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

No. F.DE.15(208)/PSB/2021/ 3451-55 Dated: 10/09/21

ORDER

WHEREAS, every school is required to file a statement of fees every year before the ensuing academic session under section 17(3) of the Delhi School Education Act, 1973 (hereinafter read as ***'the Act'***) with the Director. Such statement will indicate estimated income of the school derived from fees, estimated current operational expenses towards salaries and allowances payable to employees in terms of Rule 177(1) of the Delhi School Education Rules, 1973 (hereinafter read as ***'the Rules'***). Such estimate will also provision for donation, gratuity, reserve fund and other items under rule 177(2) and savings thereafter, if any, in terms of the proviso to the rule 177(1).

AND WHEREAS, as per section 18(5) of the Act read with section 17(3), 24 (1) of the Act and Rule 180 (3) of the DSEA & R, 1973 responsibility has been conferred upon to the Director (Education) to examine the audited financial, account and other records maintained by the school at least once in each financial year. The section 18(5) and Section 24(1) of the Act and Rule 180 (3) 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 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 has conclusively decided that under section 17(3), 18(4) read along with rule 172, 173, 175 and 177 of the Rules, Director of Education has the authority to regulate the fee and other charges to prevent the profiteering and commercialization of education.

AND WHEREAS, it was also directed by the Hon'ble Supreme Court to the Director of Education in the aforesaid matter titled Modern School Vs. Union of India and others in Para 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 Jan 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 Director of Education 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, accordingly, this Directorate vide order No. F.DE.15 (40)/PSB/2019/2698-2707 dated 27 Mar 2019, directed that all the Private Unaided Recognized Schools running on the land allotted by DDA/other Govt. agencies on concessional rates or otherwise, with the condition to seek prior approval of Director of Education for increase in fee, are directed to submit the their proposals, if any, for prior sanction of DoE for increase in fee for the session 2018-2019 and 2019-2020.

AND WHEREAS in response to this directorate's circular dated 27 Mar 2019 referred to above, **SAM International School (School ID-1821218), Sector -12, Phase-II, Dwarka, New Delhi- 110075** submitted its proposal for enhancement of fee for the academic session 2019-2020 in the prescribed format.

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 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, in the process of examination of fee hike proposal filed by **SAM International School (School ID-1821218), Sector -12, Phase-II, Dwarka, New Delhi- 110075** for the academic session 2019-2020, necessary records and explanations were called from the school through email. Further, school was also provided an opportunity of being heard on 24 Feb 2020 at 12:00 p.m. 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.

AND WHEREAS, the reply of the school, documents uploaded on the web portal for fee increase and all subsequent documents submitted by the school were thoroughly evaluated by the team of Chartered Accountants and after evaluation of fee proposal of the school key findings noted are as under:

A. Authenticity of Audited Financial Statements

1. As per Appendix II to Rule 180(1) of DSER, 1973, the school is required to submit final accounts i.e. receipts and payment account, income and expenditure account and balance sheet of the preceding year duly audited by a Chartered Accountant by 31st July.

   On account of number of complaints received by the Institute of Chartered Accountants of India (ICAI) regarding signatures of Chartered Accountants (CAs) are being forged by non-CAs and corresponding findings by ICAI that financial documents/certificates attested by third person misrepresenting themselves as Chartered Accountants (CA) are misleading the Authorities and Stakeholders, ICAI, at its 379th Council Meeting, made generation of Unique Document Identification Number (UDIN) mandatory for every signature of Full time Practising Chartered Accountants in phased manner for the following services:

   - All Certificates with effect from 1 Feb 2019
   - GST and Income Tax Audit with effect from 1 Apr 2019
   - All Audit and Assurance Functions with effect from 1 Jul 2019

   Therefore, generation of UDIN has been made mandatory for all audit and assurance functions like documents and reports certified/ issued by practising Chartered Accountants from 1 Jul 2019. The UDIN System has been developed by ICAI to facilitate its members for verification and certification of the documents and for securing documents and authenticity thereof by Regulators.

   Further, ICAI issued an announcement on 4 Jun 2019 for the attention of its Members with the requirement of mentioning UDIN while signing the Audit Reports effective from 1 Jul 2019, which stated "*With a view to bring uniformity in the manner of signing audit reports by the members of ICAI, it has been decided to require the members of ICAI to also mention the UDIN immediately after the ICAI's membership number while signing audit reports. This requirement will be in addition to other requirements relating to the auditor's signature prescribed in the relevant law or regulation and the Standards on Auditing.*"

   The financial statements for FY 2018-2019 submitted by the school along with Audit Report dated 27 Jul 2019 signed by the Chartered Accountant did not cite UDIN, as mandated by ICAI. Therefore, the authenticity of the audit and that of the financial statements for FY 2018-2019 submitted by the school could not be verified.

   Further, on review of the audited financial accounts submitted by the school, it was noted that the Receipt and Payment Accounts were only stamped and initialled by the auditor and no reference thereon was drawn to the audit report of the auditor. Also, in its audit report, the auditor only gave his opinion on the true and fair view on:

   - In the case of balance sheet of the state of affairs as at 31 March and
   - In the case of Income and Expenditure account of the Deficit for the accounting year.

   Thus, the auditor did not give his opinion on the Receipt and Payment Accounts. The school did not provide reasonable justification for auditor's non-inclusion of Receipt and Payment Account in his audit opinion.

While the school has not complied with the statutory requirement of submission of the audited final accounts and has submitted un-authentic final accounts, these financial statements for FY 2018-2019 have been taken on record by the Directorate and the same have been considered for evaluation of the fee increase proposal of the school for the academic session 2019-2020 assuming the same as unaudited/provisional financial statements.

