the school, the hardware part will be considered as fixed assets and the content part will be considered as revenue expenditure.

The school is directed to ensure that it record all the fixed assets appropriately in its books of account and present correct financial position of the school with respect of its assets and liabilities in its audited financial statements. Further, all assets of the school must be adequately recorded in the fixed assets register maintained by the school for proper monitoring and control of assets owned by the school. Compliance will be examined at the time of evaluation of proposal for enhancement of fee for subsequent academic session.

8. Direction no. 3 of the public notice dated 4 May 1997 published in the Times of India states *"No security/ deposit/ caution money be taken from the students at the time of admission and if at all it is considered necessary, it should be taken once and at the nominal rate of INR 500 per student in any case, and it should be returned to the students at the time of leaving the h. The caution money, thus collected shall be kept deposited in a scheduled bank in the name of the concerned school and shall be returned to the student at the time of his/her leaving the school along with the bank interest thereon irrespective of whether or not he/she requests for refund."*

Further, Clause 18 of Order no F.DE/15(56)/Act/2009/778 dated 11 Feb 2009 states *"No caution money/security deposit of more than five hundred rupees per student shall be charged. The caution money, thus collected shall be kept deposited in a scheduled bank in the name of the concerned school and shall be returned to the student at the time of his/her leaving the school along with the bank interest thereon irrespective of whether or not he/she requests for refund."*

The following were noted in Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/964 dated 13 October 2017 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017:

- Un-refunded caution money has been not recognised as income by school and was instructed to treat the un-refunded caution money as income.
- Interest on caution money is not refunded to students on leaving the school and was instructed to include interest earned on caution money in the refund account.

As per the details provided by the school, the school has a total student strength (non-EWS) of 520 towards whom caution money is payable @ INR 500 per student, which is derived as INR 2,60,000. However, the school has indicated a liability of INR 3,91,000 as on 31 March 2017 in its audited financial statements though the school has not accounted for any interest on caution money. Thus, the school is directed to refund/adjust the caution money by sending communication to ex-students to collect the same and treat un-claimed caution money as income in accordance with directions issued by the Directorate in this regard. The school is further directed to refund caution money together with interest thereon to student at the time of them leaving the school.

Accordingly, based on above, the amount to be refunded to students towards caution money as per the audited financial statements for FY 2016-2017, has been considered while deriving the fund position of the school (enclosed in the later part of this order).

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

- The total funds available for the year 2017-2018 amounting to INR 10,32,19,820 out of which cash outflow in the year 2017-2018 is estimated to be INR 5,33,13,267. This results in net surplus of INR 4,99,06,553. The details are as follows:

Particulars	Amount (INR)
Cash and Bank Balance as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	27,20,952
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	2,74,20,043
Total Liquid Funds Available with the School as on 31 Mar 2017	3,01,40,995
Add: Estimated Fees and other incomes for FY 2017-2018 based on audited financial statements of FY 2016-2017 of the school [Refer Note 1]	5,36,81,829
Add: Recovery from Society of amount spent on additions to Building [Refer Financial Finding No. 1]	2,30,34,717
Add: Recovery from Society for amount transferred during FY 2016-2017 [Refer Financial Finding No. 2]	99,00,000
Add: Recovery from Golden Bells [Refer Financial Finding No. 2]	13,23,412
Gross Estimated Available Funds for FY 2017-2018	11,80,80,953
Less: Staff Retirement Benefit – Gratuity (amount deposited in group gratuity scheme of LIC during FY 2017-2018)	30,00,000
Less: FDRs deposited with CBSE and DOE (as per audited financial statements of FY 2016-2017)	3,54,912
Less: Development Fund [Refer Note 2]	25,11,901
Less: Salary/Contingency Reserve [Refer Note 3]	70,00,000
Less: Refund/Adjustment of increased fee collected during FY 2016-2017 [Refer Financial Finding No. 4]	16,03,320
Less: Caution Money Balance as on 31 Mar 2017 (as per audited financial statements of FY 2016-2017) [Refer Other Finding No. 8]	3,91,000
Net Estimated Available Funds for FY 2017-2018	10,32,19,820
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 4]	4,51,55,953
Less: Arrears of salary from January 2016 to March 2018 on account of implementation of 7 th CPC (as per computation of salary arrears submitted by school) [Refer Note 4]	81,57,314
Estimated Surplus	4,99,06,553

Notes:

1. Fee and income as per audited financial statements of FY 2016-2017 after adjustment of increased fee collected during FY 2016-2017 to be adjusted/refunded by the school (Refer Financial Finding No. 4) has been considered with the assumption that the amount of income during FY 2016-2017 will at least accrue during FY 2017-2018.
2. Development fund balance as on 31 Mar 2017 reported in the audited financial statements for FY 2016-2017 of INR 38,31,227 has been adjusted with the amount of excessive capital expenditure budgeted by the school against development fee collection during FY 2017-2018 (which has been assumed same as the development fee reported in FY 2016-2017 as per Note 1 above). Development fee receipts during FY 2016-2017 were reported as INR 64,58,674 against which the school has submitted a budget of capital expenditure for FY 2017-2018 of INR 77,78,000. Thus, the difference of budgeted expense and income of INR 13,19,326 (INR 77,78,000 minus INR 64,58,674)

has been adjusted from the opening balance of development fund as on 31 Mar 2017 of INR 38,31,227 to derive the remaining balance of development fund of INR 25,11,901 (INR 38,31,227 minus INR 13,19,326) to be considered in the fund position, as excessive capital expenditure budgeted by the school for FY 2017-2018 has not been disallowed from budgeted expenses.

