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

No. DE.15(28)/PSB/2019/917-921 Dated: 22/01/2019

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.

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AND WHEREAS in response to this directorate's circular dated 23 Oct 2017 referred to above, **Laxmi Public School (School ID-1003211), X-20 Institutional Area, Karkardooma, 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 with effect from 1 Apr 2017.

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 1 August 2018 at 12:00 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 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 Supreme Court also through its judgement on a review petition in 2009 restricted transfer of funds to the society.

   Order no. F.DE.-15/ACT-I/WPC-4109/PART/13/61 dated 23 Dec 2016 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school had transferred funds to Laxmi Educational Society for construction of building. The school had further paid rent to the society for use of building.

   The financial statements of the school for the 2016-2017 revealed that there is an advance of INR 3,76,19,010 standing in the name of Laxmi Education Society. The school confirmed that the same is on account of repayment of loan on behalf of the society, which was taken for construction of additional rooms in the school building to cater to the increasing student strength, 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.

   Furthermore, the school has entered into an agreement with the society in FY 2015-2016 for payment of rent amounting to INR 42 lakhs per annum plus service tax for use of the school building owned by the society, which is not allowed as per the provisions of DSEA & R, 1973.

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Therefore, the amount of rent paid for FY 2015-2016 and FY 2016-2017 totalling to INR 96,53,000 (including service tax) and advance of INR 3,76,19,010 receivable from the society as on 31 March 2017 are 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 is directed to stop transferring funds to the society and recover any amount paid to society in FY 2017-2018 in the form of rent, advance, etc. Accordingly, the amount budgeted by the school for FY 2017-2018 towards rent to society of INR 53.20 lakhs (including service tax) has not been considered while deriving the fund position of the school (enclosed in the later part of this order).

2. Recruitment Rules prescribed under DSEA, 1973 for various posts in the school does not include any position for Director, which had been hired by the school as one of its staff. Accordingly, the appointment of the staff beyond the prescribed position is in contravention of the prescribed rules.

From the audited financial statements of FY 2014-2015, 2015-2016 and FY 2016-2017 submitted by the school, it was noted that the school paid consultancy charges of INR 15 lakhs per annum to Mrs. Kamla Rani Gupta in the capacity of full time director of the school. It was also noted that she is a member of the society. Accordingly, payment made to Mrs. Kamla Rani Gupta were not in conformity of the provisions of DSEA & R, 1973.

Further, based on ledger account of Mrs. Kamla Rani Gupta submitted by the school, it was noted that there were multiple financial transactions with her other than the consultancy charges paid to her (as detailed above) during FY 2015-2016 and FY 2016-2017, quantum of which is detailed in table below. The school mentioned that these were short-term loans given/taken to meet the fund requirements of both parties. However, in what capacity she took and paid loans was not clarified by the school. Also, from the fund position derived (enclosed in the later part of this order), it did not appear if the school would have any real need of funds in past.

Particulars	FY 2015-2016	FY 2016-2017	Total (INR)
Amount paid by school (A)	1,75,00,000	19,00,000	1,94,00,000
Amount received by school (B)	2,44,00,000	8,00,000	2,52,00,000
Balance Payable (B-A)	**69,00,000**	**(11,00,000)**	**58,00,000**

Based on the above, the school paid an amount of INR 45 lakhs during FY 2014-2015, 2015-2016 and 2016-2017 to a member of the society (Mr. Kamla Rani Gupta), which is recoverable from her/society. However, the amount payable to her as on 31 Mar 2017 was INR 58 lakhs, which is hereby adjusted from the amount recoverable of INR 45 lakhs and the remaining payable balance of INR 13 lakhs is considered while deriving the fund position of the school (enclosed in the later part of this order) with the direction to the school to adjust the amount and not undertake any financial transactions with the member of the society in future.

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The school is also directed not to pay any further salary/consultancy fee to the director/member of the society. Accordingly, the amount budgeted by the school for FY 2017-2018 towards consultancy fee to Director of INR 26.50 lakhs has not been considered while deriving the fund position of the school (enclosed in the later part of this order).

3. 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 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.*"

   Post evaluation of the fee increase proposal of the school for FY 2016-2017, the Directorate rejected the fee increase proposal of the school vide Order No. F.DE.-15/ACT-I/WPC-4109/PART/13/61 dated 23 Dec 2016 and directed the school to school to adjust/refund the increased fee collected from students. However, based on the information submitted by the school, the school collected increased fee from students during FY 2016-2017 and FY 2017-2018 and has not adjusted/refunded the same to students, which was in contravention of aforementioned orders.

