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

No. F.DE.15 (592) | PSB | 2018 | 30054-59
Order

Dated: 30/11/18

WHEREAS, this Directorate vide its order No. DE.15 (318)/PSB/2016/19786 dated 17.10.2017 issued 'Guidelines for implementation of 7th Central Pay Commission's recommendations in private unaided recognized Schools in Delhi' and directed that the 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, needs to submit their online fee increase proposal for the academic session 2017-18. Accordingly, vide circular no. 19849-19857 dated 23.10.2017, the fee increase proposals were invited from all aforesaid Schools till 30.11.2017 and this date was further extended to 14.12.2017 vide Directorate's order No. DE.15 (318)/PSB/2016/20535 dated 20.11.2017 in compliance of directions of Hon'ble High Court of Delhi vide its order dated 14.11.2017 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 19.01.2016 in writ petition No. 4109/2013 in the matter of Justice for All versus GNCTD and others wherein it has been directed by the Hon'ble Delhi High Court that the Director of Education will ensure the compliance of conditions, if any, in the letter of allotment regarding prior approval of Director of education for the increase of fee by all the recognized unaided Schools which are allotted land by DDA.

AND WHEREAS, the Hon'ble High Court of Delhi 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 27.04.2004 passed in Civil Appeal No. 2699 of 2001 titled Modern School V. 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."

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AND WHEREAS, the Hon'ble Supreme Court in the above said Judgment also held that under section 17(3), 18(4) of Delhi School Education Act, 1973 read 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 pursuance to order dated 23.10.2017 of this Directorate, **Plato Public School, I.P. Extn. (Near Meena Apartments), Patpargang, Delhi-110092 (School Id: 1002274)** had submitted the proposal for increase in fee for academic session 2017-18 including the impact on account of implementation of recommendations of 7th CPC with effect from 01.01.2016.

AND WHEREAS, in order to ensure that the proposals submitted by the Schools for fee increase are justified or not, this Directorate has deployed teams of expert Chartered Accountants at HQ level who 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, necessary records and explanations were also called from the School vide email dated March 26, 2018. Further, School was also provided opportunity of being heard on August 08, 2018 to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussions, School was further asked to submit necessary documents and clarifications on various issues noted.

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

Financial Irregularities

- I. 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 fees may be charged for supplementing the resources for purchase, upgradation and replacement of Furniture, Fixture and Equipment. Development fee, if required to be charged shall be treated as capital receipt and shall be collected only if the School is maintaining Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collections under this head along with income generated from the investment made out of this fund, will be kept separately maintained Development Fund Account".

However, on review of Audited Financial Statements for the FY 2014-15, 2015-16 and 2016-17 it was noted that the School has utilised development fee in contravention of the abovementioned clause during FY 2014-15 to 2016-17. Therefore, it has been adjusted for evaluation of fee increase proposal.

(Figures in Rs.)

Particulars	FY 2014-15	FY 2015-16	FY 2016-17
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Building	-	40,18,265	37,69,853
Amount transferred to General Fund	17,37,056	-	-
Amount transferred to Depreciation Reserve Fund	-	-	29,700
Total	17,37,056	40,18,265	37,99,553

- II. As per Para 99 of Guidance note on "Accounting by School" issued by ICAI, relating to restricted fund, "Where the fund is meant for meeting capital expenditure, upon incurrance of the expenditure, the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year".

Taking cognisance from the above para, it has been observed that School should had created the Development Utilisation Account and then treated the same as deferred income to the extent of depreciation charged in the revenue account. But the School has not maintained the Development Utilisation Account. The assets purchased out of Development Fund was transferred directly to General Reserve resulting overstatement of General Fund with the amount of assets purchased. Therefore, the School is directed to follow Guidance Note- 21. The details of the amounts transferred from Development Fund account to General Fund are as under. **(Figures in Rs.)**

Particulars	FY 2014-15	FY 2015-16	FY 2016-17
Assets purchased out of development fund	26,33,381	48,50,835	44,77,187

- III. Financial statements for the FY 2014-15 to 2016-17 have not been prepared by the School as per the format prescribed by DoE in Appendix-II of order dated 16.04.2016 since, the Income and Expenses of transport fee has not been routed through Income and Expenditure account. Therefore, School is required to prepare its financial statements as per the format prescribed by DoE in Appendix-II of order dated 16.04.2016. Further, transport fee received and its corresponding expenditures incurred by the School during FY 2016-17 has been adjusted for evaluation of fee increase proposal.
- IV. As per clause 2 of public notice dated 04.05.1997, construction of the building is the responsibility of the society, who has established the School to raise such funds from their own sources or donations. However the School had spent Rs.40,18,265 and Rs.37,69,853 during FY 2015-16 and 2016-17 respectively for construction of building, which is a contravention of the abovementioned clause. Therefore, School is required to recover Rs.77,88,118 (40,18,265 + 37,69,853) from the society for construction of building.
- V. In respect of earmarked levies, School is required to adhere with:
- Clause 22 of order dated 11.02.2009, which specifies that earmarked levies shall be charged from user students on 'no profit no loss' basis;

- b. Rule 176 of DSER, 1973, which provides that 'income derived from collections for specific purpose shall be spent only for such purpose';
- c. Judgement of Hon'ble Supreme Court of India in the case of Modern School Vs Union of India & others, which specifies that Schools, being run as non-profit organizations, are supposed to follow fund-based accounting.

