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

No. F.DE.15(316)/PSB/2019/ 1610-14 Dated: 24.4.19

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, **Ahlcon International School (School ID-1002365), Mayur Vihar Phase-I, Delhi-110091** submitted its proposal for enhancement of fee for the academic session 2017-2018 in the prescribed format including the impact on account of implementation of recommendations of 7th CPC with effect from 1 Jan 2016.

AND WHEREAS, in order to ensure that the proposals submitted by the schools for fee increase are justified or not, this Directorate has deployed teams of 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 12 July 2018 at 2:00 PM to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted.

AND WHEREAS, the reply of the school, documents uploaded on the web portal for fee increase and 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 FY 2014-2015, FY 2015-2016 and FY 2016-2017 revealed that the school has obtained secured loans from bank for construction of the Auditorium and Building. The school provided ledger account of 'Nanital Bank loan Account' from its books of account for FY 2015-2016 and FY 2016-2017. On examination of the ledger account of the loan submitted by the school, it was noted that the school had repaid loan (together with interest thereon) totalling to INR 57,29,260 and INR 51,05,442 during FY 2015-2016 and FY 2016-2017 respectively. However, complete ledger accounts of loans taken on the building were not provided by the school for FY 2014-2015. Thus, the amount of payment reflected in the audited Receipt and Payment Account for FY 2014-2015 of INR 1,15,74,026 (total of principal repayment of INR 96,67,456 and interest on loan of INR 19,06,570) has been considered. Further, this capital expenditure on building was incurred without complying the requirements prescribed in Rule 177 of DSER, 1973.

Instead of the society meeting its obligation towards construction of building, school funds were utilised for meeting the cost of construction of the building, which resulted in creation of capital assets from fee collected from students. 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 funds utilised in the past three financial years towards payment of bank loan taken for construction of building (based of financial statements obtained for evaluation of the fee increase proposal for FY 2017-2018).

On account of utilisation of school funds towards repayment of loans taken for construction of building, the school had taken overdraft limit from Nanital Bank for meeting expenses of the school. Had the school funds been utilised towards recurring expenses of the school and not diverted for repayment of bank loans, there would not be any need for the school to obtain bank overdraft. Thus, the interest cost on the overdraft account of the school is attributable to construction of building and repayment of bank loan. Accordingly, the amount of interest paid on the overdraft account during FY 2014-2015, FY 2015-2016 and 2016-2017, which is included in the amounts of loan repayment mentioned above has not been adjusted.

Thus, this amount of INR 2,24,08,728 (repayment of the bank loans together with interest on loan and overdraft in aforementioned financial years of INR 1,15,74,026 plus INR 57,29,260 plus INR 51,05,442) 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.

In addition to the loan repayments, the audited financial statements for FY 2016-2017 revealed that the school had incurred capital expenditure on construction of building out of school funds and the school had capitalized building for INR 29,74,257 in the aforesaid financial year, which is not in accordance with the aforementioned provisions. Accordingly, this amount of INR 29,74,257 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.

Further, the school has reported interest on building loan of INR 6,42,877 during FY 2017-2018, which has not been considered as part of the Budgeted Expenses for FY 2017-2018 while deriving the fund position of the school (enclosed in the later part of this order).

2. 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 states "*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 details submitted by the school, it was noted that the school had increased its fees by 10% during FY 2016-2017 without prior approval of the Directorate. Whereas, post evaluation of fee increase proposal for FY 2016-2017 submitted by the school, the fee increase proposal was rejected by DoE with the direction that in case increased fee has already been charged from the parents, the same shall be refunded/adjusted vide Order No. F.DE-15/ACT-I/WPC-4109/PART/13/877 dated 23 August 2017.

   Based on the information provided by the school, the school had collected increased fee totaling to INR 75,89,659 during FY 2016-2017. During the personnel hearing, the school informed that the School Management Committee approved increase of fee by 10% in its meeting held in Jan 2016, which has not been adjusted/refunded to the students after receipt of the order of the Directorate.