   Based on the fee structures provided by the school, the school had increased tuition fee by 10% during FY 2016-2017 and between 20%-22% during FY 2017-2018. The school also increased development fee by 15% during FY 2016-2017 and between 30%-32% during FY 2017-2018. As per the details provided by the school, it collected INR 36.01 lakhs and INR 73.37 lakhs on account of increased fee during FY 2016-2017 and FY 2017-2018 respectively, which has not been refunded/adjusted till date. Reasonable explanation/justification for not refunding/adjusting the excess amount collected from the students was not provided by the school.

   Increased fee collected by the school for FY 2017-2018 has not been considered while deriving the fund position of the school (enclosed in the later part of this order), as the school is being 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 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.

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*

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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).

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 Fees, Magazine charges, Computer Fee, etc. from students. However, the school has not maintain 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) which has been met from other fees/income, which was also mentioned in DOE's order No. F.DE.-15/ACT-I/WPC-4109/PART/13/61 dated 23 Dec 2016. Details of calculation of surplus/deficit, based on breakup of expenditure provided by the school for FY 2016-2017 is given below:

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Earmarked Fee	Income (INR)	Expenses (INR)	Surplus (INR)
	A	B	C=A-B
Magazine Charges	10,96,844	4,00,531	6,96,313
Computer Fee	7,09,180	5,21,766	1,87,414
Transport Fee^	29,68,100	31,52,443	(1,84,343)
Science Fee	1,93,410	4,25,445	(2,32,035)
Group Insurance & Diary Charges	-*	-*	-

^ 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.

* School has not submitted breakup of income and expenditure against Group Insurance and Diary charges collected from students

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 Group Insurance charges and Diary 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 Group Insurance charges and Diary 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 and should incur the expenses relating to these from annual charges. The school explained that tuition fee collected from students is not sufficient to meet the establishment cost and annual charges are also not sufficient to meet other revenue expenses of the school. Thus, the surplus generated from earmarked levies has been applied towards meeting establishment cost/revenue expenditure on account of which fund balance of earmarked levies could not separate from the total funds maintained by the school. Accordingly, total fees (including earmarked fee) 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 directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected. Unintentional surplus, if any, generated from earmarked levies may be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school is directed to 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. Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 61 dated 23 Dec 2016 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school is preparing separate financial statements for school fund and transport fund instead of preparing consolidated one, which the school has continued to do so in FY 2016-2017. Further, the school did not submit the financial statements of transport fund along with the fee hike proposal for FY 2017-2018, which were submitted later by the school during personal hearing.

   Accordingly, transport fee and expenses as recorded in the financial statements of transport fund have been considered while evaluating the fund position of the school for FY 2017-2018 (enclosed in the later part of this order).

   Thus, the school is directed to prepare consolidated books of account and financial statements including all funds, incomes and expense, which should be enclosed by the school along with the fee increase proposal.

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.

   It was noted that the school's fee structure include pupil fund, which is collected from all students and it was explained by the school that the same has been utilised on co-curricular expenditures of the school. The school did not provide complete details of collection and utilization of pupil fund.

   Based on the fact that the fee head of 'Pupil Fund' has not been defined for recognised private unaided school and the purposes for which the school has utilised the same (based on explanation of the school) is covered under 'Annual Charges' collected by the school from students, the school is directed not to collect pupil fund 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 budgeted income while deriving the fund position of the school (enclosed in the later part of this order).

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4. Clause 14 of this DoE's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states "*Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixtures and equipment...*"

   Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/61 dated 23 Dec 2016 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school has not utilized development fee as per the directions of the Directorate mentioned above. Also, the school had not maintained separate bank account for Development Fund.

   Based on the information provided by the school, the school had utilised development fund for payment of salaries amounting to INR 1,77,006 during FY 2016-2017 and has not opened a separate bank account till date, which was a non-compliance of the direction included in above order. It was further noted that the school has not created depreciation reserve and was reflecting fixed assets at written down value (WDV) in its audited Balance Sheet.

   Accordingly, the school is directed to open a separate bank account for deposit and utilisation of development fund and should ensure that the depreciation reserve is created and development fund is utilized in accordance with the directions issued in this regard by the Directorate. The school should also reflect fixed assets at historic purchase price on Asset side of the Balance Sheet and accumulated depreciation under Depreciation Reserve on the liability side of the Balance Sheet. The school is directed not to charge development fee from students till the time it complies with above directions.

