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

No. F.DE.15(282) / PSB / 2019 / 1525 – 1529 Dated: 04/04/19

ORDER

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

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

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

"27....

(c) It shall be the duty of the Director of Education to ascertain whether terms of allotment of 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 Supreme Court in the above said Judgment also held that under section 17(3), 18(4) read along with rule 172, 173, 175 and 177 of Delhi School Education

Rules, 1973, Directorate of Education has the authority to regulate the fee and other charges to prevent commercialization of education.

AND WHEREAS in response to this directorate's circular dated 23 Oct 2017 referred to above, **Vivekanand School (School ID-1001182), D-Block, Anand Vihar, Delhi-110092** submitted its proposal for enhancement of fee for the academic session 2017-2018 in the prescribed format including the impact on account of implementation of recommendations of 7th CPC.

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, necessary records and explanations were also called from the school through email. Further, school was also provided an opportunity of being heard on 23 August 2018 at 10:00 AM 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. Additionally, a visit was made at the school by the Chartered Accountant evaluating the fee increase proposal submitted by the school on 22 Oct 2018 to gather and review information/data relevant for evaluation of the proposal.

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

A. Financial Discrepancies

1. As per direction no. 2 included in the Public Notice dated 4 May 1997, "*it is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school becomes the sole property of the society*". Additionally, Hon'ble High Court of Delhi in its judgement dated 30 Oct 1998 in the case of Delhi Abibhavak Mahasangh concluded that "*The tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society.*" Also, clause (vii) (c) of Order No. F.DE/15/Act/2K/243/ KKK/883-1982 dated 10 Feb 2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*"

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

   The financial statements of the school for the FY 2014-2015, 2015-2016 and 2016-2017 revealed that the school has incurred expenditure on construction of building out of school funds and has capitalized building totalling to INR 1,58,80,852 in the aforesaid financial years (including INR 68 lakhs from development fund), which is not in accordance with the aforementioned provisions. Further, this capital expenditure was incurred on the building without complying the requirements prescribed in Rule 177 of DSER, 1973. Though the financial statements of the school reflect opening block of building, adjustment in the fund position of the school has been done to the extent of additions made in the past three financial years (based of financial statements obtained for evaluation of the fee increase proposal for FY 2017-2018).

Accordingly, this amount of INR 1,58,80,852 is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the Society within 30 days from the date of this order.

2. Directorate's order no. F.DE-15/PSB (PMU)/Fee Hike/2017-2018/14073-082 dated 7 April 2017 regarding fee increase proposals for FY 2017-2018 states "*Schools are strictly directed not to increase any fee until the sanction is conveyed to their proposal by Director of Education.*" Further, Directorate's order no. F.DE-15/WPC-4109/Part/13/7914-7923 dated 16 Apr 2016 regarding fee increase proposals for FY 2016-2017 stated "*In case, the schools have already charged any increased fee prior to issue of this order, the same shall be liable to be adjusted by the schools in terms of the sanction of the Director of Education on the proposal.*"

   Based on the information submitted by the school, the school collected increased fee from students of Nursery class during FY 2016-2017 and FY 2017-2018 and has not adjusted/refunded the same to students though the school had withdrawn its fee hike proposal for FY 2016-2017 submitted to the Directorate. Thus, the school increased fee without prior approval of the Directorate, which was in contravention of aforementioned orders. During personal hearing of the school, the school submitted that the fee hike was done due to air-conditioning of Nursery class, which in the view of the school is within the ambit of the authority of the school for entry level class.

   Based on the information placed on record by the school, it increased the fee of Nursery class as under:

Particulars	Frequency	FY 2015-2016	FY 2016-2017	FY 2017-2018
Tuition Fee	Monthly	2,888	3,610	3,971
Development Charges	Annual	5,198	6,498	7,148
Annual Charges	Annual	6,718	15,000	15,000

   Further, based on details of number of students and fee structure provided by the school, it has been derived that the school collected INR 28.82 lakhs and INR 36.70 lakhs on account of increased fee during FY 2016-2017 and FY 2017-2018 respectively, which has not been refunded/adjusted till date.