The school is directed to confirm from the auditor whether UDIN was generated in respect of the audit opinion issued by the auditor on the financial statements of the school for FY 2018-2019. If it was generated, the same should be mentioned by the school in its compliance report. In case, UDIN was not generated by the auditor, the school is directed to seek explanation from the auditor for not complying with the requirements notified by ICAI and get the said audit report and financial statements verified from the Institute of Chartered Accountants of India for its authenticity and validity.

Accordingly, the school is directed to ensure that the financial statements as per the requirements of Rule 180(1) are appropriately prepared and submitted to the Directorate. The school is also directed to ensure that the audit opinion is issued by the auditor on the complete set of financial statements i.e. Balance Sheet, Income & Expenditure Account and Receipt & Payment Account.

The school is further directed to ensure that the audit opinions issued on its future final accounts by practicing Chartered Accountant comply with the requirements enunciated by their regulatory body i.e. The Institute of Chartered Accountants of India.

2. On examination of the financial statements submitted by the school, it was noted the financial statements were not appropriately authenticated by the representatives of the school, since the schedules annexed to the financial statements were not signed by both the Principal and Chairman. It was noted that all the pages of the financial statements were stamped and initialled by the Chartered Accountant. However, in absence of signatures of any representative of the school on the schedules, the authenticity of the financial information included therein cannot be confirmed.

   The school is directed to ensure that the entire set of financial statements (all pages including schedules) must be signed or initialled (as appropriate) by two representatives of the school authorised in this regard as per Bye laws or other governing documents.

B. 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 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 except in compliance with Rule 177 of DSER, 1973.

Rule 177 of DSER, 1973 states *"(1) Income derived by an unaided recognised school by way of fees shall be utilised in the first instance, for meeting the pay, allowances, and other benefits admissible to the employees of the school. Provided that savings, if any from the fees collected by such school may be utilised by its managing committee for meeting the capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely:*

- *award of the scholarships to students,*
- *establishment of any other recognised school, or*
- *assisting any other school or educational institution, not being a college, under the management of the same society or trust by which the first mentioned school is run.*

(2) The savings referred to in sub-rule (1) shall be arrived at after providing for the following, namely:-

(a) pension, gratuity and other specified retirement and other benefits admissible to the employees of the school,
(b) the needed expansion of the school or any expenditure of a development nature,
(c) the expansion of the school building or for the expansion or construction of any building or establishment of hostel or expansion or construction of any building or establishment of hostel or expansion of hostel accommodation,
(d) co-curricular activities of the students,

reasonable reserve fund, not being less than ten percent, of such savings."

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. 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."*

Directorate Order No. F.DE.15(65)/PSB/2018/30718-30722 dated 19 Dec 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that society had taken loan of INR 3,50,00,000 for upgradation of building from Canara Bank in FY 2011-2012. The school had paid INR 3,03,36,772 towards principal repayment of the said loan and INR 87,13,228 towards interest thereon during the FY 2014-2015 to FY 2016-2017.

It was further noted that the school has made principal repayment of INR 16,61,020 towards said loan and INR 39,860 towards interest thereon totalling INR 17,00,880 in the FY 2017-2018.

Accordingly, total principal repayment of loan and interest thereon totalling INR 4,07,50,880 (INR 3,03,36,772 plus INR 87,13,228 plus INR 17,00,880) was incurred by the school on the building without complying the requirements prescribed in Rule 177 of DSER, 1973.

Also, on review of the financial statement of FY 2017-2018 and FY 2018-2019, it was further noted that the school had incurred expenditure on additions to building amounting INR 11,23,461 (out of development fund) and INR 1,80,92,806 (out of school fund) in the FY 2017-2018 and FY 2018-2019 respectively.

Further, the additions to building in FY 2017-2018 amounting to INR 11,23,461 were incurred by the school out of development fund, which is in contravention of clause 14 as mentioned above since development fund can be utilised only towards purchase, upgradation and replacement of furniture, fixtures and equipment.

Based on the fact that the school did not implement the recommendations of 7th CPC till Sept 2019, did not even provide for its liability towards staff retirement benefits (gratuity and leave encashment) as per actuarial valuation report in accordance with the requirements of Accounting Standard 15 and did not secure the funds against staff gratuity and leave encashment in plan assets such as group gratuity and group leave encashment schemes of LIC or other insurer till date, while the school incurred capital expenditure on purchase different assets, the school did not comply with the requirements of Rule 177 (1) i.e. *"Income derived by an unaided utilized 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"*.

Therefore, the amount spent by the school towards capital expenditure on building which was reported by the school as spent out of development fund in non-compliance of clause 14 of Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 and capital expenditure on building out of school funds without meeting the requirements of Rule 177, totalling to INR 5,99,67,147 (INR 4,07,50,880 plus INR 11,23,461 plus INR 1,80,92,806) is liable to be received from the society. Thus, this amount of INR 5,99,67,147 is hereby added in the fund position (enclosed in the later part of the order) with the direction to the school to recover the same from the Society within 30 days from the date of this order.

The school is further directed to follow DOE instruction and ensure that development fund is utilised only towards purchase, upgradation and replacement of furniture, fixture and equipment. Also, the school is directed not to incur developmental expense on building without ensuring compliance of Rule 177.

Further, the school has proposed an amount of INR 1,40,20,000 (INR 1,20,00,000 towards building and INR 20,20,000 towards lift) towards capital expenditure on building during FY 2019-2020, which has not been considered as part of the budgeted expenses for FY 2019-2020 while deriving the fund position of the school (enclosed in the later part of the order) on the same rationale as mentioned above.