   Thus, the amount of INR 75,89,659 collected from students on account of increased fees remains to be refunded to students/adjusted from the fee collected from students, which has been considered while deriving the fund position of the school (enclosed in the later part of this order). Accordingly, the school is directed to immediately adjust/refund this amount and submit the evidence of the same to the Directorate within 30 days from the date of this order.

3. The Manager of the school is not entitled to any payment whatsoever from the school funds. However, from the records submitted by the school and taken on record, it was noticed that the school paid salary to the Manager @ INR 38,500 per month during FY 2014-2015 & FY 2015-2016 and INR 42,000 per month during FY 2016-2017. Thus, based on the records, the school paid amount totalling to INR 14,28,000 (INR 38,500 * 24 months plus INR 42,000 * 12 months) during aforementioned financial years. During personal hearing, the school explained that the Manager is working full time with the school and does not have any other source of income.

   Since payment of salary to the Manager is not allowed as per the provisions of DSEA,1973 and DSER, 1973, the amount of INR 14,28,000 paid to the Manager as salary during FY 2014-2015 to FY 2016-2017 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 Manager/Society within 30 days from the date of this order. The school is further directed not to pay any amount to the Manager subsequently.

Further, the school did not provide details of salary paid to the Manager during FY 2017-2018. Thus, amount equivalent to the salary paid by the school during FY 2016-2017 to the Manager of INR 5,04,000 (INR 42,000 * 12 months) has been adjusted from the budgeted expenses for FY 2017-2018 while deriving the fund position of the school (enclosed in the later part of this order).

4. Order no. F. DE-15/ACT-I/WPC-4109/PART/13/877 dated 23 August 2017 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school has spent approx. 12 Lakhs on spare parts and service expenses of the buses. The Services were received from the vendor 'Subhash Udyog', however, no approved service order was on record.

   On examination of the supporting documents submitted by the school for FY 2016-2017 and taken on record, it was noted that the school had paid INR 4,71,426 towards purchase of spare parts, tyre/tube during FY 2016-2017. The following were noted in relation to the expenses incurred by the school from the documents on record:

- Between the period of 23 April 2016 to 04 Jan 2017 (approx. 9 months), the vendor issued 8 invoices to the school with invoice serial numbers ranging between 632 to 647. Thus, out of 16 invoices issued by the vendor during 9 months' period, 50% of the invoices were issued in the name of the School, which appears quite unusual.
- Further, it was noticed that invoice no. 646 was issued by the vendor on 5 July 2016 and the subsequent invoice no. 647 was again issued to the issued to the school, but on 4 Jan 2017 i.e. exactly after a gap of 6 months, which creates doubt on the genuineness of the invoices.
- The school did not follow any procurement procedure for selection of vendor who has been regularly used by the school year on year. The school only submitted the invoices in relation to purchase of materials and repair/service costs incurred on vehicles.
- Further, as per the details mentioned on the invoice, the vendor is situated approx. 12 kms from the location of the school. Also, it was also noted that the vendor did not charge any labour charge for installation of the spares parts mentioned in its invoices. It appears unusual to buy spare parts from a vendor located 12 kms away, who does not charge any labour charge/service fee. Thus, the genuineness of the invoices of Subhash Udyog is questionable.

Based on the questionability of invoices, it appears that the school has obtained inflated/ fabricated invoices from Subhash Udyog. Thus, the amount of expenditure recorded by the school of INR 16,71,426 (i.e. INR 4,71,426 for FY 2016-2017 plus INR 12,00,000 for previous years included in order no. DE-15/ACT-I/WPC-4109/PART/13/877 dated 23 August 2017) based on invoices of Subhash Udyog, which indicate diversion of school funds 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 person concerned with purchase of materials from this vendor/Society within 30 days from the date of this order.