   As the school has not created depreciation reserve, it has not complied with the requirement of clause 14 of Order No. F.DE./15 (56)/ Act/2009/778 and thus, development fund has not been considered while deriving the fund position of the school (enclosed in the later part of this order).

5. 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.*"

   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.

   Also, the school has enclosed a consolidated fixed assets schedule giving details of all assets carried over by the school in its audited financial statement for FY 2016-2017 and has not prepared separate fixed assets schedules for assets purchased against development fund and those purchased against general reserve.

This being a procedural finding, the school is instructed to make necessary rectification entries relating to development fund to comply with the accounting treatment indicated in the Guidance Note. Further, the school should prepare separate fixed assets schedule for assets purchased against development fund and other assets purchased against general reserve/ fund.

6. 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.

   It was noted that the school has not got its liability for retirement benefits valued by an actuary and was also not recording the provision for same in its books of account. At the time of personal hearing, school management mentioned that it was not paying retirement benefits to its staff, which is a contravention of DSEA, 1973 and Payment of Gratuity Act, 1972. Accordingly, the school is directed to get its liability for retirement benefits valued by an actuary and record the same as provision in its books of account. Further, the school is directed to invest the amount against liability for retirement benefits in investments that qualifies as 'plan-assets' in accordance with Accounting Standard 15 within 30 days from the date of this order.

   In absence of actuarial valuation of retirement benefits and provision for the same in the financial statements of the school, no amount has been considered while deriving the fund position of the school (enclosed in the later part of this order).

7. Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/61 dated 23 Dec 2016 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school is charging INR 10 per day for late payment of fees beyond the due date which is in non-compliance to rule 166 of the Delhi School Education Rules, 1973 which states that "*school shall charge fine for late payment of fees or contributions at the rate of 5 paisa per day after 10th day of the month for which the fees is due.*"

   Review of the financial statements of FY 2016-2017 highlighted that the school had continued to charge late fees at increased rates as highlighted in the above order. Accordingly, the school is directed to ensure compliance to the directions of the Directorate in this regard.

8. The school has not prepared Fixed Assets Register (FAR) for keeping track of fixed assets purchased by it. The school should prepare a FAR, which should include details such as asset description, purchase date, supplier name, invoice number, manufacturer's serial

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number, location, purchase cost, other costs incurred, depreciation, asset identification number, etc. to facilitate identification of asset and documenting complete details of assets at one place.

During personal hearing, school mentioned that it will start preparing FAR from FY 2018-2019 onwards. Accordingly, the school is directed to prepare the FAR with relevant details mentioned above.

9. Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 61 dated 23 Dec 2016 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school had no defined process for procurement/ entering into major contracts. Further, in relation to procurements awarded during FY 2016-2017, the school only provided copies of invoices and did not submit documents relating to process followed for procurement such as quotations, comparative statements, etc. 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.

10. Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 61 dated 23 Dec 2016 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school is collecting donations from the parents of students in the range of INR 15,000 to INR 60,000 for which no receipt was issued by the school. Further, it was noted that the school had opened bank accounts in the name of the teachers and operating the same without their permission. Further, though these bank accounts were closed but no clarification was provided by the school regarding the purpose for which these were opened and nature of transactions routed through the same.

    At the time of personal hearing, the school mentioned that the observations are not correct, but the school did not submit any documentary evidence in support of its claim. Accordingly, the school is directed to submit relevant evidence in relation to same, compliance of which will be validated at the time of evaluation of subsequent fee hike proposal.

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 2017-18 amounting to INR 10,04,96,648 out of which cash outflow in the year 2017-18 is estimated to be INR 5,64,78,092. This results in net surplus of INR 4,40,18,556. 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)	23,56,482
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	31,90,000
Total Liquid Funds Available with the School as on 31 Mar 2017	**55,46,482**

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Particulars	Amount (INR)
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]	5,25,79,384
Add: Recovery of amount paid to society as Rent for School Building [Refer Financial Finding No. 1]	96,53,000
Add: Recovery of amount given as advance to Society [Refer Financial Finding No. 1]	3,76,19,010
Gross Estimated Available Funds for FY 2017-2018	**10,53,97,876**
Less: Development Fund [Refer Other Finding No. 4]	-
Less: Amount payable to member of society (after adjustment of recovery of consultancy fee) as on 31 Mar 2017 [Refer Financial Finding No. 2]	13,00,000
Less: Refund of increased fee collected from students in FY 2016-2017 [Refer Financial Finding No. 3]	36,01,228
Less: Retirement Benefits [Refer Other Finding No. 6]	-
Net Estimated Available Funds for FY 2017-2018	**10,04,96,648**
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 2]	5,64,78,092
Estimated Surplus as on 31 Mar 2018	**4,40,18,556**