2. Rule 172(1) – 'Trust or society not to collect fees, etc. schools to grant receipts for fees, etc., collected by It' of DSER, 1973 states *"No fee, contribution or other charge shall be*

collected from any Student by the trust or society running any recognised school; whether aided or not".

Further, Rule 175 – 'Accounts of the school how to be maintained' of DSER, 1973 states "*The accounts with regard to the School Fund or the Recognised Unaided School Fund, as the case may be, shall be so maintained as to exhibit, clearly the income accruing to the school by way of fees, fines, income from building rent, interest, development fees, collections for specific purposes, endowments, gifts, donations, contributions to Pupils' funds and other miscellaneous receipts, and also, in the case of aided schools, the aid received from administrator.*"

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..... capital expenditure/investments have to come from savings*".

During review of the financial statements for FY 2016-2017 to FY 2018-2019, it was noted that the school had made payment towards loan for purchase of vehicles (bus for transport service) and has been repaying the secured loan taken towards purchase of buses to the bank in instalments. However, the financial statements of the school did not reflect income and expenses in relation to transport service provided by the school to its students. The school submitted details of income and expense from transport service separately (which were not part of the financial statements of the school) for aforesaid period, which were examined and it was noted that the school was charging transport fee, which was not even adequate to cover revenue (operating) expenses for providing the transport service to students keep aside interest and loan repayment. Directorate Order No. F.DE.15(65)/PSB/2018/30718-30722 dated 19 Dec 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 also noted that the school is not reporting transport fee and expenses in its financial statements. During the personal hearing, it was mentioned that the income and expenses in relation to transport service is recorded in the consolidated financial statements of the Society.

While the income and expenses in relation to transport service was not reported, based on details provided by the school, calculation of deficit is enclosed below:

Particulars	FY 2016-2017	FY 2017-2018	FY 2018-2019
Income			
Transport Fees (A)	1,28,67,200	1,36,49,200	1,41,02,400
Expenses			
Vehicle Running & Maintenance	1,48,80,748*	1,32,15,510*	1,45,62,383*
Hiring of driver & conductor			
Vehicle Insurance		6,75,177	6,30,673
Total Expenses (B)	**1,48,80,748**	**1,38,90,687**	**1,51,93,056**
Surplus/ (Deficit) (C)=(A-B)	**(20,13,548)**	**(2,41,487)**	**(10,90,656)**
Repayment of loan taken for purchase of bus (D)	13,88,678	26,19,148	20,67,333^
Interest on loan taken for purchase of bus (E)	7,08,778	6,75,177	6,30,673

Particulars	FY 2016-2017	FY 2017-2018	FY 2018-2019
Net Deficit after adjusting loan and interest payment (F)=(C-D-E)	**(41,11,004)**	**(35,35,812)**	**(37,88,662)**

* No details/breakup of expenses incurred against these earmarked levies was provided by the school.

^ Complete details of vehicle loan repaid during FY 2018-2019 was not submitted by the school. Hence, difference of vehicle loan reflected in the balance sheet as on 1 Apr 2018 and as on 31 Mar2019 is considered as loan repaid.

Since the school is not even able to meet the revenue expenses out of transport fee collected from students and there being no surplus available from transport fee, the principal amount and interest paid on the bus loans, being additional burden met out of school funds (fee collected from students), should not have been paid from school funds. Earmarked levies in the form of transport fee are to be charged on no-profit no-loss basis and the school has not been able to recover the cost of buses from the surplus of transport fee collected from students indicating that the school has shifted the burden of capital cost and interest thereon from all students of the school, who are not even availing the transport service.

Accordingly, the amount of principal repayment and interest/financial expenses thereon in relation to bus loans totalling to INR 80,89,787 (interest of INR 20,14,628 and principal repayment of INR 60,75,159) during FY 2016-2017 to FY 2018-2019 paid out of school fund 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. Also, the school is directed to recover the amount of principal and interest payment to bank subsequent to FY 2018-2019 from the Society within 30 days from the date of this order and not to make any further payment of principal and interest against bus loan. The school is further directed to ensure that transport vehicles are procured only from the transport fund and not from school funds unless savings are derived in accordance with Rule 177.

Further, the school is directed to report all its income and expenses in its financial statements instead of reporting the same in the financial statements of the Society as the service is provided by the school to its students. Thus, the school is directed to not exclude any income or expense from its final accounts.

Additionally, the school has proposed INR 14,76,137 (INR 6,26,137 plus INR 8,50,000) towards interest of vehicle loan during FY 2019-2020, which has not been considered as part of the budgeted expenses for FY 2019-2020 while deriving the fund position of the school (enclosed in the later part of the order) on the same rationale as mentioned above.

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. 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."

Directorate Order No. F.DE.15(65)/PSB/2018/30718-30722 dated 19 Dec 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that school had purchased car (innova) costing INR 20,18,892 from development fund in contravention of the above mentioned clause. The school was directed to recover this amount from the society, which the school did not recover. Hence, the school is again directed to recover this amount from society.

Accordingly, the cost of vehicle amounting to INR 20,18,892 is 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. Further, the school is directed to ensure that development fund is utilised only towards purchase of furniture, fixture and equipment.