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 of the 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."*

   From the computation of salary in accordance with 7th CPC prepared by the school and placed on record, it was noted that gross salary of principal was computed as INR 2,50,000 (with grade pay of INR 10,000) for the month of July 2016, which appeared excessive in comparison to the salary paid to principals in government schools. The school explained that the principal is working for a long time with the school and received annual increments as per his experience and tenure of services. However, reconciliation of salary from the date of joining and subsequent increments was not provided by the school. In absence of detailed reconciliation, it could not be concluded whether excessive salary is being drawn by the principal of the school. Accordingly, the compliance of the above will be examined at the time of evaluation of proposal for enhancement of fee for subsequent academic session.

6. According to Rule 125 of Delhi School Education Rules, 1973 *"Every employee of a recognised private school, not being an unaided minority school, shall be entitled to ..... allowances according to the rules made by the Delhi Administration."*

   On review of documents submitted by the school and placed on record, it was noted that the Principal of the School was paid additional sum over and above the salary as 'Medical expenses', 'Electricity and Water' and 'Telephone' in cash totaling to INR 96,700 during FY 2016-2017. The school failed to provide any supporting documents and justification for payment/reimbursement of such expenses.

   Accordingly, payment of Medical expenses', 'Electricity and Water' and 'Telephone' to the Principal, being paid over and above the entitlement to the Principal has been disallowed. Thus, the amount of INR 96,700 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 Principal within 30 days from the date of this order. The school is further directed to recover any additional amount paid to the Principal and/or any other employee in excess of the entitlement as per DSEA&R, 1973 and not to pay/reimburse any amount towards the same subsequently.

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

   On examination of the audited financial statements of the school for FY 2016-2017 and ledger account of the society for FY 2016-2017 in the books of account of the school, it was noted that the school paid INR 50 Lakhs to 'Shanti Devi Progressive Educational Society' during FY 2016-2017. The school did not provide any details on what account this amount was transferred by the school to the society. Also, the school did not submit ledger accounts of the society prior to FY 2016-2017 and did not provide any details of the liability reflected towards Society in its books of account.

   The school is directed to submit complete details of financial transactions done till date for evaluating whether the funds remitted were on account of actual liability towards Society or otherwise. Compliance of the same shall be verified at the time of evaluation of subsequent fee proposal.

8. Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states "*Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, 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, Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/877 dated 23 August 2017 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school has utilized development fee for major repairs of the building.

Basis the presentation made in the audited financial statements for FY 2016-2017 and details regarding utilisation of development fund submitted by the school, it was noted that the school has primarily utilised development fund towards repair and maintenance including fencing, swimming pool, aluminium work, wall painting, lights, computer accessories, etc. and also purchased certain assets like computer, printer and furniture during FY 2016-2017. During personal hearing, the school mentioned that these expenses were not routed through Income and Expenditure Account, but directly adjusted from development fund. Further, the assets purchased from development fund were also not reported in the fixed assets schedule and were not included in the value of fixed assets reported on the face of the Balance Sheet. Thus, the school had incorrectly utilised development fund on expenditures other than purchase, upgradation and replacement of furniture, fixtures and equipment and did not report assets purchased from development fund in its financial statements, which was not in accordance with the direction included in above order and resulted in understatement of fixed assets in the financial statements of the school and to that extent the financial statements of the school are unreliable.

Thus, the school has not done proper accounting of development fund and assets purchased from development fund and has not followed the presentation requirements in accordance with the Guidance Note cited above.

Further, the school has not opened separate bank account/fixed deposits with bank for deposit of development fee received from students. Also, the school has not credited interest earned on development fund to the development fund account.

Accordingly, the school is directed to follow DOE instructions in this regard and ensure that development fund is utilised only towards purchase of furniture, fixture and equipment. The school is also instructed to comply with the directions included in orders above regarding development fund, depreciation reserve and make necessary rectification entries relating to development fund and presentation of fixed assets to comply with the accounting treatment indicated in the Guidance Note cited above. The school is directed to record opening balance, additions during the period, deductions/utilisation during the period and balance at the end in respect of each assets purchased by the school. Further, the school is instructed to reinstate the fixed assets for the previous years and reflect in the audited financial statements. Also, the school should open a separate bank account/fixed deposits with bank for deposit and utilisation of development fee and interest earned thereon should be credited to the development fund account in accordance with the requirements of the order cited above. The school is instructed not to collect development fee till the time it ensures compliance with the instructions above.