Notes:

1. Fee and income as per audited financial statements of FY 2016-2017 has been considered (after adjustment for increased fee collected during FY 2016-2017) with the assumption that the amount of income during FY 2016-2017 will at least accrue during FY 2017-2018. However, as the school is maintaining separate financial statements for transport fund and has submitted financial statements of transport fund for FY 2016-2017. Thus, the income reported in the financial statement of the transport fund during FY 2016-2017 has also been considered with the assumption that the amount of income from transport during FY 2016-2017 will at least accrue during FY 2017-2018.

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 5,87,20,206 (including impact of 7th CPC), which in some instances was found to be unreasonable/ excessive. During personal hearing, it was explained that expenses relating to transportation facility were not included in the budgeted expenses, as the school is maintaining separate financial statements for transport Fund. Thus, based on the financial statements of transport fund for FY 2016-2017 provided by the school, all expenses incurred during FY 2016-2017 except depreciation netting to INR 62,28,686 have also been considered as part of budgeted expenses. Further, based on the explanations and details provided by the school during personal hearing, most of the expense heads as budgeted were considered even though certain expenditures were increased substantially by the school as compared to FY 2016-2017. However, during review of budgeted expenses, discrepancies were noted in some of the expense heads, which were adjusted from the budgeted expenses. 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:

Expense Heads	FY 2016-2017	FY 2017-2018	Amount Allowed	Amount Disallowed	Remarks
Salary-Remuneration to managerial persons	1,500,000	2,650,800	-	2,650,800	Refer Financial Finding No. 2
Depreciation (Schools)	426,725	250,000	-	250,000	Depreciation does not result in cash

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Expense Heads	FY 2016-2017	FY 2017-2018	Amount Allowed	Amount Disallowed	Remarks
					outflow, hence disallowed
Depreciation reserve	254,138	250,000	-	250,000	Depreciation does not result in cash outflow, hence disallowed
Rent School Building	4,200,000	4,620,000	-	4,620,000	Refer Financial Finding No. 1
Service tax	626,500	700,000	-	700,000	Refer Financial Finding No. 1
Total	**7,007,363**	**8,470,800**	**-**	**8,470,800**	

In view of the above examination, it is evident that the school has 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.

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 Supreme Court also through its judgement on a review petition in 2009 restricted transfer of funds to the society. Thus, advance appearing in the name of the society and rent paid to society for school building are required to be recovered from the society.

And whereas per clause 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. The school has continued to charge earmarked fee higher than the expenses incurred against the same and has utilised the surplus earned for meeting other expenses of the school and has thus continued its non-compliance. Accordingly, the school is advised 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 and the school should not collect earmarked levies from all students.

And whereas per clause 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 and income generated from the investment made out of this fund, will be kept in a separately maintained development fund account. The school is advised to comply with the directions with regard to maintaining separate bank account, proper accounting & 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 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 has been directed to ensure compliance with Accounting Standard 15 including measurement of its liability towards retirement benefits of the staff by a qualified actuary and making the investment against the liability so determined in the mode specified under the said Accounting Standard.

And whereas, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that 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 and 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 have 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 **Laxmi Public School (School ID-1003211), X-20 Institutional Area, Karkardooma, Delhi-110092** has been 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/charges during FY 2017-2018 and to refund/adjust the increase fee charged for the academic session 2017-2018 and 2018-2019 in the fee of subsequent months as per convenience of the parents.

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

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3. To rectify the financial and other irregularities/violations as listed above and submit the compliance report within 30 days from the date of this order to D.D.E.(PSB).

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. The Compliance Report detailing rectification of the above listed deficiencies/ violations must also be attached with the proposal for enhancement of fee of subsequent academic session, as may be submitted by the school. Compliance of all the directions mentioned above will be examined before evaluation of proposal for enhancement of fee for subsequent academic session.

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

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

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

To:
The Manager/ HoS
Laxmi Public School
School ID 1003211
Karkardoona, Delhi-110092

No. DE·15(28)/PSB/2019/917-921 Dated: 22-01-2019

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.

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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