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

No. F.DE.15(795)/PSB/2022/ 5039-5043 **Dated:** 27/06/22

Order

WHEREAS, **Rain Bow English School (School ID- 1618248) C Block, Janak Puri, Delhi-110058,** (hereinafter referred to as **"the School"**), run by the **Diwan Chand Memorial Educational Society** (hereinafter referred to as the "**Society**"), is a private unaided school recognized by the Directorate of Education, Govt. of NCT of Delhi (**hereinafter referred to as "DoE"),** under the provisions of Delhi School Education Act & Rules, 1973 (**hereinafter referred to as "DSEAR, 1973"**). The School is statutorily bound to comply with the provisions of the DSEAR, 1973 and RTE Act, 2009, as well as the directions/guidelines issued by the DoE from time to time.

AND WHEREAS, every school is required to file a full statement of fees every year before the ensuing academic session under section 17(3) of the DSEAR, 1973 with the Directorate. Such statement is required to indicate estimated income of the school to be derived from fees, estimated current operational expenses towards salaries and allowances payable to employees etc. in terms of rule 177(1) of the DSEAR, 1973.

AND WHEREAS, as per section 18(5) of the DSEAR, 1973 read with sections 17(3), 24 (1) and rule 180 (3) of the above DSEAR, 1973, responsibility has been conferred upon to the DoE to examine the audited financial Statements, books of accounts and other records maintained by the school at least once in each financial year. Sections 18(5) and 24(1) and rule 180 (3) of DSEAR, 1973 have been reproduced as under:

Section 18(5): *'the managing committee of every recognised private school shall file every year with the Director such duly audited financial and other returns as may be prescribed, and every such return shall be audited by such authority as may be prescribed'*

Section 24(1): *'every recognised school shall be inspected at least once in each financial year in such manner as may be prescribed'.*

Rule 180 (3): *'the account and other records maintained by an unaided private school shall be subject to examination by the auditors and inspecting officers authorised by the Director in this behalf and also by officers authorised by the Comptroller and Auditor-General of India.'*

AND WHEREAS, besides the above, the Hon'ble Supreme Court in the judgment dated 27.04.2004 held in Civil Appeal No. 2699 of 2001 titled Modern School Vs. Union of India and others has conclusively decided that under sections 17(3), 18(4) read along with rules 172, 173, 175 and 177, the DoE has the authority to regulate the fee and other charges, with the objective of preventing profiteering and commercialization of education.

AND WHEREAS, it was also directed by the Hon'ble Supreme Court, that the DoE in the aforesaid matter titled Modern School Vs. Union of India and Others in paras 27 and 28 in case of private unaided schools situated on the land allotted by DDA at concessional rates that:

"27....

(c) It shall be the duty of the Director of Education to ascertain whether terms of allotment of land by the Government to the schools have been complied with...

28. We are directing the Director of Education to look into the letters of allotment issued by the Government and ascertain whether they (terms and conditions of land allotment) have been complied with by the schools.......

.....If in a given case, Director finds non-compliance of above terms, the Director shall take appropriate steps in this regard."

AND WHEREAS, the Hon'ble High Court of Delhi vide its judgement dated 19.01.2016 in writ petition No. 4109/2013 in the matter of Justice for All versus Govt. of NCT of Delhi and Others, has reiterated the aforesaid directions of the Hon'ble Supreme Court and has directed the DoE to ensure compliance of terms, if any, in the letter of allotment regarding the increase of the fee by recognized unaided schools to whom land has been allotted by DDA/ land owning agencies.

AND WHEREAS, accordingly, the DoE vide order No. F.DE.15 (40)/PSB/2019/2698-2707 dated 27.03.2019, directing all the private unaided recognized schools, running on the land allotted by DDA/other land-owning agencies on concessional rates or otherwise, with the condition to seek prior approval of DoE for increase in fee, to submit their proposals, if any, for prior sanction, for increase in fee for the session 2019-20.

