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

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No. F.DE.15(93)/PSB/2019/1488-1492

Dated: 7/2/2019

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.

AND WHEREAS in response to this directorate's circular dated 23 Oct 2017 referred to above, **Greenfields Public School (School ID-1105208), Dilshad Garden, Delhi-110093** 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 20 August 2018 at 03:30 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. Additionally, a visit was made at the school by the Chartered Accountant evaluating the fee increase proposal submitted by the school on 23 Oct 2018 to gather and review information/data relevant for evaluation of the proposal.

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

A. Financial Discrepancies

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

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

The financial statements of the school for FY 2016-2017 revealed that the school has incurred expenditure on construction of building out of school funds and has capitalised building totalling to INR 66,33,735 in FY 2016-2017, which is not in accordance with the aforementioned provisions.

Further, this capital expenditure was incurred on the building without complying the requirements prescribed in Rule 177 of DSER, 1973. Though the financial statements of the school reflect opening block of building, adjustment in the fund position of the school has been done to the extent of additions made in the past three financial years (based of financial statements obtained for evaluation of the fee increase proposal for FY 2017-2018). Thus, this amount of INR 66,35,735 is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the Society within 30 days from the date of this order.

2. Directorate's Order no. F.DE-15/WPC-4109/ Part 13/7914-7923 dated 15 July 2016 instructed the "Schools not to increase any fee until the sanction is conveyed to their proposal by Director of Education". The school had increased its fees 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/13/956 dated 13 Oct 2017.

Based on the information provided by the school, the school collected an additional sum of INR 1,52,78,495 on account of increased fee for FY 2016-2017, out of which the school has adjusted a sum of INR 1,40,31,536 from the fee collected from students during FY 2017-2018. The balance amount of INR 12,46,959 is yet to be refunded to students/ adjusted from the fee collected from students. While the school has refunded/ adjusted only a part of the excess fee during FY 2017-2018, the total amount of increased fee of INR 1,52,78,495 collected from students during FY 2016-2017 has been adjusted while deriving the fund position of the school for FY 2017-2018 (enclosed in the later part of this order) with the direction to the school to immediately adjust/refund the amount to the students and submit evidence of the same within 30 days from the date of this order.

The income budgeted for FY 2017-2018 has been considered based on the audited financial statements of FY 2017-2018, which does not include increased fee for deriving the fund position of the school as on 31 Mar 2018.

3. 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. It was noted that school had transferred funds amounting INR 10,00,058 to Regional Provident Fund Commissioner, Delhi on 10 Jan 2017 on behalf of Greenfields Public School Provident Fund Trust, out of which INR 9,98,604 was outstanding to be received as on 31 Mar 2017. This amount of INR 9,98,604 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 Greenfields Public School Provident Fund Trust within 30 days

from the date of this order or adjust this amount from subsequent month's PF contribution to be paid by the school to the Trust.

4. Order no. F.DE.ACT-I/WPC-4109/PART/13/896 dated 15 Sep 2017 issued to the school post evaluation of the proposal for enhancement of fee for the FY 2016-2017 noted that there was no formal process of bidding and obtaining quotations from prospective parties for major contracts. Further, it was noted that the school had entered into an agreement with M/s Litchi Knowledge Centre Private Limited for provision of healthcare services. It was noted that the expenditure incurred towards such healthcare services increased by more than 5 times between FY 2013-2014 to FY 2015-2016. It was also noted in the aforementioned order that school's financial statements reflected a liability of INR 17,04,156 towards M/s Litchi Knowledge Centre Private Limited as on 31 March 2015; however, on cross-validation, no such receivables were reflected in vendor's financial statements. The expenditure incurred by the school towards medical facilities during FY 2013-2014 to FY 2017-2018 is included in table below:

Particulars	FY 2013-2014 (INR in Lakhs)	FY 2014-2015 (INR in Lakhs)	FY 2015-2016 (INR in Lakhs)	FY 2016-2017 (INR in Lakhs)	FY 2017-2018 (INR in Lakhs)
Expenditure on Litchi Knowledge Centre Pvt. Ltd.	-	44.93	50.38	56.31	63.79
Expenditure on doctor hired by the school directly	8.44	7.26	0.30	-	-
Total	8.44	52.19	50.68	56.31	63.79

On review of the expenditure reported by the School on healthcare services, it appears unreasonable/ excessive as the school has the responsibility of imparting education to students. The school did not provide any supporting documents including vendor confirmation, complete details of services provided, justification of such high cost incurred, etc. to validate the authenticity of transactions with M/s Litchi Knowledge Centre Private Limited.