   As the fee (after adjustment for increase) of FY 2016-2017 has been considered as budgeted income for FY 2017-2018, increased fee collected by the school during FY 2017-

2018 has not been considered while deriving the fund position of the school (enclosed in the later part of this order) and the school is directed to immediately refund/adjust increased fee collected by it and submit evidence of adjustment/refund within 30 days from the date of this order. However, the increased fee collected by the school during FY 2016-2017 of INR 28,82,868 has been adjusted in the fund position of the school (enclosed in the later part of this order) considering the same as amount refundable/adjustable from fee with an instruction to the school to immediately refund/adjust increased fee collected by it and submit the evidence of adjustment/refund within 30 days from the date of this order.

Also, the school is strictly directed not to collect increased fee from students in future without prior approval of the Directorate.

3. 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 financial statements of the school for FY 2015-2016, it was noted that the school had incurred capital expenditure on purchase of car of INR 11,80,000. Also, it was noticed that the school has not complied with the requirements of Rule 177 of DSER, 1973, but has purchased capital assets (car) by increasing fee collected from students.

   Thus, it has been observed that the school has purchased car and submitted proposal for increase of fee from students, which translates to constituting capital expenditure as component of the fee structure of school and hence non-compliance.

   Accordingly, the amount spent by the school on purchase of car from school fund of INR 11,80,000 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 this order.

   The school is further directed to ensure that capital assets are not procured from school funds unless savings are derived in accordance with Rule 177.

4. Recruitment Rules prescribed for various posts for schools does not include any position for Advisors, Director-Academics and Director-Administration, which had been hired by the school as its staff. Accordingly, the appointment of the staff beyond the prescribed position is in contravention of the prescribed rules.

   It was noted that the school has been paying retainership fee (salary) on monthly basis to the following people in contravention of the Recruitment Rules.

Name	Designation	Amount (per month)	Amount (per annum)
V.K. Gupta	Advisor- School Admin and matters related to DoE & CBSE	33,000	3,96,000

h.

Name	Designation	Amount (per month)	Amount (per annum)
Neeraj Malhotra	Director-Academics	55,000	6,60,000
Sanjay Sachdeva	Advisor-School Admin and matters related to science and technology	80,000	9,60,000
Sukhvarsha Diwan	Advisor-School Administration	55,000	6,60,000
Megha Ahuja	Director-Administration	75,000	9,00,000
Total			**35,76,000**

The school had provided the above information only is respect of FY 2016-2017, therefore, this amount paid of INR 35.76 lakhs has been adjusted for three years FY 2014-2015, 2015-2016 and FY 2016-2017, which totals to INR 1,07,28,000 is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the above staff/Society within 30 days from the date of this order. Further, the school is also directed to recover the amount paid in FY 2017-2018, if any and not to hire staff not prescribed in Recruitment Rules. Accordingly, the amount budgeted by the school towards the above staff has not been considered in budgeted expenses for FY 2017-2018 while deriving the fund position of the school (enclosed in the later part of this order)..

B. Other Discrepancies

1. Clause 19 of Order No. F.DE./15(56)/Act/2009/778 dated 11 Feb 2009 states "*The tuition fee shall be so determined as to cover the standard cost of establishment including provisions for DA, bonus, etc., and all terminal, benefits as also the expenditure of revenue nature concerning the curricular activities.*"

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

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

   Para no. 22 of Order No. F.DE./15(56)/ Act/2009/778 dated 11 Feb 2009 states "*Earmarked levies will be calculated and collected on 'no-profit no loss' basis and spent only for the purpose for which they are being charged.*"

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

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

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

Based on the audited financial statements of the school for FY 2016-2017, it was noted that the school has been following fund based accounting for the following earmarked levies i.e. Excursion Fund, Transport fund and Alamanac & Assignment Module Fund, etc. However, based on the audited financial statements of the school for FY 2016-2017, it was noted that in the transport fund, the school had not allocated salaries paid to the staff involved in transport service (drivers, conductors, etc.) and has also not apportioned depreciation on vehicles used for transport for creation of fund for replacement of fixed assets. Accordingly, no adjustment has made towards balance of transport fund appearing in the financial statements of the school for FY 2016-2017 while deriving the fund position of the school (enclosed in the later part of this order).