AND WHEREAS, in pursuance to order dated 27.03.2019 of this Directorate **Rain Bow English School (School ID- 1618248) C Block, Janak Puri, Delhi- 110058** had submitted the proposal for fee increase for the academic session **2019-20**. Accordingly, this order is dispensed off the proposal for enhancement of fee submitted by the said school for the academic session **2019-20.**

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 have evaluated the fee 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 the aforesaid School for the academic session 2019-20, necessary records and explanations were also called from the school through email. Further, the school was also provided an opportunity of being heard on 29.11.2019 to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted. During the aforesaid hearing compliances against order no. F.DE-15/ (259)/PSB/2019/1420-1424 dated 29.03.2019 issued for academic session 2017-18 were also discussed and school submissions were taken on record.

AND WHEREAS, the reply of the school, documents uploaded on the web portal for fee increase together with subsequent documents/ clarifications submitted by the school were thoroughly evaluated by the team of Chartered Accountants. And after evaluation of fee proposal of the school the key observations and status of compliance against order No.F.DE-15/ (259)/PSB/2019/1420-1424 dated 29.03.2019 issued for academic session 2017-18 are as under:

A. Financial Observations

1. As per direction no. 2 included in the Public Notice dated 04.05.1997, "*it is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school becomes the sole property of the society*". Additionally, Hon'ble High Court of Delhi in its judgement dated 30.10.1998 in the case of Delhi Abibhavak Mahasangh concluded that "*The tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society.*" Also, Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/ 883-1982 dated 10.02.2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*"

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

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

   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.

   On review of audited Financial Statements for FY 2017-18 it has been noted that school has incurred expenditure on construction of school building totalling to INR. 70,02,088 in FY 2017-18 in contravention of aforesaid provisions and Rule 177 of DSER, 1973.

   Similar observation was also noted in Order No. F.DE-15/ (259)/PSB/2019/1420-1424 dated 29.03.2019 issued for academic session 2017-18 that expenditure on school building was made in FY 2014-15, FY 2015-16 and FY 2016-17 amounting to INR. 1,85,33,605 and school was directed to recover the aforesaid amount from the society being non-compliance of above-mentioned provisions and rule 177 of DSER, 1973.

   During personal hearing school has submitted that the aforesaid capital expenditure on building was incurred in accordance with the provisions of Rule 177 of DSER, 1973. The explanation provided by the School cannot be considered as Rule 177(1) of DSER, 1973 provides that the fee is to be utilized "*in the first instance for meeting the pay, allowances and other benefits admissible to the employees of the school*". Also, savings, if any, should be first used to pay any allowances or other benefits payable to the employees of the school and not for any capital expenditure for construction of building. Moreover, school has submitted in its proposal for fee increase that due to shortage of funds it is not able to implement recommendations of 7th CPC without increase in fee. Though the school has claimed to have shortage of funds but it has utilised school funds for construction of building at a time when it is required to implement the recommendations of 7th CPC for payment of salaries to the school staff.

Hence, total amount spent on addition to buildings from FY 2014-15 to FY 2018-19 of INR. 2,55,35,693 (including amount recoverable as per previously issued order of INR. 1,85,33,605) is hereby added to the fund position of the school considering the same as funds available with the school and with the direction to the school to recover this amount from the Society within 30 days from the date of issue of the order.

2. Rule 175 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 Pupil's Fund and other miscellaneous receipts, and also, in the case of aided schools, the aid received from the administrator.*

As per Order No. F.DE-15/ (259)/PSB/2019/1420-1424 dated 29.03.2019 issued for academic session 2017-18, it was noted that income earned from letting out of premises by the School of INR. 40,57,455 (net of expenses) from FY 2010-11 to FY 2016-17 was not reflected as income of the School and those funds were retained by the Society. Hence, the amount of non-reported income of INR. 40,57,455 was directed to be recovered from the society and the instructions were given to reflect the income from utilization of school premises in its subsequent financial statements.

On review of records and documents submitted by the school, it has been noted that school has not complied the aforesaid directions and thus, not recovered aforesaid amount from the society. Further, on review of audited Financial Statements for FY 2017-18 and FY 2018-19, it has been noted that income from letting out of school premises has not been shown in the audited Financial Statements of the school. Moreover, school has not submitted the copy of rent agreement and other records to compute the income from letting out of school premises for FY 2017-18 and FY 2018-19 and therefore, total amount recoverable for period FY 2010-11 to FY 2016-17 (i.e. seven years) have been used as basis to compute the income for letting out of school premises for FY 2017-18 and 2018-19. Thus, amount recoverable from society on account of letting out of school property has been calculated at INR. 11,59,273 for FY 2017-18 and FY 2018-19.