On review of audited financial statements of the FY 2014-15, 2015-16 and 2016-17, it has been observed that the School is charging transport fee, multi-media fee, C.T.E.T fee and activity fee as earmarked levies from the students but the same were not charged on 'no profit no loss' basis as School is earning surplus in respect of multimedia fee and activity fee. Further, fund based accounting has not been followed by the School for these earmarked levies except for transport fee. Therefore, the School is directed to follow fund based accounting and shall comply with the provisions of abovementioned clause.

Further, as per the Duggal Committee report, there are four categories of fee that can be charged by a School. The first category of fee comprise of "registration fee and all One Time Charges" levied at the time of admission such as admission and caution money. The second category of fee comprise of "Tuition Fee" which is to be fixed to cover the standard cost of the establishment and also to cover expenditure of revenue nature for the improvement of curricular facilities like library, laboratories, science and computer fee up to class X and examination fee. The third category of the fee should consist of "Annual Charges" to cover all expenditure not included in the second category and the forth category should consist of all "Earmarked Levies" for the services rendered by the School and to be recovered only from the 'User' students. These charges are transport fee, swimming pool charges, Horse riding, tennis, midday meals etc. Based on the aforesaid recommendation, the School should stop the collection of Multi-media fee, C.T.E.T fee and Activity fee.

Other Irregularities:

- I. The School is not complying with the DOE Order No.F.DE.15/Act-I/08155/2013/5506-5518 dated 04-06-2012 which provides for 25% reservation to children belonging to EWS.DG category. The admission allowed by the School under EWS/DG category in FY 2014-15, FY 2015-16 and FY 2016-17 is as under:

Particulars	FY 2014-15	FY 2015-16	FY 2016-17
Total Students	1104	1076	1073
EWS Students	201	177	183
% of EWS students	18.21%	16.45%	17.05%

- II. The School was not charging depreciation to the income and expenditure account in the financial year 2014-15, 2015-16 and 2016-17 as required by Accounting Standard -6 on "Depreciation Accounting" or Revised Accounting Standard -10 "Property, Plant and Equipment" resulting in understatement of surplus/deficit as appearing in the financial statement. Therefore, School is directed to comply with the accounting standard issued by ICAI.
- III. The School has not made provision for leave encashment in the financial statement during FY 2014-15 to 2016-17. Therefore, non-provisioning of leave

encashment is a violation of Accounting Standard 15 on "Employees Benefits" Issued by ICAI as well as Guidance Note- 21 on "Accounting by School".

- IV. Inconsistency has been noticed in the disclosures made in notes to accounts. In Notes to Accounts, it has been disclosed that, fixed assets were shown at historical cost less accumulated depreciation (i.e. W.D.V.) whereas in the Balance sheet, assets were shown at historical cost (i.e. gross value). Therefore, School is required to maintain consistency in the notes to accounts.
- V. The School has transferred Rs 5,60,000 in FY 2014-15 and Rs 29,700 in and 2016-17 to depreciation reserve fund from general fund and development fund respectively. However as per GAAP, depreciation reserve fund if required to be created shall be created from the depreciation charged to Income and expenditure account. Hence the above mentioned treatment in depreciation reserve fund is in contravention of GAAP.

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 FY 2017-18 amounting to **Rs.5,35,66,903** out of which cash outflow in the FY 2017-18 is estimated to be **Rs.5,11,25,007**. This results in net balance of Surplus amounting to **Rs.24,41,896** for FY 2017-18 after all payments. The details are as follows:

(Figures in Rs.)

Particulars	Amount	Remarks
Cash and Bank balances as on 31.03.17 as per Audited Financial Statements	47,55,110	
Investments as on 31.03.17 as per Audited Financial Statements	26,55,954	
Add: Amount recoverable from the society for construction of Building	77,88,118	
Less: FDR in the joint name of Director of Education and Manager, Plato Public School	2,02,265	
Less: Development Fund balance as on 31-03-2017	19,960	
Total	1,49,76,957	
Fees for FY 2016-17 as per Audited Financial Statements (we have assumed that the amount received in FY 2016-17 will at least accrue in FY 2017-18)	3,81,33,448	
Other income for FY 2016-17 as per Audited Financial Statements	4,56,498	
Estimated availability of funds for FY 2017-18	5,35,66,903	
Less: Budgeted expenses for FY 2017-18 (after making adjustment)	5,11,25,007	"Refer Note-1, 2 & 3"
Net Surplus	24,41,896	

Adjustments:

Note-1, Under the following heads the School has proposed expenditure in excess of 10% as compared to the actual expenditure incurred in the FY 2016-17, for which the School has neither provided any reasons for such unusual increase nor it has provided any explanation/ justification.