4. While reviewing the financial statements of the school, it was noted that certain expenses of the school have increased substantially in FY 2018-2019. The details of expenses reported in the Income and Expenditure Accounts of 3 years is provided below:

Particulars	FY 2016-2017	FY 2017-2018	FY 2018-2019
Housekeeping/ Sanitation expenses	54,16,625	59,96,130	1,17,99,256
Ground Keeping expenses	-	-	8,44,720
Staff Welfare expenses	51,213	9,30,918	15,94,236

On examination of the supporting documents in respect of above expenses submitted by the school and taken on record, the following were noted:

- Housekeeping/ sanitation expenses have increased from INR 59,96,130 in FY 2017-2018 to INR 1,17,99,256 in FY 2018-2019 i.e. by 97% in one year. As per the information submitted by the school, it has entered into agreement with two parties namely, M/s PK Travels and M/s GMS Facilities Pvt Ltd. for housekeeping services. The party-wise break up of amount paid is enclosed in the table below:

Particulars	FY 2017-2018	FY 2018-2019	Percent Increase
Total Expense on Housekeeping	59,96,130	1,17,99,256	97%
Party wise breakup of which is as under:			
M/s PK Travels	36,00,000	59,19,000	64%
M/s GMS Facilities Pvt. Ltd.	23,55,219	58,19,413	147%
Other Housekeeping Expenses	40,911	60,843	49%

On review of the sample invoices submitted by the school, it was noted that M/s PK Travels did not levy GST in any of the invoices raised by it and GSTIN was also not mentioned on the invoices. Further, the name of the vendor suggests that it is a travel agency. Thus, sourcing of housekeeping/ sanitation staff from such vendor does not seem appropriate/genuine.

- No ground keeping expenses were incurred/ reflected separately by the school in the FY 2016-2017 and FY 2017-2018. However, in FY 2018-2019, the school reflected expenditure of INR 8,44,720 towards ground keeping expenses. On review of the ledgers and supporting invoices submitted by the school and taken on record, it was noted that invoices of INR 70,000 per month totalling to INR 8,40,000 were also from M/s PK Travels. The vendor did not levy GST in any of the invoices raised by it and GSTIN was also not mentioned on the invoices. Further, the name of the vendor suggests that it is a travel agency. Thus, sourcing of ground keeping staff from such vendor does not seem appropriate/genuine.

- On analysis of Staff welfare expenses, it was noticed that Staff welfare expenses have increased from INR 9,30,918 in FY 2017-2018 to INR 15,94,236 in FY 2018-2019 i.e. by 71%. While reviewing the supporting documents submitted by school, it was noted that school had hired 1 van (FY 2017-2018) and 2 eco cabs (FY 2018-2019) from M/s PK Travels for pick up and drop of school staff from residence to school and back. Details of no. of vehicles hired, rate charged per vehicle, duration for which cabs were hired is enclosed below:

Financial Year	No. of Vehicles Hired	Duration (months)	Rate per vehicle (INR)	Total (INR)
2017-2018	1	5	30,000	1,50,000
2018-2019	2	11	20,000	4,40,000
Total				**5,90,000**

  It was noted from the above that rate per cab has decreased from INR 30,000 in FY 2017-2018 to INR 20,000 in FY 2018-2019 i.e. by 50%. Further, it was noted that the rate charged was based on the no. of cabs hired and had no correlation with number of hours, distance travelled, etc. Also, from the staff salary sheet, it was noted that the school is paying transport allowance to its staff. Thus, the above expense on hiring of cabs for pick up and drop of school staff from residence to school and back is unjustified and duplicate payment.

- Contracts/ agreements with M/s PK Travels and other supporting documents such as attendance sheets/trip sheets of staff/vehicles deployed by M/s PK Travels in relation to any of the abovementioned expenses were not submitted by the school.

- While the financial limit for GST registration was INR 20,00,000 until FY 2018-2019, M/s PK Travels has raised invoices (in the name of the school) more than this financial limit both during FY 2017-2018 and FY 2018-2019, but has not levied GST and nor has it mentioned its GST Registration Number on any of the invoices raising concerns on the genuineness of the Vendor and invoices.

Accordingly, INR 1,09,49,000 (INR 36,00,000 plus INR 59,19,000 plus INR 8,40,000 plus INR 5,90,000) paid to M/s PK Travels during FY 2017-2018 and FY 2018-2019 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, as genuineness of these expenses could not be established, with the direction to the school to recover this amount from the vendor or the Society within 30 days from the date of this order.

Further, the school has budgeted INR 1,42,39,000, INR 18,12,0000 and INR 10,23,000 towards Housekeeping /Sanitation expense, Staff Welfare and Gardening expense respectively for the FY 2019-2020, which seems to be excessive and unjustified. While housekeeping/sanitation and staff welfare expenses have considered @ 110% of the expense incurred by the school during FY 2018-2019 excluding the expense recorded on the basis of invoices of M/s PK Travels, gardening expenses have not been considered (since this expense pertain to M/s PK Travels) as part of budgeted expenses for FY 2019-2020 while deriving the fund position of the school (enclosed in the later part of this order).

5. On review of the printing & stationery expenses reported by the school in its financial statements, it was noted that the printing & stationery expenses increased substantially by 123% in FY 2017-2018 as compared to FY 2016-2017 and 207% in FY 2018-2019 as compared to FY 2016-2017 (i.e. expenses more than tripled in just 2 years). Whereas, examination expenses increased by 1642% in FY 2018-2019 as compared to FY 2016-2017 (i.e. expenses jumped 17 times in just 2 years). The details of these two expenses reported in the Income and Expenditure of FY 2016-2017 to FY 2018-2019 is included below:

Particulars	FY 2016-2017	FY 2017-2018	FY 2018-2019
Printing & Stationery	35,38,939	78,94,748	1,08,57,029
Examination Expenses	1,03,290	3,30,260	17,98,977

From the details (ledger accounts) provided by the school and taken on record, during FY 2017-2018, examination expenses only included registration fees paid to CBSE while during FY 2018-2019, CBSE registration expenses were not booked under examination expenses, instead printing expenses were booked. Thus, additional printing expense of INR 17,98,977 over and above the Printing & Stationery expenses included in table above indicated that the total printing expenses increased from INR 35,38,939 to INR 1,26,56,006 (INR 1,08,57,029 plus INR 17,98,977) i.e. by 258% in FY 2018-2019 (as compared with FY 2016-2017), which seems unreasonably excessive.