Hence, total amount of INR. 52,16,728 is added to the fund position of the school considering the same as funds available with the school and with the direction to the school to recover this amount from the Society within 30 days of issue of the order. Further, the school is directed to reflect the income from utilization of school premises in the financial statements of the school.

3. Para 49 of Accounting Standard 15 'Employee Benefits' issued by The Institute of Chartered Accountants of India states "Accounting for defined benefit plan is complex because actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses." Further, para 57 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". Also, para 7 of the Accounting Standard defines Plan Assets (the form of investments to be made against liability towards retirement benefits) as:

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

As per Order No. F.DE-15/ (259)/PSB/2019/1420-1424 dated 29.03.2019 issued against proposal for fee hike for Academic session 2017-18, it was noted that school on basis of directions received from Directorate through Order No. F.DE-15/ACT-I/WPC-4109/PART/13/64 dated 23.12.2016 for academic session 2016-17 updated provision for liability towards retirement benefits in its financial statements for FY 2016-17 in accordance with actuarial valuation report received from Actuary. Also, school was directed to make earmarked investments against such provision for retirement benefits in plan assets as per Accounting Standard 15 issued by Institute of Chartered Accountants of India over a period of 5 years.
On review of audited Financial Statements for FY 2018-19 and as per submission made by school in personal hearing, it has been noted that school has made provision for retirement benefits as per actuarial report issued for FY 2017-18 and FY 2018-19 in its financial statements for FY 2017-18 and FY 2018-19 but has not make any investments in plan assets in accordance with AS-15 Employee Benefits as issued by the ICAI. Also, school has not submitted any documents related to deposit of earmarked investment in plan assets as per directions given in aforesaid order 29.03.2019.

School was given benefit of amount to be invested against retirement benefits to protect the interests of staff employed in the orders issued for earlier academic sessions. However, instead of depositing the same in plan assets school has utilised these funds for capital expenditure on construction of building. Hence, no amount has been considered against retirement benefits while calculating fund availability of the school and school is directed to deposit the amount in plan asset as per Accounting Standard 15 issued by Institute of Chartered Accountants of India equivalent to liability for retirement benefits.

4. Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/883-1982 dated 10.02.2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*"

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

a) Pension, gratuity and other specified retirement and other benefits admissible to the employees of the school;
b) The needed expansion of the school or any expenditure of a developmental nature;

c) *The expansion of the school building or for the expansion or construction of any building or establishment of hostel or expansion of hostel accommodation;*
d) *Co-curricular activities of the students;*
e) *Reasonable reserve fund, not being less than ten percent, of such savings.*

On review of audited Financial Statements for FY 2017-18 and FY 2018-19, it has been noted that the school has incurred capital expenditure on purchase of buses amounting to INR. 17,50,000 by taking loan from Kotak Mahindra bank for INR. 12,00,000. School has repaid the loan in FY 2017-18 amounting INR. 4,44,865 and in FY 2018-19 amounting INR. 7,55,138. Also, school has paid interest of INR. 62,638 in FY 2017-18 and INR. 42,362 in FY 2018-19 on the aforesaid loan. The total amount spent by the school for buses (including repayment of loan with interest) from school funds is INR. 18,55,000 (Purchase cost of Buses of INR. 17,50,000 plus Interest on term loan of Vehicles INR. 1,05,000).

School has submitted in its proposal for fee increase that due to shortage of funds it is not able to implement recommendations of 7th CPC without increase in fee. Though the school has claimed to have shortage of funds but it has utilised school funds for purchase of buses and used school funds for payment on loan taken for purchase of buses and interest thereon when it is required to implement the recommendations of 7th CPC for payment of salaries to the school staff which is in contravention of Rule 177 of DSER, 1973. Hence, net repayment made against purchase of buses of INR. 18,55,000 is hereby added to the fund position of the school (enclosed in 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 issue of the order and the school is directed to ensure that capital assets are not procured from school funds unless savings are derived in accordance with Rule 177 of DSER, 1973.