The school also charges earmarked levies in the form of Activity & Expedition fee, I.T. Fee, Think Lab Fee, SUPW Charges and Magazine charges from students, but has not maintained separate fund account for these earmarked levies and has been generating surplus from these 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 for FY 2016-2017 is provided below:

Earmarked Fee	Income (INR)	Expenses (INR)	(Deficit)/Surplus (INR)
	A	B	C=A-B
Activity & Expedition	1,26,86,500	1,06,94,384	19,92,116
Smart Class fee*	1,35,21,925	1,12,49,501	22,72,424
SMS & Web charges*			
Computer and IT Practices Fee*			
Think Lab Fee	34,33,400	37,54,123	(3,20,723)
SUPW Charges	51,14,160	30,49,857	20,64,303
Magazine Charges	11,51,700	19,44,140	(7,92,440)

* Though the school charges separate earmarked levy towards Computer and IT Practices Fee, Smart Class fee and SMS & Web Charges, it does not maintain separate details of income and expenses for these earmarked levies and had reported clubbed income under the head I.T. fee in its Income and Expenditure Account.

On the basis of aforementioned orders, earmarked levies are to be collected only from the user students availing the service/facility. In other words, if any service/facility has been extended to all the students of the school, a separate charge should not be levied for the service/facility as the same would get covered either under tuition fee (expenses on curricular activities) or annual charges (expenses other than those covered under tuition fee). The school is charging Smart Class fee (for 12th class school has proposed to levy the same from FY 2017-2018), SMS & Web charges and magazine charges from the students of all classes. Thus, the fee charged from all students loses its character of earmarked levy, being a non-user based fees. Thus, based on the nature of the Smart Class fee, SMS & Web charges, magazine charges and details provided by the school in relation to expenses incurred against the same, the school should not charge such fee as earmarked fee with immediate effect and should incur the expenses relating to these from tuition fee and/or annual charges, as applicable collected from the students. The school explained that annual charges collected from students are not sufficient to meet revenue expenses of the school. Thus, the surplus generated from earmarked levies has been applied towards meeting other revenue expenditure on account of which fund balance of earmarked levies could not separated from the total funds maintained by the school. On account of non-maintenance of fund based accounting, total fees (excluding excursion fee and alamanac fee for which separate fund is maintained) have been included in the budgeted income and budgeted expenses (including those for earmarked purposes) while deriving the fund position of the school (enclosed in the later part of this order).

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

2. Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 which states "*Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up gradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund, will be kept in a separately maintained Development Fund Account.*"

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 aforementioned 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/utilisation 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 utilisation of each fund balance;
(d) Restrictions, if any, on the utilisation of specific assets."

Further, para 11 of the Guidance Note on 'Accounting by Schools' issued by ICAI states "*whether an asset, such as a photocopying machine, is used by a school or a business entity, the measure of charge by way of depreciation depends primarily upon the use of asset rather than the purpose for which the organisation is run i.e. profit or not-for-profit motive. Accordingly, the measurement principles for income, asset and liabilities should be the same for business entities and not-for-profit organisations such as schools.*"

Further, para 58(i) of the Guidance Note states "*A school should charge depreciation according to the written down value method at rates recommended in Appendix I to the Guidance Note.*"

Basis the presentation made in the audited financial statements for FY 2016-2017 submitted by the school, it was noted that the school transferred an amount equivalent to the purchase cost of the assets from development fund to general reserve instead of accounting treatment as indicated in the guidance note cited above.

It was noted that the school is utilizing the depreciation reserve fund for purchase of fixed assets, which is an incorrect practice since the school is charging development fund from students for purchase, up-gradation and replacement of furniture, fixture and equipment and though development fund maintained by the school 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, the school has not reported depreciation reserve as on 31 Mar 2017 equivalent to the amount of accumulated depreciation reported in the fixed assets schedule annexed to the audited financial statements for FY 2016-2017. Also, the school is not crediting amount equivalent to depreciation on assets purchased out of development fund as income as required by guidance note citied above.

Further, from the financial statements FY 2014-2015, FY 2015-2016 and FY 2016-2017, it was noted that the school did not charge depreciation in the Income & Expenditure Account, while depreciation amount was reported in the fixed assets schedule annexed to the financial statements. Also, the school was creating depreciation reserve by appropriation of development fund. Accordingly, the figures of development fund and depreciation reserve included in the financial statements of the school could not be relied upon. Thus, the school has not complied with the directions included in clause 14 of order dated 11 Feb 2009 referred to above. On sale/disposal of assets, school record the difference between cost and realisation value as loss on sale of assets, which is also an incorrect reporting in the Income and Expenditure Account. Accordingly, balance of development fund has not been considered while deriving the fund position of the school (enclosed in the later part of this order).