While these excessive expenses could have not been adjusted in the fund position (enclosed in the later part of this order) considering such substantial increase, the same have not been adjusted in absence of invoices and other supporting documents. Accordingly, the school is directed to submit proper explanation/ justification along with relevant invoices and other supporting documents for this substantial increase in examination expenses along with its subsequent fee hike proposal. These expenses for FY 2017-2018 and FY 2018-2019 will be thoroughly examined at the time of evaluation of subsequent fee increase proposal.

Further, the school is advised to rationalise its expenses.

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

- *assets held by a long-term employee benefit fund; and*
- *qualifying insurance policies."*

Directorate Order No. F.DE.15(65)/PSB/2018/30718-30722 dated 19 Dec 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that school did not make provision for retirement benefits on the basis of actuarial valuation.

The school submitted copy of actuarial valuation report dated 31 Jan 2019 in respect of its liability towards retirement benefits (gratuity and leave encashment) for FY 2017-2018. However, the provision for gratuity liability recorded in the books of account of the school is not in accordance with the actuarial valuation report submitted by the school. Further, the school did not provide any computation made by it for raising the liability determined by the actuary. Also, the school did not make any provision for leave encashment in its books of account. The school reflected provision for gratuity and leave encashment in its financial statements as detailed in table below:

Particulars	Gratuity (In INR)	Leave Encashment (In INR)
Liability as per actuarial valuation as on 31 Apr 2018 (A)	13,85,087	6,14,514
Provision as on 31 Mar 2019 (as per financial statements for FY 2018-2019) (B)	15,69,006	-
Under/ (Over) Provisioning of liability as on 31 Mar2019 (A-B)	(1,83,919)	6,14,514
Fund Value of Investment in Plan Asset as on 31 Mar 2019	-	-

Though the school has obtained actuarial valuation towards retirement benefits (gratuity & leave encashment), it has not deposited any amount in investments that qualify as plan assets (i.e. group gratuity and leave encashment policies of LIC or other insurer) to earmark funds towards statutory liabilities of gratuity and leave encashment.

Since the school obtained actuarial valuation for the first time, the amount of liability determined by the actuary of INR 13,85,087 and INR 6,14,514 towards gratuity and leave encashment respectively has been considered while deriving the fund position of the school for FY 2018-2019 (enclosed in the later part of this order) with the direction to the school to deposit this amount in investments that qualify as plan-assets (i.e. group gratuity scheme and leave encashment scheme of LIC or other insurer) in order to secure funds towards staff gratuity and leave encashment. Further, the school is directed to accurately disclose the provisions (which is backed by actuarial valuation report and underlying calculations) of gratuity and leave encashment along with corresponding investments in plan-assets in its financial statements.

7. 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."*

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, the Hon'ble Supreme Court through its 2004 judgement in the case of Modern School Vs Union of India and Others directed all recognised unaided schools of Delhi to maintain the accounts on the principles of accounting applicable to non-business organizations/not-for-profit organizations. Earmarked levies collected from students are a form of restricted funds, since these can be utilised only for the purposes for which these have been collected, and according to Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India, the financial statements should reflect income, expenses, assets and liabilities in respect of such funds separately.

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).

Directorate Order No. F.DE.15(65)/PSB/2018/30718-30722 dated 19 Dec 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 directed the school to follow fund based accounting in respect of earmarked levies and not to charge smart class fee as earmarked levy.

From the information provided by the school and taken on record, it was noted that the school charges earmarked levies in the form of transport fee, computer lab fee, refreshment fee, science lab fee and smart class fee from students. However, the school is yet to maintain separate fund accounts for these earmarked levies and the school has been generating surplus/ deficit from earmarked levies, which has been utilised for meeting other expenses of the school or has been incurring losses (deficit), which has been met from other fees/income. However, the school in its response mentioned that it is practically and feasibly not possible to follow fund based accounting. The contention of the school is not correct and the school should follow based accounting in order to appropriately charge earmarked levies from user students on no profit and no loss basis. Details of calculation of surplus/deficit, based on breakup of expenditure provided by the school for FY 2018-2019 is given below:

Earmarked Fee	Income (INR)	Expenses (INR)	Surplus/(Deficit) (INR)
	A	B	C=A-B
Transport Fees^	1,41,02,400	1,51,93,056	(10,90,656)
Computer Lab Fees	73,500	167,243	(93,743)
Refreshment Fee	31,400	4,72,530	(4,41,130)
Science Lab Fee	7,89,000	84,990	7,04,010
Smart Class Fee	48,82,200	7,35,000	41,47,200

^ Depreciation of INR 24,77,033 on vehicles used for transportation of students is included in the expenses stated in table above for creating fund for replacement of vehicles and to ensure that the cost of vehicles is apportioned to the students using the transport facility during the life of the vehicles.

Based on aforementioned, 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). Directorate Order No. F.DE.15(65)/PSB/2018/30718-30722 dated 19 Dec 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school is collecting smart class fee from all its students and directed the school to stop the collection of smart class fee. However, the school is continuing to charge smart class fee from the students of all classes. The fee charged from all students loses its character of earmarked levy, being a non-user-based fees. Thus, based on the nature of the smart class fees and details provided by the school in relation to expenses incurred against the same, the school should not charge such fee as earmarked fee and should incur the expenses relating to these from tuition fee or annual charges, as applicable.