5. Rule 107 – 'Fixation of pay' of the DSER, 1973 states *"(1) The initial pay of an employee, on the first appointment shall be fixed ordinarily at the minimum scale of pay. Provided that a higher initial pay, in the specified scale of pay may be given to a person by appointing authority.....*
(2) The pay of an employee on promotion to higher grade or post shall be determined by the same rules as are applicable to the employee of government school."

On review of documents submitted by the school, it has been noted that school has paid to the teaching staff special allowance in addition to their salaries in lieu of extra classes being given to students of the school. As per the rule 107 of DSER, 1973 pay of an employee shall be determined by the same rules as are applicable to the employee of government school. Since, government does not pay any additional amount to teachers for any extra classes being given, school is in contravention of such rule and thus, payment made by school for Extra coaching classes in FY 2015-16 to FY 2018-19 amounting INR. 24,32,861 has been added to the fund position of the school with the direction to recover this amount from the society within 30 days from the date of issue of the order and that extra time if required by any weaker student in any subject should be managed from the school periods on extra-curricular activities and no extra coaching classes should be given from subsequent years.

B. Other Observations

1. As per Rule 176 of the DSER, 1973 "*Income derived from collections for specific purposes shall be spent only for such purpose.*" Clause 22 of Order No. F.DE./15(56)/ Act/2009/778 dated 11.02.2009

states "*Earmarked levies will be calculated and collected on 'no-profit no loss' basis and spent only for the purpose for which they are being charged.*"

Further, as per Sub-rule 3 of Rule 177 of DSER, 1973 "*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 is administered.*"

Earmarked levies collected from students are a form of restricted funds, which, according to Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India, are required to be credited to a separate fund account when the amount is received and reflected separately in the Balance Sheet. Further, the aforementioned Guidance Note lays down the concept of fund-based accounting for restricted funds, whereby upon incurrence of expenditure, the same is charged to the Income and Expenditure Account ('Restricted Funds' column) and a corresponding amount is transferred from the concerned restricted fund account to the credit of the Income and Expenditure Account ('Restricted Funds' column).

On review of audited financial statements of the school for FY 2016-17, FY 2017-18 and FY 2018-19, it has been noted that the school charges earmarked levies in the name of Smart class fee, Computer fee, Refreshment charges, Transportation fee, Lab fee, Project fee and Activities fee. Smart class fee, Computer fee, Exam fee and Activities fee are collected from each fee-paying student. It has also been noted that school has not maintained separate fund accounts for these fee collections made by school. Also, the school has been generating surplus from earmarked levies, which has been utilised for meeting other expenses of the school or has been incurring losses (deficit), which has been met from other fees/income. Details of calculation of surplus/deficit, based on breakup of expenditure provided by the school for FY 2016-17, FY 2017-18 and FY 2018-19 are given below:

(Figures in INR.)

Particulars	Computer Fees	Smart Class Fees	Refreshment Charges	Activity Fees
For the year 2016-17				
Fee Collected during the year (A)	25,09,800	45,96,250	4,69,500	28,51,250
Expenses during the year (B)	19,96,771	46,27,644	4,13,183	30,44,062
1) Difference for the year (A-B)	**5,13,029**	**(31,394)**	**56,317**	**(1,92,812)**
For the year 2017-18				
Fee Collected during the year (A)	24,97,300	59,10,060	6,23,550	28,44,750
Expenses during the year (B)	17,48,293	52,09,784	5,56,986	39,64,989
2) Difference for the year (A-B)	**7,49,007**	**7,00,276**	**66,564**	**(11,20,239)**
For the year 2018-19				
Fee Collected during the year (A)	24,40,660	58,22,205	6,69,950	27,45,250
Expenses during the year (B)	21,75,194	54,61,914	5,10,492	33,99,204
3) Difference for the year (A-B)	**2,65,466**	**3,60,291**	**1,59,458**	**(6,53,954)**
Total=1+2+3	**15,27,502**	**10,29,173**	**2,82,339**	**(19,67,005)**

(Figures in INR.)