Accordingly, in light of the above, no amount towards development fund has been considered while deriving the fund position of the school for FY 2017-2018 (enclosed in the later part of this order).

9. As per para 57 of Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India, "*An enterprise should determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.*" Further, according to para 7.14 of the Accounting Standard 15, "*Plan assets comprise:*
(a) assets held by a long-term employee benefit fund; and
(b) qualifying insurance policies."

Based on the records submitted by the school, it was observed that the school has not obtained actuarial valuation of its liability towards gratuity and leave encashment. Also, the school did not deposit any amount in investments that qualify as 'Plan Assets' within the meaning of Accounting Standard 15 (AS-15) such as group gratuity and leave encashment schemes of LIC or any other insurer, but has indicated investment in the form of fixed deposits with the bank towards staff retirement benefits.

Accordingly, investment in the form of FDR maintained by school in respect of the liability towards retirement benefits of the school does not qualify as 'Plan Assets' within the meaning of AS-15.

During the personal hearing, the school explained that the school it is in the process of getting the actuarial valuation of retirement benefits of staff and the same will be completed soon.

The school is directed to get the valuation of its liability towards staff retirement benefits from an actuary at the earliest and ensure that equivalent liability (as provision for gratuity and leave encashment) and corresponding investments are disclosed appropriately in its financial statements for FY 2018-2019. The school should also invest amount towards retirement benefits of the staff of the school in the investments that qualify as 'Plan Assets' within 30 days from the date of this order.

As the school has not obtained actuarial valuation and has not invested any amount in 'Plan Assets' within the meaning of Accounting Standard 15 to protect statutory liability towards staff retirement benefits, the liability towards retirement benefits could not be ascertained. Thus, no amount has been considered while deriving the fund position of the school (enclosed in the later part of this order).

B. Other Discrepancies

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

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

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

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

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

From the information provided by the school and taken on record, it has been noted that the school charges earmarked levies in the form of Transport charges, Meal charges, Smart class, stay back classes, summer camp activity, Excursion, exchange programme, etc. from the students. However, the school has not maintained separate fund accounts for these earmarked levies and the school has been generating surplus from earmarked levies, which has been utilised for meeting other expenses of the school or has been incurring losses (deficit) that has been met from other fees/income, which was also mentioned in DOE's order No. F. DE-15/ACT-I/WPC-4109/PART/13/877 dated 23 August 2017. Details of calculation of surplus/deficit, based on breakup of expenditure provided by the school for FY 2016-2017 is given below:

Earmarked Fee	**Income (INR)**	**Expenses (INR)**	**Surplus/(Deficit) (INR)**
	A	**B**	**C=A-B**
Transport Charges^	2,08,41,914	2,00,35,203	8,06,711
Meal charges	63,41,940	56,37,821	7,04,119
Stay Back Classes	1,96,500	0*	1,96,500
Summer Camp Activity	2,87,428	0*	2,87,428
Smart Class	76,28,200	28,59,841	47,68,359

Earmarked Fee	Income (INR)	Expenses (INR)	Surplus/(Deficit) (INR)
	A	B	C=A-B
Exchange Programme (Denmark)	0#	1,07,691	(1,07,691)

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

^The school did not include salary paid to staff engaged in transport facility such as drivers, conductors, etc. in the expense figure included above. Also, the school has not apportioned depreciation on vehicles used for transportation of students in the expenses stated in table above for creating fund for replacement of vehicles, which should have been done to ensure that the cost of vehicles is apportioned to the students using the transport facility during the life of the vehicles.

The school explained that income was received last year and majority of expenses were also incurred last year. Some residual expenses were reported in FY 2016-2017.