However, expenditure of hiring of doctor of INR 8.44 lakhs per annum (based on expense reported in FY 2013-2014) has been considered in relation to the medical service provision for FY 2015-2016 and FY 2016-2017. Accordingly, net amount of INR 1,34,74,749 (INR 1,51,62,749 minus INR 8.44 lakhs*2) paid to Litchi Knowledge Centre Pvt. Ltd. during FY 2013-2014 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 Society within 30 days from the date of this order.

Further, expenditure of INR 63,79,145 budgeted by the school in relation to services provided by M/s Litchi Knowledge Centre Pvt. Ltd. has been considered only to the extent of INR 8.44 lakhs

towards hiring of doctor and remaining amount of INR 55,35,145 has been adjusted from the budgeted expenses of FY 2017-2018 while deriving the fund position of the school for the FY 2017-2018. The school is also directed not to make any further payment to this vendor.

5. Order no. F.DE.ACT-I/WPC-4109/PART/13/896 dated 15 Sep 2017 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017 noted that the school had purchased cars in the name of Founder Principal cum Manager of the school instead of the school. The school was directed to submit the details of cars purchased (as disclosed in the financial statements of FY 2015-2016).

Based on the fact that the school has paid the cost of the vehicles, which are personal property of the principal. Thus, the school has diverted school funds for creation of capital assets of the principal. Accordingly, the cost of the cars is required to be recovered from the Principal. The school has not reported historic purchase cost of assets in the fixed assets schedule annexed to the audited financial statements of the school, rather has reported written down value of the assets. However, the school provided details regarding cost of the vehicles purchased in the name of the Principal cum Manager.

Accordingly, the cost of two cars (Audi and Innova) amounting to INR 45,55,028 has been included in 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 cum Manager of the School within 30 days from the date of this order. The school is further directed not to purchase any asset other than its own name.

6. Order no. F.DE.ACT-I/WPC-4109/PART/13/896 dated 15 Sep 2017 issued to the school post evaluation of the proposal for enhancement of fee for the FY 2016-2017 noted that depreciation had been reported as payment in the Receipt & Payment Account by the school, while the same is a non-cash expense.

On review of the audited Receipt and Payment Accounts of the school for FY 2014-2015 and FY 2015-2016, it was noted that the school had reported depreciation of INR 36,14,875 and INR 38,95,970 respectively as payments made by the school. Thus, reporting of non-cash expense in the nature of depreciation is a complete deviation from the generally accepted accounting principles and the same indicates diversion/misappropriation of school funds. Accordingly, the amount of depreciation reported as payment by the school in two financial years of INR 75,10,845 has been included in 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 responsible for diversion/misappropriation/Society within 30 days from the date of this order. The school is further directed not to report depreciation as payment in any of the subsequent Receipt and Payment Account.

Further, opening and closing balances of cash and bank reported in the Receipt & Payment Accounts of the school for FY 2014-2015, FY 2015-2016 and FY 2016-2017 were compared with

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the balances reported on the face of the Balance Sheets of the respective financial years. Differences were noted in some of the balances reported by the school in its audited financial statements as under:

Financial Year	Balance as on	Receipt & Payment Account (A)	Balance Sheet (B)	Difference (B-A)
2014-2015	1 April 2014	93,94,306	93,94,306	-
	31 March 2015	1,09,02,496	1,11,31,548*	2,29,052
2015-2016	1 April 2015	1,09,02,496	1,09,02,496*	-
	31 March 2016	2,76,09,574	2,76,45,839	36,265
2016-2017	1 April 2016	2,76,45,839	2,76,45,839	-
	31 March 2017	1,82,03,052	1,82,03,052	-

* In addition to the differences identified above between balances reported in audited Receipt & Payment Accounts and audited Balance Sheets, a difference of INR 2,29,052 was noted between closing cash & bank balance reported in the audited Balance Sheet as on 31 Mar 2015 and opening cash & bank balance reported in the audited Balance Sheet as on 31 Mar 2016

On account of the differences noted in the audited financial statements of the school, the financial statements of the school are unreliable.