Particulars	Transport Fund	Lab Fee	Project Fee	Examination Fee
For the year 2016-17				
Fee Collected during the year (A)	31,04,730	8,10,025	1,96,960	5,62,950
Expenses during the year (B)	29,86,744	16,45,534	1,61,346	9,30,584
1) Difference for the year (A-B)	**1,17,986**	**(8,35,509)**	**35,614**	**(3,67,634)**
For the year 2017-18				
Fee Collected during the year (A)	30,18,830	9,46,360	2,41,200	7,49,925
Expenses during the year (B)	31,80,248	15,19,594	2,59,875	9,73,948
2) Difference for the year (A-B)	**(1,61,418)**	**(5,73,234)**	**(18,675)**	**(2,24,023)**
For the year 2018-19				
Fee Collected during the year (A)	35,64,790	8,87,252	2,39,850	7,27,890
Expenses during the year (B)	36,02,800	14,35,474	2,00,114	9,58,667
3) Difference for the year (A-B)	**(38,010)**	**(5,48,222)**	**39,736**	**(2,30,777)**
Total=1+2+3	**(81,442)**	**(19,56,965)**	**56,675**	**(8,22,434)**

^The School has not apportioned depreciation on vehicles used for transportation of students in the expenses stated in the above table 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.

During personal hearing the school has submitted that tuition fee collected from students is not sufficient to meet the establishment cost and annual charges collected from students is also not sufficient to meet other revenue expenses of the school and therefore, the surplus generated from earmarked levies has been applied towards meeting establishment cost and other revenue expenses of the school on account and also, separate segregation of expenses is not possible. Accordingly, based on school submission while deriving the fund position total fees (including earmarked fee) have been included in the income and total expenses (included those for earmarked purposes) have been included in the expenditure.

Similar observation was also noted in Order No. F.DE-15/ (259)/PSB/2019/1420-1424 dated 29.03.2019 issued for academic session 2017-18 wherein it was noted that school had not maintained fund-based accounting for earmarked levies and also, was using surplus earned from earmarked levies for other expense.

Thus, the school is reiterated to maintain separate fund account against each amount collected, utilised and the balance amount for each earmarked levy collected from students. Unintentional surplus/deficit, if any, generated from earmarked levies has to be utilized or adjusted against earmarked fees collected from the users in the subsequent year with evaluation being made against each earmarked levy in such way that the revised fee structure for earmarked levies during subsequent proposal for enhancement of fee indicates no-profit no-loss.

The act of the school of charging unwarranted fee or any other amount/fee under head other than the prescribed head of fee and accumulation of surplus fund thereof tantamount to profiteering and commercialization of education as well as charging of capitation fee in other form.

2. As per Clause 14 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11.02.2009, *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.*

As per 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.*" *Further, Para 102 of the abovementioned Guidance Note states "In respect of funds, schools should disclose the following in the schedules/notes to accounts:*

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

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

As per Order No. F.DE-15/ (259)/PSB/2019/1420-1424 dated 29.03.2019 issued against proposal for fee hike for Academic session 2017-18, it was noted that school incurred expenditure on purchase of Car of INR. 4,02,000 and library books for INR. 2,37,413 during FY 2016-17 and reflected the same as utilisation of development fund in the audited financial statements for FY 2016-17 and had not opened a separate bank account for deposit and utilisation of development fund. Hence, school was directed to ensure that development fund is utilised only towards purchase of furniture, fixtures and equipment.

Also, school transferred an amount equivalent to the purchase cost of the assets from development fund to general reserve instead of accounting treatment as indicated in guidance note 99 issued by Institute of Chartered Accountants of India and had not prepared separate fixed asset schedules for assets purchased against development fund against those purchased through general reserve/capital reserve.

On review of Financial Statements for FY 2016-17, FY 2017-18 and FY 2018-19, it has been noted that school has purchased a new car in FY 2018-19 of INR. 5,02,165 which is a non-compliance of the above-mentioned order. School has complied with the requirement of maintaining a separate bank account for development fund but is still not preparing separate fixed asset schedules for assets purchased against development fund and fixed assets purchased through other funds.

School has not maintained development fund utilization fund and has not credited deferred income in income & Expenditure account to the extent of the cost of the asset in proportion to the depreciation charged every year. Furthermore, School has been disclosing fixed assets at historical cost as per para 67 of Guidance note issued by Institute of Chartered Accountants of India but has not maintained depreciation reserve fund and has also not charged depreciation in revenue accounts in FY 2017-18 and FY 2018-19.