The school explained that tuition fee collected from students is not sufficient to meet the establishment cost. Thus, the surplus generated from earmarked levies has been applied towards meeting establishment cost on account of which fund balance of earmarked levies could not be separated from the total funds maintained by the school. Accordingly, total fees (including earmarked fee) have been included in the budgeted income and budgeted expenses (included those for earmarked purposes) have been considered while deriving the fund position of the school (enclosed in the later part of this order).

The school is 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.

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

   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.*"

   Directorate's Order No. F. DE-15/ACT-I/WPC-4109/PART/877 dated 23 August 2017 issued post evaluation of fee hike proposal for FY 2016-2017 noted that the school did not charge depreciation at the rates specified in Appendix I to the Guidance Note.

On examination of the audited financial statements for FY 2016-2017 and FY 2017-2018, it was noted that the school was charging depreciation at rates different from those specified in Appendix I to the Guidance Note, which was a contravention of the aforementioned order.

During the personnel hearing, the school informed that the school will rectify the depreciation rates from FY 2018-2019 onwards. Based on the explanation of the school, the school is directed to make necessary adjustments and ensure that the depreciation is charged on fixed assets as prescribed in Appendix I to the Guidance Note from FY 2018-2019. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

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

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

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

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

However, the school has been collecting "one-time Repairs and Maintenance charges" at the time of admission from new students. During the review of the financial statements, it was noted that the school has collected INR 51,75,000 as one-time charges during FY 2017-2018.

During the personnel hearing, the school explained that it was collecting one-time fee of INR 25,000 from students at the time of admission and no objection has been received from any parent or Department for the amount collected by the school as one-time fee, which is part of the fee structure of the school. The school explained that this fee collected from the students was used for repair and maintenance of the school. From the audited financial statements of the school, it was noted that the school was treating it as income in the Income and Expenditure Account and thus, utilizing it towards revenue expenses of the school.

Based on the fact that the fee head of 'one time repair and maintenance' has not been defined for recognised private unaided school and the purposes for which the school has utilised the same is covered under 'Annual Charges' collected by the school from students, the school is directed not to collect 'one time repair and maintenance' from students with immediate effect. For the purpose of evaluation of the fee hike proposal for FY 2017-2018, the above-mentioned fee has been included in income while deriving the fund position of the school (enclosed in the later part of this order). Compliance to the above will be examined at the time of evaluation of proposal for enhancement of fee for subsequent academic session.

4. Order no. F. DE-15/ACT-I/WPC-4109/PART/13/877 dated 23 August 2017 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school was purchasing workbooks from suppliers for which comparative quotations were not made available.

   On examination of the documents submitted by the school for a sample of 48 purchases and taken on record, it was noted that:

   - In multiple instances, the school had obtained only one quotation for procuring the goods/services during FY 2016-2017. However, no justification for obtaining single quote was recorded in the supporting documents submitted by the school.
   - Only in 7 instances, the school obtained 3 quotes from vendors and prepared the comparatives statements, however, in certain occasions, it was noted that goods/services were procured from vendors that quoted higher prices for which proper justification was not recorded.
   - In one instance of procurement process for purchase of 'Chemistry Lab Chemicals' from Aim Scientific, it was noted that the bidder who quoted lowest rate (Chandra Scientific) was mentioned as selected on the comparative statement, however, purchase order was issued to higher priced vendor (Aim Scientific). No explanation was provided by the school for making such change of vendor after the lowest bidder was selected by the purchase committee. Based on details placed on record, the financial impact (i.e. excessive cost paid to vendor) could not ascertained.

   Thus, the school should enhance its procurement process and ensure that competitive bids/quotations are invited for procurement of goods and services by the school to ensure that contracts are awarded at arm's length and competitive prices. Compliance to the above will be examined at the time of evaluation of proposal for enhancement of fee for subsequent academic session.

5. Direction no. 3 of the public notice dated 4 May 1997 published in the Times of India states *"No security/ deposit/ caution money be taken from the students at the time of admission and if at all it is considered necessary it should be taken once and at the nominal rate of INR 500 per student in any case and it should be returned to the students at the time of leaving the school along with the interest at the bank rate."*

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

The following were noted under DoE's order No. F. DE-15/ACT-I/WPC-4109/PART/13/877 dated 23 August 2017:

- School had not maintained separate bank account for deposit of caution money.
- School had not refunded interest on caution money along with refund of caution money.
- School had not treated un-refunded caution money as income in the next financial year after expiry of 30 days.