Since the school was directed not to collect smart class fee from students, same has not been considered as part of income for FY 2019-2020 while deriving the fund position of the school (enclosed in the later part of the order) since the same would not accrue to the school. In case, the school the collected smart class fee from students during FY 2019-2020 or subsequently, the school is directed to adjust/refund the fee within 30 days from the date of this order.

Additionally, the school is directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from students. Unintentional surplus/deficit, if any, generated from earmarked levies must be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies 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. The school is also directed not to collect any earmarked levy compulsorily from students and the same should be optional and at the discretion of the students.

C. Other Discrepancies

1. Incomes (fee collected from students) reported in the Income and Expenditure Account for FY 2018-2019 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 2018-2019 in its Income & Expenditure Account/ Receipt and Payment and amount of fee arrived/computed as per details provided by the school.

   Following differences were derived based on the computation of FY 2018-2019:

Particulars	Income reported in Income & Expenditure Account (A)	Fee computed based on details of no. of students provided by the school (B)	Derived Difference (C)=(A-B)	Derived % Difference (D)=(C/A* 100)
Tuition Fee	7,34,77,860	7,64,43,570	(29,65,710)	(4.04%)
Smart Class Fee	48,82,200	43,27,200	5,55,000	12.83%
Development Fee	1,18,50,486	1,10,20,615	8,29,871	7.53%

   The school should perform a detailed reconciliation of the amount collected from students and income to be recognised based on the fee structure and number of students enrolled by the school. Compliance of the same would be checked at the time of evaluation of subsequent fee increase proposal.

   Since the reconciliation is to be prepared and provided by the school, no adjustment has been made in the fund position of the school (enclosed is the later part of the order).

2. As per the land allotment letter issued by the Delhi Development Authority to the Society in respect of the land allotted for the school, *the society shall ensure that percentage of freeship from the tuition fee as laid down under rules by the Delhi Administration from time to time strictly complied with. They will ensure admission to the student belonging to weaker sections to the extent of 25% and grant freeship to them.*

   From the breakup of students provided by the school, it had admitted students under Economically Weaker Section (EWS) Category as under:

Particulars	FY 2016-2017	FY 2017-2018	FY 2018-2019
Total No. of Students	1,673	1,851	1,921
No. of EWS students	71	94	118
% of EWS students to Total Students	4.24%	5.08%	6.14%

During the personal hearing of the school, the school mentioned that it takes admission under EWS category on the basis of list of admissions provided by the Directorate. However, the school has not complied with the requirements of land allotment and should thus take comprehensive measures (including enhancement of EWS seats) to abide by the conditions of the land allotment letter issued by the Delhi Development Authority.

3. 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 school along with the interest at the bank rate.*"

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.*"

Further, Clause 3 and 4 of Order no. DE/15/150/Act/2010/4854-69 dated 9 Sep 2010 stated "*In case of those ex-students who have not been refunded the Caution Money/Security Deposit, the schools shall inform them (students) at their last shown address in writing to collect the said amount within thirty days. After the expiry of thirty days, the un-refunded Caution Money belonging to the ex-students shall be reflected as income for the next financial-year & it shall not be shown as liability. Further, this income shall also be taken into account while projecting fee structure for ensuing Academic year.*"

From the financial statements of FY 2018-2019, it was noted that the school has refunded caution money only to few students at the time of leaving the school. Also, the school is not paying interest on caution money refunded to the students. Basis the financial statements of the school for the FY 2017-2018 to FY 2018-2019, the details of caution money refunded to students at the time of leaving the school is enclosed below:

Financial year	Amount of caution money refunded (INR)	No. of students to whom caution money is refunded
2017-2018	6,500	7
2018-2019	3,500	13

Further, the school did not send communications to ex-students to collect caution money and did not treat the un-refunded caution money as income after the expiry of 30 days from the date of communication to the students to collect the same, which was also mentioned by the Directorate in its Order No. F.DE.15(65)/PSB/2018/30718-30722 dated 19 Dec 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018.

The school is hereby directed to refund the caution money to the students at the time of leaving the school along with interest thereon. The school is further directed to recognise the balance un-refunded caution money, if any as income after 30 days of sending letters to the last known addresses of the students to collect their caution money.

Since the school is yet to send communication to ex-students, the amount to be refunded to students towards caution money as per the financial statements for FY 2018-2019 has been considered while deriving the fund position of the school (enclosed in the later part of this order).

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

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

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

   As per Order No. F.DE-15/ACT-I/WPC-4109/Part/13/7905-7913 dated 16 Apr 2016 "*The Director hereby specify that the format of return and documents to be submitted by schools under rule 180 read with Appendix-II of the 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.*"

   Directorate Order No. F.DE.15(65)/PSB/2018/30718-30722 dated 19 Dec 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school is not following the accounting treatment of recognition of income equivalent to the amount of depreciation charged as indicated in the guidance note cited above. It further noted that the school is charging depreciation as per the depreciation rates prescribed under the Income Tax Act, 1961 instead of the rates specified in Appendix 1 to the Guidance Note 21 issued by the Institute of Chartered Accountants of India.