Also, it was noted that the school has enclosed a consolidated fixed assets schedule giving details of all assets carried over by the school in its audited financial statements and has not prepared separate fixed assets schedules for assets purchased against development fund, other funds and those purchased against general reserve.

Accordingly, the school is instructed to comply with the directions included in orders above regarding development fund, depreciation reserve and make necessary rectification entries relating to development fund, depreciation reserve and presentation of fixed assets to comply with the accounting treatment indicated in the Guidance Note cited above. Further, the school should prepare separate fixed assets schedule for assets purchased against development fund and other assets purchased against general reserve and other funds.

3. According to para 7.14 of the Accounting Standard 15 – 'Employee Benefits' issued by the Institute of Chartered Accountants of India, "*Plan assets comprise:*
    a. *assets held by a long-term employee benefit fund; and*
    b. *qualifying insurance policies.*"

   While the school has obtained actuarial valuation in respect of its liability towards retirement benefits, the school has not deposited any amount in investments that qualify as "plan assets" under AS-15.

   From the audited financial statements for FY 2016-2017, it was noted that the school has recorded the liability towards retirement benefits as per actuarial valuation amounting to INR 9,11,73,322 (INR 7,29,58,111 towards gratuity and INR 1,82,15,211 towards leave encashment).

   This being the first time the school has obtained the actuarial valuation of its liability towards retirement benefits, the entire burden of the same should be imposed in the current year considering that FY 2017-2018 is the year of implementation of recommendations of 7th CPC. Thus, 10% of the liability towards retirement benefits as per actuarial valuation as on 31 March 2017 has been considered while deriving the fund position of the school (enclosed in the later part of this order) with the direction to the school to invest 10% of the liability determined by the actuary towards retirement benefits within 30 days from the date of this order to protect the statutory liability towards staff. In light of above, no further expense budgeted by the school during FY 2017-2018 has been considered. The remaining balance of liability determined by the actuary should be deposited in investments that qualify as 'Plan Assets' in accordance with AS-15 in subsequent years.

4. The school has prepared a Fixed Asset Register (FAR) that only captures asset name, date of purchase and amount. The school should also include details such as supplier name, invoice number, manufacturer's serial number, location, depreciation, identification number, etc. to facilitate identification of asset and documenting complete details of fixed assets at one place.

   During the personal hearing, the school confirmed that it will update the FAR as per the recommendations of the Directorate in FY 2018-2019. The school is directed to update the FAR with relevant details mentioned above. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

5. It was noted that the school was not following adequate procurement procedures, which involves obtaining minimum no. of quotations, comparative statement approved by purchase committee, issuing purchase order/contract, etc. The school mentioned that it is following adequate procurement procedure for purchase of high value items. However, the school did not submit document in relation to procurement processes carried out for validation of its claim.

   Accordingly, the school is hereby directed to follow proper procurement process and maintain proper documentation to validate the same. Compliance will be verified at the time of evaluation of subsequent fee hike proposal.

6. Part IV of Appendix III - 'Instructions for preparing Income and Expenditure Account' of Guidance Note 21 issued by the Institute of Chartered Accountants of India specifies that "*Any item under which income or expense exceeds 1 per cent of the total fee receipts of the School or INR 5,000, whichever is higher, should be shown as a separate and distinct item against an appropriate account head in the Income and Expenditure Account. These items, therefore, should not be shown under the head 'miscellaneous income' or 'miscellaneous expenses'.*"

   From the audited Income and Expenditure Accounts of the school for the FY 2016-2017, it was noted that the school/feeder school has not segregated all items of income and expenses that exceeded 1% of the total fee receipts and had clubbed 'Science Fee', 'SUPW Fee' and 'Fine' under the head 'Tuition Fee', which is more than 1% of the total fee receipts. The school is directed to ensure that all subsequent financial statements are prepared in accordance with the requirements of Guidance Note No. 21 issued by ICAI. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

7. Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 68 dated 23 Dec 2016 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted certain

- Payment to transporter was not matching with the terms agreed with the transporter. There were instances of higher or lower payment than agreed price duly approved by management.
- The school has 4,400 enrolments of students, which required around 2,500 desks including safety margin stock. In contrast, school had around 2,900 desk already. However, the school was seeking further development fund for additional desk during the year 2016-2017.
- There were procedural lapses on maintaining record of physical inventory and no records of material going out of the school or coming in the school was maintained at the gate. Material used for repairs and maintenance were not recorded and its utilisation was also not supported by inventory documents.