During the personal hearing, school mentioned that it has not opened separate bank account for deposit of the caution money. Also, the school is not refunding interest along with caution money to students at the time of leaving the school.

The school is directed to ensure compliance of directions include above especially ensuring that caution money is refunded along with interest to the students.

Based on the details of caution money provided by the school, the closing balance of caution money as on 31 March 2017 of INR 11,26,500 has been considered while deriving the fund position of the school (enclosed in the later part of the order).

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 23,34,51,345 out of which cash outflow in the year 2017-2018 is estimated to be INR 22,38,75,736. This results in net surplus of INR 95,75,609. 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)	75,75,592
Canara Bank Overdraft Account as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	(58,26,157)
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	2,00,72,628
Total Liquid Funds Available with the School as on 31 Mar 2017	**2,18,22,063**
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]	19,24,16,426

Particulars	Amount (INR)
Add: Recovery from society of loan repaid to bank together with interest thereon on loan taken for building construction [Refer Financial Finding No. 1]	2,24,08,728
Add: Recovery from Society of cost of additions to building reflected in the financial statement for FY 2016-2017 [Refer Financial Finding No. 1]	29,74,257
Add: Recovery of salary paid to Manager during FY 2014-2015, FY 2015-2016 & FY 2016-2017 [Refer Financial Finding No. 3]	14,28,000
Add: Recovery from Society of expenses against purchase of spare parts from Subhash Udyog [Refer Financial Finding No. 4]	16,71,426
Add: Recovery of additional allowance paid to the Principal [Refer Financial Finding No. 6]	96,700
Gross Estimated Available Funds for FY 2017-2018	**24,28,17,600**
Less: FDR submitted with CBSE and DOE (as per audited financial statements of FY 2016-2017)	6,50,096
Less: Refund/adjustment of excess fee collected by the school during FY 2016-2017 [Refer Financial Finding No. 2]	75,89,659
Less: Caution Money balance as on 31 Mar 2017 (as per audited financial statements of FY 2016-2017) [Refer Other Finding No. 5]	11,26,500
Less: Development fund [Refer Financial Finding No. 8]	-
Less: Depreciation reserve fund [Refer Note 2]	-
Less: Staff retirement benefits [Refer Financial Finding No. 9]	-
Net Estimated Available Funds for FY 2017-2018	**23,34,51,345**
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 3]	18,85,57,903
Less: Arrears of salary to be paid to the staff as per VII pay commission (not included in expenses of FY 2017-2018 above, but based on separate details provided by the school from Jan 2016)	3,53,17,833
Estimated Surplus	**95,75,609**

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.
2. On evaluation of depreciation reserve, it was noted that the school had charged depreciation on fixed assets and had transferred the same to depreciation reserve on liabilities side of the Balance Sheet of the school. Also, the school is charging development fund from students for purchase, up-gradation and replacement of furniture, fixture and equipment. Depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue accounts as per clause 14 of Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009) is more of an accounting head for appropriate accounting treatment of depreciation in the books of account of the school in accordance with Guidance Note 21 issued by the Institute of Chartered Accountants of India. Thus, there is no financial impact of depreciation reserve on the fund position of the school. Accordingly, it is not considered in table above.