Therefore, school is directed to comply with orders and guidance note mentioned above and to consider the impact of the accounting treatment on opening balances of development fund, assets purchase fund, general reserve fund and depreciation reserve fund. Therefore, the balance of development fund cannot be considered as correct and no impact has been taken in the calculation of fund availability.

3. Para 58(i) of the Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India states "*A school should charge depreciation according to the written down value method at rates recommended in Appendix I to the Guidance Note.*"

   As per notes to Appendix I- 'Rates of depreciation' of Guidance note, "*The rates contained in this Appendix should be viewed as the minimum rates and, therefore, a school should not charge depreciation at rates lower than those specified in this Appendix in relation to assets purchased after the date of the applicability of the Guidance Note. However, if on the basis of a bona fide technological evaluation, higher rates of depreciation are justified, the same may be provided with proper disclosures by way of a note forming part of accounts*"

   On review of financial statements for FY 2017-18, it was noted that school has not followed rates of depreciation prescribed in Appendix I of Guidance note 21 Accounting by Schools.

   Similar observation was also noted in Order No. F.DE-15/ (259)/PSB/2019/1420-1424 dated 29.03.2019 issued against proposal for fee hike for academic session 2017-18.

   Hence, school is directed to follow rates of depreciation as mentioned in Appendix-I of Guidance note and the same will be verified at the time of evaluation of fee hike proposal for next Financial years. This being a procedural observation, no financial impact is warranted in the fund position of the school.

4. As per Directorate's Order No. F.DE-15/ (259)/PSB/2019/1420-1424 dated 29.03.2019 issued against proposal for fee increase for academic session 2017-18, It was noted that the school has not taken any measures to define its procurement process and has continued to award contracts on discretionary basis to suppliers/contractors without inviting quotations/bids from other parties.

   During personal hearing, school explained that it will comply with the directions made by the Directorate in subsequent years by implementing proper internal control system in relation to procurement of goods and services so as to ensure that contracts are awarded on Arm's length and competitive price.

   Hence, the school is directed to comply with directions given in above-mentioned order and to lay down a proper internal control system for procurement of goods and services and the same will be verified at the time of evaluation of fee hike proposal for subsequent years. This being a procedural observation, no financial impact is warranted in the fund position of the school.

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

i. The total funds available for the Academic session 2019-20 amounting to INR. **12,54,03,559** out of which cash outflow in the Academic session 2019-20 is estimated to be INR. **11,46,24,060**. This results in net surplus of INR. **1,07,79,499**. The details are as follows:

(Figures in INR.)

Particulars	Amount
Cash and Bank balances as on 31.03.19 (as per audited Financial Statements of FY 2018-19)	16,63,927
Investments (Fixed Deposits) s on 31.03.19 (as per audited Financial Statements of FY 2018-19)	4,13,741
Liquid Funds as on 31.03.2019	**20,77,668**
Fees for 2018-19 as per audited Financial Statements **(Refer Note 1 Below)**	8,06,18,078
Other income for 2018-19 as per audited Financial Statements **(Refer Note 1 Below)**	76,67,531
Add: Recovery of additions made to Building in FY 2016-17, FY 2017-18 and FY 2018-19 from the society **(Refer Financial Observation No. 1)**	2,55,35,693
Add: Recovery of income earned through renting of school premises retained by society **(Refer Financial Observation No. 2)**	52,16,728
Add: Recovery from the society for repayment of loan (including interest) and amount spent on purchase of buses from School Fund by School in contravention of Rule 177 of DSER, 1973 **(Refer Financial Observation No. 4)**	18,55,000
Add: Amount paid as salary to Teaching staff in contravention of Rule 107 of DSER, 1973 **(Refer Financial Observation No. 5)**	24,32,861
Available funds for FY 2019-20	**12,54,03,559**
Less: Investment made in plan assets as per AS-15 issued by ICAI **(Refer Financial Observation No. 3)**	-
Net Availability of funds for FY 2019-20	**12,54,03,559**
Total cash outflow (Revenue Expenditure + Capital Expenditure - Depreciation) **(Refer Note 2 & 3 Below)**	11,46,24,060
Net Surplus	**1,07,79,499**

Notes:

1. Fee and income as per audited financial statements of FY 2019-20 has been considered on the assumption that fee received in FY 2018-19 will at least accrue in FY 2019-20.