The school is directed to maintain proper records with regard to above and ensure that the same are available for examination and verification when required. The compliance of same will be verified at the time of evaluation of next fee hike proposal 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 year 2017-2018 amounting to INR 31,25,00,101 out of which cash outflow in the year 2017-2018 is estimated to be INR 32,30,85,735. This results in net deficit of INR 1,05,85,634. The details are as follows:

Particulars	Amount (INR)
Cash and Bank Balance as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	1,40,38,105
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	31,63,356
Total Liquid Funds Available with the School as on 31 Mar 2017	1,72,01,461
Add: Estimated Fees and other incomes for FY 2017-2018 based on audited financial statements of FY 2016-2017 of the school [Refer Note 1]	28,19,84,553
Add: Recovery from society of amount spent on additions to Building [Refer Financial Finding No. 1]	1,58,80,852
Add: Recovery from society towards purchase of car [Refer Financial Finding No. 3]	11,80,000
Add: Recovery of Retainership Fee/Salary paid [Refer Financial Finding No. 4]	1,07,28,000
Gross Estimated Available Funds for FY 2017-2018	32,69,74,866
Less: Caution Money balance as on 31 Mar 2017 (as per audited financial statements of FY 2016-2017)	23,73,069
Less: Development Fund [Refer Other Finding no. 2]	-
Less: Excursion Fund balance as on 31 Mar 2017 (as per audited financial statements of FY 2016-2017)	46,341
Less: Almanac & Assignment module fund balance as on 31 Mar 2017 (as per audited financial statements of FY 2016-2017)	5,635

Particulars	Amount (INR)
Less: EWS Fund balance as on 31 Mar 2017 (as per audited financial statements of FY 2016-2017)	49,519
Less: Retirement Benefits [Refer other Finding no. 3]	91,17,332
Less: Adjustment/Refund of increased fee collected from Nursery students during FY 2016-2017 [Refer Financial Finding No. 2]	28,82,868
Net Estimated Available Funds for FY 2017-2018	**31,25,00,101**
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 2]	29,51,25,735
Less: Salary arrears as per 7th CPC (as per the budget estimates for FY 2017-2018 submitted by the school) [Refer Note 2]	2,79,60,000
Estimated Deficit	**1,05,85,634**

Notes:

1. Fee and income as per audited financial statements of FY 2016-2017 has been considered with the assumption that the amount of income during FY 2016-2017 will at least accrue during FY 2017-2018 after adjustment of INR 28,82,868 towards increased fee collected by the school during FY 2016-2017 (included as income in the audited financial statements of FY 2016-2017, but would not accrue during FY 2017-2018 on account of direction to adjust/refund the same. Refer Financial Finding No. 2).

2. Per the Budgeted Receipt and Payment Account for FY 2017-2018 submitted by the school along with proposal for fee increase, the school had estimated the total expenditure during FY 2017-2018 of INR 36,12,48,000 (including salary arrears of INR 2,79,60,000), which in some instances was found to be unreasonable/ excessive. Based on the explanations and details provided by the school during personal hearing, some of the expenses heads as budgeted were considered, while other expense heads were restricted to 110% of the expense incurred during FY 2016-2017 giving consideration to general rise in cost/inflation and especially because FY 2017-2018 is the year of implementation of 7th CPC where additional financial burden of increase salary of staff is already there. Therefore, certain expenses in excess of 10% and expenditure under new heads have not been considered in the evaluation of fee increase proposal. The same were discussed during personal hearing with the school.

Expense Heads	FY 2016-2017	FY 2017-2018	Amount Disallowed	Amount Allowed	Remarks
Gratuity Expenses	3,05,56,575	64,50,000	64,50,000	-	Refer Other Finding no. 3
Leave encashment expenses	35,48,983	25,80,000	25,80,000	-	Refer Other Finding no. 3
Gratuity impact-7th CPC	-	97,60,000	97,60,000	-	Refer Other Finding no. 3
Gratuity and leave encashment arrears	-	8,15,000	8,15,000	-	Refer Other Finding no. 3
R&M-Finishing & Furnishing	-	50,65,000	50,65,000	-	New expense head for which no reasonable justification was provided by the school. Thus, it has not been considered.