3. 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 of INR 24,96,12,500 (excluding 7th CPC arrears till Mar 2018 amounting to INR 3,53,17,833), 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 discrepancies were noted in certain expense heads. The same were discussed during personal hearing with the school. Therefore, the following expenses have been adjusted while considering the budgeted expenses for FY 2017-2018:

Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Pay & Allowances	11,49,02,333	14,60,00,000	11,78,45,403	2,81,54,597	The school provided a separate computation of arrears as per 7th CPC, which include the impact of increase in salary cost. As the salary arrears have been considered separately in the fund position table above, amount equivalent to actual salary paid during FY 2016-2017 has been considered with adjustment of the salary paid to the manager of INR 5,04,000 (Refer Financial Finding No. 3)
Gratuity and Leave Encashment	1,23,38,811	1,15,00,000	-	1,15,00,000	Refer Financial Finding No. 9
Repairs and Maintenance Building	49,36,929	1,50,00,000	-	1,50,00,000	The school has budgeted excessive repair and maintenance expenses during FY 2017-2018. While other repair and maintenance expenses have been considered, this amount has been disallowed, being excessive.
Repayment For Bank Loan	4,55,137	55,00,000	-	55,00,000	Refer Financial Finding No. 1
Building A/C	29,74,257	9,00,000	-	9,00,000	
Total	**13,56,07,467**	**17,89,00,000**	**11,78,45,403**	**6,10,54,597**	

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

ii. The directions issued by the Directorate of Education vide circular no. 1978 dated 16 Apr 2010 states "*All schools must, first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase.*" The school has sufficient funds to carry on the operation of the school for the academic session 2017-2018 on the basis of existing fees structure and after considering existing funds/reserves.

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

And whereas Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "Accounting for defined benefit plans 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, 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.

The school is directed to get the valuation of its liability towards staff retirement benefits from an actuary and ensure that equivalent liability (as provision for gratuity and leave encashment) and corresponding investments are disclosed appropriately in its financial statements for FY 2018-2019. The school should also invest towards retirement benefits of the staff of the school in the investments that qualify as 'Plan Assets' within 30 days from the date of this order.

And whereas per point no. 22 of Order No. F.DE./15 (56)/Act/2009/778 dated 11 Feb 2009, user charges should be collected at 'no profit and no loss' basis and should be used only for the purpose for which these are collected. Accordingly, the school is directed to maintain separate fund in respect of each earmarked levy charged from the students in accordance with the DSEA & R, 1973 and orders, circulars, etc. issued thereunder. Surpluses/deficit under each earmarked levy collected from the students should be adjusted for determining the earmarked levy to be charged in the academic session 2018-2019.

Whereas per point no. 14 of Order No. F.DE./15(56)/ACT/2009/778 dated 11 Feb 2009, Development Fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up-gradation and replacement of furniture, fixture and equipment. 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 deprecation charged in the revenue accounts and the collection under this head along with income generated from the investment made out of this fund, will be kept in a separately maintained development fund account. The school is directed to comply with the directions with regard to opening of separate bank account/fixed deposits towards development fund, transfer to interest earned on investments so created to development fund, proper accounting and presentation of Development Fund in the School's financial statements and utilisation of development fund only towards purchase of furniture, fixtures and equipment.

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 funds available with the school for implementation of recommendations of 7th CPC and to carry out its operations for the academic session 2017-18 are sufficient. Accordingly, the fee increase proposal of the school may be rejected.

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

Accordingly, it is hereby conveyed that the proposal of enhancement of fee for session 2017-2018 of **Ahlcon International School (School ID-1002365), Mayur Vihar Phase-I,Delhi-110091** has been rejected by the Director of Education. Further, the management of said school is hereby directed under section 24(3) of DSEA, 1973 to comply with the following directions:

1. Not to increase any fee/charges during FY 2017-2018. In case, the school has already charged increased fee during FY 2017-2018, the school should immediately make necessary adjustments from future fee/refund the amount of excess fee collected, if any, as per the convenience of the parents.

2. Not to collect same fee from students after they are promoted to higher class as the existing fee structure for that class will be applicable.

3. To communicate with the parents through its website, notice board and circular about approval of fee increase proposal of the school by the Directorate of Education.

4. 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).

5. To ensure implementation of recommendations of 7th CPC in accordance with Directorate's order dated 25 Aug 2017.

6. 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.

7. 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
Ahlcon International School
School ID 1002365
Mayur Vihar Phase-I, Delhi-110091

No. F.DE.15(316) / PSB / 2019 / 1610-14

Dated: 24.4.19

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