The school is directed to perform a detailed reconciliation of the cash and bank for the three years mentioned above identifying the reasons for reporting depreciation as payment and differences identified above and submit this reconciliation along with its compliance report to the Directorate. The school is also directed to strengthen its financial reporting process to ensure that such discrepancies are appropriately addressed at the time of preparation and audit of financial statements.

B. Other Discrepancies

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

The school was directed by the directorate through its Order No. F. DE-15/ACT-IWPC-4109/PART/13/896 dated 15 September 2017 to provide actuarial valuation of its gratuity and leave encashment liabilities. The school has obtained an actuarial valuation of its liability towards retirement benefits (gratuity and leave encashment) as on 31 March 2018 as under:

Head	Balance as on 31 Mar 2018 (INR)
Gratuity	5,99,30,885
Leave Encashment	2,06,67,853
Total	8,05,98,738

However, the school has not deposited any amount with respect to the above liabilities determined by the actuary in the investments that qualify as 'Plan Assets' in accordance with Accounting Standard 15.

As FY 2017-2018 is the year of implementation of salary scales recommended by 7th CPC, 10% of the liability towards retirement benefits (i.e. INR 59,93,089 towards gratuity and INR 20,66,785 towards leave encashment) as per actuarial valuation has been considered while deriving the fund position of the school (enclosed in the later part of this order) with the instruction to the school to deposit the amount mentioned above (i.e. 10% of the liability determined by the actuary) in the investments that qualify as 'Plan Assets' within 30 days from the date of this order and remaining amount within the next 9 years.

2. The school has prepared a Fixed Assets Register (FAR) that only captures asset name, date of receipt, bill no., purchase cost and quantity. The school should also include details such as supplier name, invoice number, manufacturer's serial number, location, other costs incurred, depreciation, asset identification number, etc. to facilitate identification of asset and documenting complete details of assets at one place.

During the personal hearing, school mentioned that it will make recommended changes from FY 2018-2019 onwards. The school is directed to update the FAR with relevant details mentioned above. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

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

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

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

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

Sub-rule 3 of Rule 177 of DSER, 1973 states "*Funds collected for specific purposes, like sports, co-curricular activities, subscriptions for excursions or subscriptions for magazines, and annual*

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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 fee and computer/expert class fee from 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), which has been met from other fees/income. Details of calculation of surplus/deficit, based on breakup of expenditure provided by the school for FY 2016-2017 is given below:

Earmarked Fee	Income (INR)	Expenses (INR)	Surplus/(Deficit) (INR)
	A	B	C=A-B
Transport Fee [^]	2,79,43,200	2,74,86,552	4,56,648
Expert Class Fee	89,38,095	2,49,53,821	(1,60,15,726)

[^] 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.

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 expert class fees 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 expert class fees 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 tuition fee. Thus, the deficit from earmarked levies has been covered from other fees on account of which fund balance of earmarked levies could not 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) while deriving the fund position of the school (enclosed in the later part of this order).

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

As per the provisions of rule 107- 'Fixation of Pay' of DSER, 1973, "(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 a 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."*

It was noted that the gross salary and grade pay of the Principal of the school (Monthly Gross Salary of INR 3,02,454 for the month of Jan 2018 after implementation of 7th CPC, but no details of Grade Pay provided by the School) was more than the salary and grade pay as applicable to comparable staff in government schools. The school explained that the Principal is working since long and has got increments and promotions as per his experience and tenure of services. However, the school has not produced service book of the Principal for verification and it was explained that the service book of the principal is missing. The school should prepare a reconciliation of gross salary (along with grade pay) with the salary on the date of joining of the Principal and subsequent increments awarded to him. The compliance of the above will be examined at the time of evaluation of proposal for enhancement of fee for subsequent academic session.