2. Under the following heads the school has proposed higher expenditures as compared to the actual expenditure incurred in the FY 2018-19. And based on the explanation and details provided by the school, these expenses were restricted to 110% of the expenditure incurred during the FY 2018-19 considering the rise in rate of inflation. Further, the new heads proposed by the school has not been considered while deriving the fund position of the school. The summary of expenditure disallowed is as under:

Particulars	As per Audited Financial Statement for the FY 2018-19	As per Budget for the FY 2019-20	% Increase	Amount Disallowed in excess of 110% of previous year figures	Remarks
Computer repair & Maintenance	15,00,964	23,50,000	16,51,060	6,98,940	No reasonable justification was provided by the school for such increase in expenses as compared with FY 2018-19. Thus, expense with 10% increase over reported expenditure of FY 2018-19 has not been considered.
General Repair & Maintenance	-	25,50,000	-	25,50,000	New head of expense for which no detail provided by the school.
Workshop Expenses	-	4,50,000	-	4,50,000	
Festival & Celebration Expenses	-	5,00,000	-	5,00,000	
Building	-	25,00,000	-	25,00,000	Expenditure incurred in contravention of Rule 177 of DSER, 1973
Total	**15,00,964**	**83,50,000**	**16,51,060**	**66,98,940**	

3. Transport income and transport expenditure have not been considered in the above calculation as school claimed to maintain separate fund account for the same.

ii. In view of the above examination, it is evident that the school has sufficient funds to carry on the operation of the school for the academic session 2019-20 at the existing fees structure. In this regard, Directorate of Education has already issued directions to the schools vide order dated 16.04.2010 that,

"All schools must, first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase."

AND WHEREAS, in the light of 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 and other observations, that the sufficient funds are available with the school to carry out its operations for the academic session 2019-20. Accordingly, the fee increase proposal of the school may be rejected.

AND WHEREAS, it is also noticed that the School has utilised funds amounting to INR. 3,50,40,282 in contravention of provisions of DSER,1973 and other orders issued by the departments from time to time. Therefore, the school is directed to recover INR 3,50,40,282 from the society. The receipt of above amounts along with copy of bank statement showing the receipt of above-mentioned amount should be submitted with DoE, in compliance of the same, within thirty days from the date of issue of this order. Non-compliance of this shall be taken up as per DSEA&R, 1973.

AND WHEREAS, recommendation of the team of Chartered Accountants along with relevant materials were put before the Director of Education for consideration and who after considering all the material on the record, and after considering the provisions of section 17 (3), 18(5), 24(1) of the DSEA, 1973 read with Rules 172, 173, 175 and 177 of the DSER, 1973 has found that the school has sufficient funds for meeting financial implication for the academic session 2019-20. Therefore, Director (Education) has rejected the proposal submitted by the school to increase the fee for the academic session 2019-20.

AND WHEREAS, the school is directed, henceforth to take necessary corrective steps on the financial and other observations noted during the above evaluation process and submit the compliance report within 30 days from the date of this order to the D.D.E (PSB).

Accordingly, it is hereby conveyed that the proposal of enhancement of fee for session 2019-20 of **Rain Bow English School (School ID- 1618248) C Block, Janak Puri, Delhi- 110058** is rejected by the Director (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 2019-20. In case, the school has already charged increased fee during FY 2019-20, 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 ensure payment of salary is made in accordance with the provision of Section 10(1) of the DSEA, 1973. Further, the scarcity of funds cannot be the reason for non-payment of salary and other benefits admissible to the teachers/ staffs in accordance with section 10 (1) of the DSEA, 1973. Therefore, the Society running the school must ensure payment to teachers/ staffs accordingly.

3. To utilize the fee collected from students in accordance with the provisions of Rule 177 of the DSER, 1973 and orders and directions issued by this Directorate from time to time.

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 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
Rain Bow English School (School ID- 1618248)
C Block, Janak Puri, Delhi- 110058

No. F.DE.15 (795)/PSB/2022/ 5039- 5043 Dated: 27/06/22

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 (West B) ensure the compliance of the above order by the school management.
4. In-charge (I.T Cell) with the request to upload on the website of this Directorate.
5. Guard file.

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