3. The school submitted copies of FDRs made with Axis Bank Ltd. During FY 2017-2018 totalling to INR 70 lakhs, which were described as created towards Contingency (Salary) Reserve fund of the school. The name mentioned on the FDRs was not reflected completely though the mentioned that these were created in joint names of the Manager of the School and Dy. Director of Education. These deposits have been adjusted in the table above for deriving the fund position of the school with the direction to the school to get a confirmation or reprint of FDRs from the bank, which reflects complete joint names.
4. Per the Budgeted Receipt and Payment Account for FY 2017-2018 submitted by the school along with proposal for fee increase, the school had estimated the total expenditure during FY 2017-2018 of INR 7,80,33,151 (including salary arrears of 7th CPC of INR 1,03,30,000), which in some instances was found to be unreasonable/ excessive. Based on the details provided by the school, most of the expense heads as budgeted were considered even though certain expenditures were increased substantially by the school as compared to FY 2016-2017, while other expense heads were restricted to 110% of the expense incurred during FY 2016-2017 giving consideration to general rise in cost/inflation and especially because FY 2017-2018 is the year of implementation of 7th CPC where additional financial burden of increase salary of staff is already there. However, during review of budgeted expenses, discrepancies were noted in some of the expense heads, which were considered adjusted from the budgeted expenses. Therefore, the following expenses have been adjusted while considering in the budgeted expenses for FY 2017-2018:

Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Salary & Wages including allowances	2,13,25,740	3,02,70,729	2,13,25,740	89,44,989	The school has submitted a computation of salary arrears as per 7 th CPC, which takes care of the increase in salary during FY 2017-2018. Thus, the amount of salary expense as per audited financial statements of FY 2016-2017 has been considered.
Provision for arrear VII pay commission	41,90,000	1,03,30,000	81,57,314	21,72,686	Refer ^ below
Provision for Dep. Reserve Fund	10,00,000	30,00,000	-	30,00,000	Depreciation being a non-cash expense does not result in cash outflow. Hence, it has not been considered.
Provision for contingency fund	19,08,580	20,00,000	-	20,00,000	Refer Note 3 above.

Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Provision for Gratuity Fund	41,35,680	5,00,000	-	5,00,000	Amount actually deposited by the school with LIC during FY 2017-2018 has been considered separately in fund position table above, thus, no additional amount of provision has been considered.
Provision for EWS	-	12,76,400	-	12,76,400	Purpose for which this provision is proposed by the school is not clear. Thus, it has been disallowed.
Building Repair	17,33,221	66,75,900	19,06,543	47,69,357	No justification was provided by the school for such increase in expenses as compared with expense incurred during FY 2016-2017. Thus, expense with 10% increase over reported expenditure of FY 2016-2017 has been considered.
Function & Festival expenses	1,84,139	14,23,000	202,553	12,20,447	
Gardening Expenses	59,746	2,25,000	65,721	1,59,279	
Mid-day meal expenses	13,95,447	16,50,000	1,534,992	1,15,008	
Advertisement charges	9,74,633	15,80,000	1,072,096	5,07,904	
Tour & excursion Exp.	5,14,715	6,20,000	566,186	53,814	
Total	3,74,21,901	5,95,51,029	3,48,31,145	2,47,19,884	

^ Against the amount of INR 1,03,30,000 budgeted by the school towards salary arrears, the school provided a computation with the total amount of arrears for the period Jan 2016 to Mar 2018 as INR 1,03,57,314. However, in the school had not prepared the computation accurately as the school had computed HRA for the period July 2017 to March 2018 @ 30% of basic salary instead of 24% as per recommendations of 7th CPC. Also, the school used a factor of 2.62 for deriving basic salary as per 7th CPC instead of 2.57 approved under 7th CPC. As the school did not respond and did not turn for personal hearing to provide explanation regarding the calculations, the estimated impact of these inaccuracies has been estimated at INR 22 lakhs approximately. Accordingly, salary arrears of INR 81,57,314 have been considered and remaining budget amount has been disallowed.

In view of the above examination, it is evident that the school have sufficient funds for meeting all the budgeted expenditure for the financial year 2017-2018.

- ii. The directions issued by the Directorate of Education vide circular no. 1978 dated 16 Apr 2010 states "All schools must, first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before

proposing a fee increase." The school has sufficient funds to carry on the operation of the school for the academic session 2017-2018 on the basis of existing fees structure and after considering existing funds/reserves.