5. Order No. F. DE-15/ACT-I/WPC-4109/PART/13/896 dated 15 September 2017 issued post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 submitted by the school noted that the school is running certain business activities like stationery and book shop on the land allotted to the society towards running the school. It was further noted that the shop is owned by one of the administrators of the school. The school was directed to stop such practices. Also, the school was directed to book the income out these activities in the books of accounts.

Rule 175 of Delhi School Education Rules, 1973 states "*the accounts with regard to the Recognised Unaided School Fund, shall be so maintained as to exhibit, clearly the income*

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accruing to the school by way of fees, fines, income from building rent, interest, development fees, collections for specific purposes, endowments, gifts, donations, contributions to Pupil's Fund and other miscellaneous receipt."

It was noted that the school has let out part of the school building to United Bank of India (UBI), M/s Alliance Educare (for running IGNOU classes), M/s A.K. Confectioners and M/s Anusya Book Shoppe and was charging minimal rent/maintenance charges. From the audited financial statements of the school for FY 2016-2017, it was noted that the school has reported income only in respect of rental income received by the school from UBI. During personal hearing, the school submitted that the charges collected from vendors using school premises were adjusted from the expenses of the school and reduced expenses were reported in the Income and Expenditure Account. The school provided following details in respect of the income earned from the school building:

Party Name	Total Income Earned (INR) (A)	Adjusted from Expenses (INR) (B)	Income Reported in I&E A/c (INR) (A-B)
United Bank of India [^]	94,908	-	85,418
Alliance Educare	1,62,000	1,62,000	-
A.K. Confectioners	72,000	72,000	-
Anusya Book Shoppe	36,000	36,000	-
Total	3,64,908	2,70,000	85,418

[^] The school explained that total rent received from UBI during FY 2016-2017 was INR 94,908 out of which INR 9,490 (10% of total income) was paid to DDA as service charge, which was adjusted from the income reported in the Income & Expenditure Account and net figure of INR 85,418 was reported as income.

The school did not provide appropriate justification for determination of arm's length price in respect of space let-out to related parties. Also, the school did not provide details of communication/ approval from DDA in respect of letting out of school premises for commercial activities.

The school is directed to report income and expenses correctly in accordance with Rule 175 of DSER, 1973.

6. 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."

Directorate's order No. F. DE-15/ACT-IWPC-4109/PART/13/896 dated 15 September 2017 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017 noted that the school had not followed proper accounting practices in relation to caution money as it had not maintained separate bank account for deposit of caution money collected from students and had not transferred unclaimed caution money to income in accordance with directions issued by DOE in this regard.

It was noted that the school is yet to open a separate bank account for deposit of caution money. Also, the school is not including interest earned on caution money along with the refund of caution money to the students leaving the school.

During personal hearing school mentioned that it will adjust/refund caution money collected from students during FY 2018-2019. Based on the discussion with the school during personal hearing, the school should refund total caution money within FY 2018-2019 and should not collect it subsequently. The amount to be refunded to students after adjusting the income recorded by the school during FY 2017-2018 towards unclaimed caution money, as per the audited financial statements for the FY 2017-2018 submitted by the school, has been considered while deriving the fund position of the school (enclosed in the later part of this 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 26,16,59,994 out of which cash outflow in the year 2017-2018 is estimated to be INR 24,16,44,833. This results in net deficit of INR 2,00,15,161. The details are as follows:

Particulars	Amount (INR)
Cash and Bank Balance as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	1,82,03,052
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	1,45,74,864
Total Liquid Funds Available with the School as on 31 Mar 2017	3,27,77,916
<u>Add:</u> Estimated Fees and other incomes for FY 2017-2018 based on audited financial statements of FY 2016-2017 of the school [Refer Note 1]	24,72,75,321
<u>Add:</u> Recovery of cost of additions to building from the Society [Refer Financial Finding No. 1]	66,33,735
<u>Add:</u> Recovery of amount transferred to Green Field Public School EPF Trust [Refer Financial Finding No. 3]	9,98,604
<u>Add:</u> Recovery of amount paid to Litchi Knowledge Centre [Refer Financial Finding No. 4]	1,34,74,749