Since FY 2017-18 is the year of implementation of 7th CPC where the parents/students are already overburdened, therefore, the aforesaid expenditure in excess of 10% have not been considered in the evaluation of fee increase proposal. Details are as under:-

a. Details of Revenue Expenditures disallowed (Figures in Rs.)

Particulars	FY 2016-17	FY 2017-18	Net Increase/ (Decrease)	% Change	Amount disallowed in excess of 10%
Activity & Sports Expenses	2,920	7,00,000	6,97,080	23873%	6,96,788
Excursion Expenses	-	6,00,000	6,00,000	100%	6,00,000
Science Lab Expenses	24,348	7,50,000	7,25,652	2980%	7,23,217
Multi- Media Expenses	2,86,530	9,00,000	6,13,470	214%	5,84,817
Total	3,13,798	29,50,000	26,36,202		26,04,822

b. Details of Capital Expenditures disallowed (Figures in Rs.)

Particulars	FY 2016-17	FY 2017-18	Net Increase/(Decrease)	% Change	Amount disallowed in excess of 10%
Furniture & Fixtures	3,83,811	12,50,000	8,66,189	226%	8,27,808
Smart Class Equipment	1,84,001	9,00,000	7,15,999	100%	6,97,599
Staff Vehicle	-	4,50,000	4,50,000	100%	4,50,000
Total	5,67,812	26,00,000	20,32,188		19,75,407

Note-2, School has proposed Rs.9,50,000 for payment of gratuity, which should not form part of its budget since the same will be deducted out of provision for gratuity made in FY 2016-17. Hence, the same has been disallowed for evaluation of fee increase proposal.

Note -3, School has not proposed any amount for depreciation for FY 2017-18 in its proposal and therefore, the same has not been considered.

- i. The School has sufficient funds to carry on the operation of the School for academic session 2017-18 on 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 expert Chartered Accountants that prima facie there are financial and other irregularities and also, sufficient funds are available with the School to meet its budgeted expenditure for academic session 2017-18 including the impact of implementation of recommendations of 7th CPC, the fee increase proposal of the School may not be accepted.

AND WHEREAS, recommendations of the team of expert Chartered Accountants along with relevant material were put before the Director of Education for consideration and who after considering all the material on the record, found that sufficient funds are available with the School to meet its budgeted expenditure for the academic session 2017-18 including the impact of implementation of recommendations of 7th CPC. Therefore, Director (Education) has rejected the proposal of fee increase submitted by the said School.

AND WHEREAS, it is noticed that the School has spent Rs 77,88,118 towards addition to building which is not in line with the provisions of Rule 177 of DSEA&R, 1973 and was in contravention to public notice dated 04.05.1997. Accordingly, this amount is to be recovered from the society. The amount receipts along with copy of bank statements showing receipt of above mentioned amount should be submitted with DoE, in compliance of the same, within sixty days from the date of issuance of this order. Non-compliance of this shall be taken up as per DSEA&R, 1973.

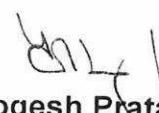
Accordingly, it is hereby conveyed that the proposal of fee increase **Plato Public School, I.P Extn. (Near Meena Apartments), Patpargang, Delhi-110092 (School Id: 1002274)** is rejected by the Director of Education. Further, the management of said School is hereby directed under section 24(3) of DSEAR 1973 to comply with the following directions:

1. Not to increase any fee in pursuance to the proposal submitted by School on any account including implementation of 7th CPC for the academic session 2017-18 and if the fee is already increased and charged for academic session 2017-18, the same shall be refunded to the parents or adjusted in the fee of subsequent months.

2. To communicate 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 remove all the financial and other irregularities as listed above and submit the compliance report within 30 days to the D.D.E (PSB).
4. To ensure that the salaries and allowances shall come out from the fees whereas capital expenditure will be a charge on the savings in accordance with the principles laid down by Hon'ble Supreme Court of Delhi in its Judgment of Modern School vs Union of India. Therefore, School not to include capital expenditure as a component of fee structure to be submitted by the School under section 17(3) of DSEA, 1973.
5. To utilise the fee collected from students in accordance with the provisions of Rule 177 of the DSER, 1973 and orders and directions issued by this Directorate from time to time.
6. In case of submission of any proposal for increase in fee for the next academic session, the compliance of the above listed financial and other irregularities/violations will also be attached.

Non-compliance of this order or any direction herein shall be viewed seriously and will be dealt with the provision of section 24(4) of DSEA, 1973 and DSER, 1973.

This 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
 Plato Public School,
 I.P. Extn. (Near Meena Apartments), Patpargang, Delhi-110092 (School Id:
 1002274)

No. F.D.E.15(592)/PSB/2018/30054-59 Dated: 30/11/18

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.

1625

3. P.A. to Addl. 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