Expense Heads	FY 2016-2017	FY 2017-2018	Amount Disallowed	Amount Allowed	Remarks
Educational expenses	4,13,384	5,10,000	55,278	4,54,722	No reasonable justification provided for such percentage increase. Thus, expense to the extent of 110% of the expense incurred during FY 2016-2017 has been considered.
MCD Dues and Ground rent	14,32,658	15,10,000	77,342	14,32,658	
Electricity expenses	35,42,081	42,00,000	3,03,711	38,96,289	
Conveyance expenses	4,71,537	6,00,000	81,309	5,18,691	
Insurance expenses	24,682	80,000	52,850	27,150	
Books, newspaper and periodicals	77,447	1,40,000	54,808	85,192	
Staff welfare	11,50,023	17,25,000	4,59,975	12,65,025	
Function expenses	39,41,017	48,35,000	4,99,881	43,35,119	
Medical expenses	51,606	90,000	33,233	56,767	
Ground & Garden expenses	2,26,540	2,80,000	30,806	2,49,194	
Airconditioner and Refrigerator	4,53,633	6,00,000	1,01,004	4,98,996	
Washroom & Floor cleaning	7,90,967	16,25,000	7,54,936	8,70,064	
Almanac and assignment expenses	11,32,865	17,73,000	5,26,849	12,46,152	
Science, Computer & IT expenses	51,26,638	67,79,000	11,39,698	56,39,302	
Smart class expenses	28,08,782	35,11,000	4,21,340	30,89,660	
E-Learning and web expenses	60,33,514	72,40,000	6,03,135	66,36,865	
Think Lab & SUPW charges	68,03,980	88,30,000	13,45,622	74,84,378	
Student welfare expenses	14,39,726	20,35,000	4,51,301	15,83,699	
Exam centre expenses	5,39,540	7,20,000	1,26,506	5,93,494	
Educational trip expenses	9,85,108	15,76,000	4,92,381	10,83,619	
Legal & Professional charges	55,08,100	60,00,000	35,76,000	24,24,000	Refer Financial Finding No. 4
Furnishing	68,01,816	38,00,000	38,00,000	-	Expense in relation to additions to building has not
Lift	-	20,00,000	20,00,000	-	

Expense Heads	FY 2016-2017	FY 2017-2018	Amount Disallowed	Amount Allowed	Remarks
					been considered as school had not complied with the requirements of Rule 177.
Excursion	34,95,700	-	(34,95,700)	34,95,700	Income and expenses in relation to excursion fund were not included in the budget submitted by the school. Hence, considered equivalent to expenditure incurred in FY 2016-2017.
Total	**8,38,61,202**	**8,86,29,000**	**3,81,62,265**	**5,04,66,735**	

ii. It seems that the school may not be able to meet its budgeted expenses from the existing fee structure and accordingly, it should utilise its existing funds/reserves and other resources. In this regard, Directorate of Education has already issued directions to the schools vide circular no. 1978 dated 16 Apr 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, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that along with certain financial irregularities that were identified (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings which were also noted (appropriate instructions against which have been given in this order), the fee increase proposal of the school may be accepted.

And whereas, recommendations of the team of Chartered Accountants along with relevant materials were put before Director of Education for consideration and who after considering all material on record has found it appropriate to allow increase in tuition fee by 10% with effect from April 2019.

Accordingly, it is hereby conveyed that the proposal of enhancement of fee of **Vivekanand School (School ID-1001182), D-Block, Anand Vihar, Delhi-110092** has been accepted by the Director of Education with effect from April 2019 and the school is hereby allowed to increase tuition fee by 10%. Further, the management of said school is hereby directed under section 24(3) of DSEA, 1973 to comply with the following directions:

1. To increase the tuition fee only by prescribed percentage from the specified date.
2. To rectify the financial and other irregularities as listed above and submit the compliance report within 30 days from the date of this order to D.D.E (PSB).
3. To ensure implementation of recommendations of 7th CPC in accordance with 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 Delhi in its Judgment of Modern School vs Union of India. Therefore, school not to include capital expenditure as a component of fee structure to be submitted by the school under section 17(3) of DSEA, 1973.
5. To utilise the fee collected from students in accordance with the provisions of Rule 177 of the DSER, 1973 and orders and directions issued by this Directorate from time to time.

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

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

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

To:
The Manager/ HoS
Vivekanand School
School ID 1001182
Anand Vihar, Delhi-110092

No. F.DE.15(782) / PSB / 2019 / 1525-1529 Dated: 04/04/19

Copy to:

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

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