As per the Directorate's Order No. DE 15/Act/Duggal.com/203/ 99/23033/23980 dated 15 Dec 1999, the management is restrained from transferring any amount from the recognized unaided school fund to society or trust or any other institution. However, the school has a recoverable balance of INR 13,23,412 from the Golden Bells School and school has transferred an amount of INR 99,00,000 to the society. Thus, the school is directed to recover these amount from the society and the concerned school within 30 days from the date of this order.

Whereas per direction no. 2 of Public Notice dated 4 May 1997, it is the responsibility of the society who has established the school to raise funds from their own sources or donations from the other associations for construction of building because the immovable property of the school becomes the sole property of the society. Further, Hon'ble High Court of Delhi in its judgement dated 30 Oct 1998 in the case of Delhi Abibhavak Mahasangh concluded that tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society. Thus, the additions to the building should not be met out of the fee collected from students and is required to be recovered from the society.

And whereas per clause 22 of Order No. F.DE./15 (56)/Act/2009/778 dated 11 Feb 2009, user charges should be collected at 'no profit and no loss' basis and should be used only for the purpose for which these are collected. The school has continued to charge earmarked fee higher than the expenses incurred against the same and has utilised the surplus earned for meeting other expenses of the school. Accordingly, the school is advised to maintain separate fund in respect of each earmarked levy charged from the students in accordance with the DSEA & R, 1973 and orders, circulars, etc. issued thereunder. Surpluses under each earmarked levy collected from the students shall have to be adjusted for determining the earmarked levy to be charged in the academic session 2018-2019. Further, the school should not charge fee collected from all students as earmarked levies.

And whereas per point no. 14 of Order No. F.DE./15(56)/ACT/2009/778 dated 11 Feb 2009, 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, fixture and equipment. The school is directed to comply with the directions with regard to proper accounting and presentation of Development Fund in the School's financial statements and utilisation of development fund only towards purchase of furniture, fixtures and equipment. The school is also directed to charge development fee, not exceeding 15% of the total annual tuition fee.

And whereas, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that along with certain financial

irregularities that exist (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings which were noted (appropriate instructions against which have been given in this order), the funds available with the school for implementation of recommendations of 7th CPC and to carry out its operations for the academic session 2017-18 are sufficient. Accordingly, the fee increase proposal of the school may be rejected.

And whereas, recommendations of the team of Chartered Accountants along with relevant materials were put before Director of Education for consideration and who after considering all material on record has found that the school has sufficient funds for meeting the financial implications of 7th CPC salary and other expenses for the financial year 2017-2018. Therefore, Director (Education) rejects the proposal submitted by the school for enhancement of fee for the academic session 2017-2018.

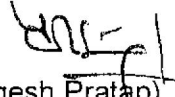
Accordingly, it is hereby conveyed that the proposal of enhancement of fee for session 2017-2018 of **De Indian Public School (School ID-1413294), Sector 24, Rohini** has been rejected by the Director of Education. Further, the management of the said school is hereby directed under section 24(3) of DSEA, 1973 to comply with the following directions:

1. Not to increase any fee/charges during FY 2017-2018. In case, the school has already charged increased fee during FY 2017-2018, the school should make necessary adjustments from future fee/refund the amount of excess fee collected, if any, as per the convenience of the parents.
2. To communicate with the parents through its website, notice board and circular about rejection of fee increase proposal of the school by the Directorate of Education.
3. To rectify the financial and other irregularities/violations as listed above and submit the compliance report within 30 days from the date of this order to D.D.E.(PSB).
4. To ensure that the salaries and allowances shall come out from the fees whereas capital expenditure will be a charge on the savings in accordance with the principles laid down by Hon'ble Supreme Court of Delhi in its Judgment of Modern School vs Union of India. Therefore, school not to include capital expenditure as a component of fee structure to be submitted by the school under section 17(3) of DSEA, 1973.
5. To utilise 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.
6. The Compliance Report detailing rectification of the above listed deficiencies/ violations must also be attached with the proposal for enhancement of fee of subsequent academic session, as may be submitted by the school. Compliance of all the directions mentioned above will be examined before evaluation of proposal for enhancement of fee for subsequent academic session.



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

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


(Yogesh Pratap)
Deputy Director of Education
(Private School Branch)
Directorate of Education,
GNCT of Delhi


To:

The Manager/ HoS
De Indian Public School
School ID: 1413294
Pocket II, Sector 24, Rohini, Delhi-110085

No. F. DE. 15 (273)/PSB/2019/1500-1504 Dated: 04/04/19

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. P.A. to Spl. Director of Education (Private School Branch), Directorate of Education, GNCT of Delhi.
4. DDE concerned
5. Guard file.


(Yogesh Pratap)
Deputy Director of Education
(Private School Branch)
Directorate of Education,
GNCT of Delhi