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Particulars	Amount (INR)
Add: Recovery from Society towards purchase of costly Cars [Refer Financial Finding No. 5]	45,55,028
Add: Recovery in respect of payment of depreciation indicated in the audited Receipt & Payment Account [Refer Financial Finding No. 6]	75,10,845
Gross Estimated Available Funds for FY 2017-2018	31,32,26,198
Less: Development fund [Refer Note 2]	2,56,66,835
Less: Increased fee collected in FY 2016-2017 to be adjusted/refunded to students during FY 2017-2018 [Refer Financial Finding No.2]	1,52,78,495
Less: Caution Money [Refer Note 3]	25,61,000
Less: Provision for Retirement Benefits - Gratuity [Refer Other Finding No. 1]	59,93,089
Less: Provision for Retirement Benefits - Leave Encashment [Refer Other Finding No. 1]	20,66,785
Net Estimated Available Funds for FY 2017-2018	26,16,59,994
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 4]	22,17,33,191
Less: Arrears of salary as per 7 th CPC for the period Jan 2016 to March 2017 (As per computation of salary per 7 th CPC submitted by the school)	1,99,11,642
Estimated Surplus as on 31 Mar 2018	2,00,15,161

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. The Hon'ble Supreme Court in the matter of Modern School held that development fees for supplementing the resources for purchase, upgradation and replacements of furniture and fixtures and equipment can be charged from students by the recognized unaided schools not exceeding 15% of the total annual tuition fee. Further, the Directorate's 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." Over a number of years, the school has accumulated development fund and has reflected the closing balance of INR 4,96,49,708 in its audited financial statements of FY 2016-2017. Accordingly, the accumulated reserve of development fund created by the school by collecting development fee more than its requirement for purchase, upgradation and replacements of furniture and fixtures and equipment has been considered as free reserve available with the school for meeting the financial implication of 7th CPC to be implemented by the school. However, development fund equivalent to amount collected in one year (FY 2016-2017) from students has been considered for deriving the fund position of the school, which is considered sufficient basis the spending pattern of the school in past.
3. Unclaimed caution money of INR 33,18,100 as declared by the school to be treated as income during FY 2017-2018 has been adjusted from the liability towards caution money as on 31 Mar 2017 of INR 58,79,100 (as per audited financial statements of FY 2016-2017) and the net balance of INR 25,61,000 refundable to students has been considered for deriving the net estimated available funds with the school for FY 2017-2018. Also refer other finding no. 6.

4. 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 32,87,27,984 (including arrears for salary as per 7th CPC, which is considered separately), which in some instances was found to be unreasonable/ excessive. Based on the details provided by the school and explanations of the school during personal hearing, expenses totalling to INR 22,17,33,191 (other than arrears for salary as per computation as per 7th CPC of INR 1,99,11,642) were considered in the budgeted expenses for FY 2017-2018 after adjustments for expenses incurred on actual basis submitted by the school, salary as per 7th CPC computation submitted by the school, retirement benefits considered separately, medical expenses budgeted towards Litchi Knowledge Centre Private Limited, fee refundable, etc.

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

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. However, the school has a recoverable balance of INR 9,98,604 from Greenfields Public School PF Trust. Thus, the school is directed to recover this amount from Greenfields Public School PF Trust.

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 should not be met out of the fee collected from students and is required to be recovered from the society.

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. The school has continued to charge earmarked fee higher than the expenses incurred against science and practical fees whereas the expenses incurred are more than transport charges collected from students. The school has utilised the surplus earned for meeting the establishment expenses and deficit on transport charges.

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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 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 ensure compliance with Accounting Standard 15 by making the investment equivalent to the liability determined by the actuary (over a course of 10 years) 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 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 **Greenfields Public School (School ID-1105208), Dilshad Garden, Delhi-110093** 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. In case, the school has already charged increased fee during FY 2017-2018, the school should make necessary adjustments from future fee/refund the amount of excess fee collected, if any, as per the convenience of the parents.

2. To 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.
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
 Greenfields Public School
 School ID 1105208
 Dilshad Garden, Delhi-110093

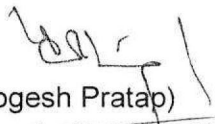
No. F.DE.15(93)/PSB/2019/1488-1492

Dated: 7/2/2019

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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