   Basis the presentation made in the financial statements for FY 2018-2019 submitted by the school, it was further noted that the school has not started following the accounting treatment of recognition of income equivalent to the amount of depreciation charged, as indicated in the guidance note cited above. While the school makes transfer from "development fund" to "development fund utilised against fixed assets" at the time of purchase of fixed assets out of it equivalent to the cost of fixed assets, the school is not recognizing income from "development fund utilised against fixed assets" (deferred income account) in the Income and Expenditure Account equivalent to the amount of depreciation charged. Also, the school has continued to charge depreciation as per the depreciation rates prescribed under the Income Tax Act, 1961 and has not complied with the directions given above regarding charging depreciation as per Guidance Note 21.

Further, basis the presentation made in the financial statements for FY 2018-2019 submitted by the school, it was noted that while the school included fixed assets schedule annexed to the financial statements providing details of opening gross block of fixed assets, additions, deletions, closing gross block of fixed assets, opening depreciation reserve, depreciation for the year, depreciation written back, closing depreciation reserve along with opening and closing net block of fixed assets, it was reporting fixed assets purchased out of development fund at gross value and fixed assets purchased out of general fund at written down value on the face of the Balance Sheet, which is not in accordance with the disclosure requirements included in the guidance note citied above.

It was also noted that the school was not recording interest on development fund bank account and fixed deposits to development fund account, instead the school was treating the entire interest income as revenue receipt, which is not in accordance with the provisions of clause 14 of Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009.

Accordingly, the school is instructed to make necessary rectification entries relating to development fund utilised and to comply with the accounting treatment indicated in the Guidance Note including charging depreciation as per the rates prescribed in the Guidance Note. Further, the school is directed to disclose all fixed assets at gross (historic) value on the face of Balance Sheet on the assets side and accumulated depreciation as depreciation reserve on the liability side of the Balance Sheet. Also, the school is directed to include the interest earned on development fund bank account/ investment in the development fund balance.

5. Review of the proposal for enhancement of fee for FY 2019-2020 submitted by the school indicated that the school did not include/disclose transport fee and refreshment fee collected by it from students in its proposal for fee hike submitted for FY 2019-2020.

   The school must ensure that it discloses all heads of income in its proposal for enhancement of fee including earmarked levies. Also, the school should be cautious while submitting details to the Directorate and ensure that such omissions are not repeated.

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

I. The total funds available for the year 2019-2020 amounting to INR 22,25,29,349 out of which cash outflow in the year 2019-2020 is estimated to be INR 14,54,82,945. This results in net surplus of INR 7,70,46,404. The details are as follows:

Particulars	Amount (INR)
Cash and Bank Balance as on 31 Mar 2019 (as per financial statements of FY 2018-2019)	3,66,24,116
Investments (Fixed Deposits) including accrued interest as on 31 Mar 2019 (as per financial statements of FY 2018-2019)	70,23,838
Total Liquid Funds Available with the School as on 31 Mar 2019	**4,36,47,954**
Add: Fees and other income for FY 2019-2020 based on financial statements of FY 2018-2019 of the school [Refer Note 1]	11,82,54,361
Add: Amount recoverable from Society on account of capital expenditure on building during FY 2014-2015 and 2017-2018 without compliance of Rule 177 of DSER, 1973 [Refer Financial Discrepancy No. 1]	5,99,67,147
Add: Amount recoverable from Society on account of repayment of loan and interest thereon taken for purchase of buses during FY 2016-2017 to 2018-2019 without compliance of Rule 177 of DSER, 1973 [Refer Financial Discrepancy No. 2]	80,89,787
Add: Amount recoverable from Society on account of purchase of Innova car in FY 2016-2017 [Refer Financial Discrepancy No. 3]	20,18,892
Add: Amount recoverable from Society on account of inappropriate bills [Refer Financial Discrepancy No. 4]	1,09,49,000
Gross Estimated Available Funds for FY 2019-2020	**24,29,27,141**
Less: FDR held jointly with CBSE as on 31 Mar 2019 (as per financial statements of FY 2018-2019)	1,52,925
Less: Development Fund as on 31 Mar 2019 (as per financial statements of FY 2018-2019)	82,48,980
Less: Depreciation Reserve [Refer Note 2]	-
Less: Salary Reserve [Refer Note 3]	-
Less: Caution Money Liability as on 31 Mar 2019 (as per the financial statements of FY 2018-2019)	11,96,286
Less: Retirement Benefits - Gratuity [Refer Financial Discrepancy No. 6]	13,85,087
Less: Retirement Benefits - Leave Encashment [Refer Financial Discrepancy No. 5]	6,14,514
Less: Unsecured Loan as on 31 Mar 2019 (as per the financial statements of 2018-2019) [Refer Note 4]	88,00,000
Net Estimated Available Funds for FY 2019-2020	**22,25,29,349**
Less: Budgeted expenses for FY 2019-2020 [Refer Note 5]	12,41,80,417
Less: 7th CPC salary arrears for FY 2018-2019 [Refer Note 5]	1,29,95,000
Less: 7th CPC salary arrears till 31 Mar 2018 [Refer Note 6]	83,07,528
Estimated Surplus as on 31 Mar 2020	**7,70,46,404**

Notes:

1. Fees and incomes based on those reported in financial statements of FY 2018-2019 have been considered (except non-cash income of excess provision of salary reserve written-off and smart class fee, which would not accrue to the school in accordance with Financial

Discrepancy No. 7) with the assumption that the amount of income during FY 2018-2019 will at least accrue during FY 2019-2020.

2. On evaluation of depreciation reserve presented in the financial statements for FY 2018-2019 by the school, it was noted that the school had created depreciation reserve equivalent to the accumulated depreciation presented in the development fund fixed assets schedule and presented the same as depreciation reserve on liabilities side of the Balance Sheet of the school. Also, the school is charging development fund from students for purchase, up-gradation and replacement of furniture, fixture and equipment. Since the balance of development fund as reported in the financial statements of the school for FY 2018-2019 has been adjusted for deriving the fund position of the school, depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue accounts as per clause 14 of Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009) is more of an accounting head for 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, it is not considered in table above.

3. The school has reflected provision for salary of INR 96,68,711 in its financial statements as on 31 Mar 2019. During personal hearing, the school mentioned that this is a reserve towards Staff Salary. However, the school has not made fixed deposits in the joint names of the School and Deputy Director of Education. Hence, it has not been considered in table above.

4. Based on the details submitted by the school, school had taken unsecured loan amounting INR 58,00,000 and INR 30,00,000 in the FY 2017-2018 and FY 2018-2019 respectively from the Chairman of the School. While the purpose of taking such unsecured loan is not clear, since the school had adequate funds to meet its expenses, the outstanding balance of the same as on 31 Mar 2019 of INR 88,00,00 has been considered and adjusted in table above, being funds received from the Chairman in school accounts.

5. Per the Budget Estimate for FY 2019-2020 submitted by the school along with proposal for fee increase, the school had estimated the total expenditure during FY 2019-2020 of INR 17,16,18,075 (including salary arrears towards 7th CPC for FY 2018-2019 of INR 1,29,95,000, which has been considered separately in table above), which in some instances was found to be unreasonable/ excessive. Based on the explanations and details provided by the school during personal hearing, certain discrepancies were noted in expenses budgeted by the school, which were adjusted from the budgeted expenses. Therefore, the following expenses have been adjusted while considering the budgeted expenses for FY 2019-2020:

Expense Heads	Actuals FY 2018-2019	Budget FY 2019-2020	Amount Allowed	Amount Disallowed	Remarks
Housekeeping/ Sanitation Exp	1,17,99,256	1,42,39,000	6,468,282	7,770,718	Refer Financial Discrepancy No. 4
Staff Welfare	15,94,236	18,12,000	1,269,660	542,340	
Gardening	8,44,720	10,23,000	-	10,23,000	
Interest on vehicle loan	6,30,673	14,76,137	-	14,76,137	Refer Financial Discrepancy 2
Security Exp	32,40,000	39,20,000	35,64,000	3,56,000	No reasonable justification/ explanation

Expense Heads	Actuals FY 2018-2019	Budget FY 2019-2020	Amount Allowed	Amount Disallowed	Remarks
Function Expenses	44,21,340	50,49,000	48,63,474	1,85,526	provided by the school for such increase in expense as compared with FY 2018-2019. Accordingly, budgeted expense for FY 2019-2020 has been restricted to 110% of the expense incurred during FY 2018-2019.
Gifts & Prizes	5,02,911	8,59,000	5,53,202	3,05,798	
Professional charges	82,800	6,42,000	91,080	5,50,920	
Repairs & Maintenance-Building	37,42,087	83,38,000	41,16,296	42,21,704	
Capital Expenditure on Building & Lift	1,80,92,806	1,40,20,000	-	1,40,20,000	Refer Financial Discrepancy No. 1
Different Capital Items (Out of Development Fund)	48,11,867	1,58,41,000	1,18,50,486	39,90,514	Capital expenditure (other than on building) proposed by the school has been restricted to the extent of development fee receipts (as per financial statements of FY 2018-2019), as the development fund balance has been adjusted separately in table above.
Total	**4,97,62,696**	**6,72,19,137**	**3,27,76,480**	**3,44,42,657**	

6. The school had proposed salary arrears of INR 2,08,94,248 in its budget for FY 2017-2018 along with its fee increase proposal for FY 2017-2018. However, the school did not submit computation for arriving at this figure. In absence of proper computation/explanation/ justification, arrears of salary till March 2018 were restricted to 30% of the actual salary paid by the school in FY 2016-2017, which arrives at INR 83,07,528 and excess amount of INR 1,25,86,720 has not been considered.

In view of the above examination, it is evident that the school has adequate funds for meeting all the budgeted expenses for the financial year 2019-2020.

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 2019-2020 on the basis of existing fees structure and after considering existing funds/reserves.

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 were identified (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings were also noted (appropriate instructions against which have been given in this order), the funds available with the school to carry out its operations for the academic session 2019-2020 and payment of salaries as per the recommendations of 7th CPC are sufficient. Accordingly, the fee increase proposal of the school may be rejected.

And whereas, recommendation 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 payment of salaries as per the recommendations of 7th CPC and meeting the expenses for the financial year 2019-2020. Since the school has accumulated surplus funds, increasing fee from students would result in profiteering and commercialisation of education. Therefore, Director (Education) rejects the proposal submitted by the school for enhancement of fee for the academic session 2019-2020.

Accordingly, it is hereby conveyed that the proposal for enhancement of fee for session 2019-2020 of **SAM International School (School ID-1821218), Sector -12, Phase-II, Dwarka, New Delhi- 110075** has been rejected by the Director of Education. Further, the management of 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 2019-2020. In case, the school has already charged increased fee during FY 2019-2020, 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 ensure that salaries and benefits are paid to the staff in accordance with section 10(1) of DSEA, 1973 and Directorate's order dated 25 Aug 2017.

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 India 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. 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).
7. 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 Pal Singh)
Deputy Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi

To:
The Manager/ HoS
SAM International School
School ID-1821218
Sector -12, Phase-II, Dwarka,
New Delhi- 110075

No. F.DE.15(209)/PSB/2021/ 3451 - 55   Dated: 10/09/21

Copy to:

1. P.S. to Principal Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. DDE concerned ensure the compliance of the above order by the school management.
4. Guard file.

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