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

No. F.DE.15( 310 ) / PSB / 2019 / 1595 -1599 Dated: 05|04|19

## ORDER

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

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

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

"27....

(c) It shall be the duty of the Director of Education to ascertain whether terms of allotment of land by the Government to the schools have been complied with...

28. We are directing the Director of Education to look into the letters of allotment issued by the Government and ascertain whether they (terms and conditions of land allotment) have been complied with by the schools.......

.....If in a given case, Director finds non-compliance of above terms, the Director shall take appropriate steps in this regard."

AND WHEREAS, the Hon'ble Supreme Court in the above said Judgment also held that under section 17(3), 18(4) read along with rule 172, 173, 175 and 177 of Delhi School Education Rules, 1973, Directorate of Education has the authority to regulate the fee and other charges to prevent commercialization of education.

AND WHEREAS in response to this directorate's circular dated 23 Oct 2017 referred to above, **Siddharth International Public School (School ID-1106196), Pkt-B East of Loni Road, New 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 27 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. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/974 dated 13 October 2017 issued post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 noted that, the school had contracted a company named SRC Amvee Tour & Travels Pvt. Ltd., a related party to the school, which is owned by the Vice Principal of the school. It provides bus services to the school, but no specific consideration was agreed upon in the contract entered into with the school. All payments were made to the vendor in cash only and all the cash receipts kept with the vice principal himself. The entire practice is a serious violation of internal control procedure and open to possible misappropriation.

   On examination of the supporting documents submitted by the school and taken on record and explanations provided by the school, the following were noted:

   - All the directors of the company "S.R.C Amvee Tours & Travels Pvt. Ltd." (also termed as "Company") comprise members of the managing committee of this school and another school under the management of the society (Siddharth International Public School, Dilshad Garden).

- The transportation agreement was not provided for review. Also, the school did not submit details of routes and students using the transport facility during FY 2016-2017. However, during the personal hearing, the school informed that same vehicles are plying for both the schools, which appears unusual.
- The school had not carried out any procurement procedure for selection of this company.
- The school submitted copies of the registration certificates issued by the Transport Department of Delhi for 3 light commercial vehicles having capacity of 15 passengers registered in the name of "Gyan Prakesh Goswami" in support of the vehicles provided by the Company towards transportation of students. Additionally, Siddharth International Public School, Dilshad Garden also provided the copies of the registration certificates for the same vehicles in respect of the vehicles used for transportation of its students. Thus, it appears unusual that same vehicle could be used on different routes of two schools.
- The ledger account of Bus Hire Charges and S.R.C Amvee Tours & Travels Pvt. Ltd. in the books of account of the school for FY 2016-2017 reflected that the Company raised invoices of INR 18,750 each and a total of 192 such invoices were recorded in the books of account of the school. Against these invoices, the school made payments in cash (most of which were for INR 18,750) totalling to INR 15.37 lakhs and made cheque payments of INR 20.45 lakhs after deduction of tax at source of INR 73,018. The school did not submit the copy of its bank statement to validate if these cheque payments were made through account payee cheques or bearer cheques.
- Based on the cash book submitted by the school for FY 2016-2017, it was noted that cash payments were made to the transporter even on Sundays, Summer/Winter vacations and other holidays.
- The school did not provide the details of students availing transportation services in the FY 2014-2015 to FY 2016-2017, however, during personal hearing, the school informed that approx. 78 students were availing the transportation facility during FY 2016-2017. Thus, the increase in transportation cost in comparison with the number of students could not be commented upon. Based on the audited financial statements, the amount of fee collected and transportation expenses are enclosed below:

| Financial Year | Amount collected from students | Amount paid to Vendor |
|---|---|---|
| 2014-2015 | 18,44,600 | 12,54,000 |
| 2015-2016 | 18,00,000 | 31,97,000 |
| 2016-2017 | 18,98,185 | 36,55,400 |
| **Total** | **55,42,785** | **81,06,400** |

- Based on the table above, the school paid to the Company almost twice the amount collected from students by it during FY 2016-2017, as the school collected INR 18,98,185 as transport fee from students against which the school paid INR 36,55,400 to the Company. From the records submitted by the school and as discussed during personnel hearing, the school charges transport fee @ INR 1,540 per student every month for all 12 months in an academic session. However, based on the transport cost and number of students reported by the school, cost of INR 3,905 per student per month (i.e. INR 36,55,400/ 78 students/ 12 months) has been derived, which is excessive.

- The school has also given an advance of INR 6,00,000 to the Company. Though the school did not submit copy of the agreement signed with the vendor, based on the examination of the contract available at Siddharth International Public School, Dilshad Garden, it was noted that there was no requirement for making such payment. The school explained that this was paid as security deposit to the Company. However, such payment of security deposit is not justifiable.

During the personal hearing, the school could not provide adequate explanations on the factual findings cited above except that the students are preferring private cabs over school transport, which has resulted in decrease in the number of students availing transport service.

The above clearly indicates that the transactions entered with the Company were not at arm's length, which is substantiated with interest of the Managing Committee members in the Company, no procurement process done before selecting the Company, agreement not provided by the school, invoices raised on almost daily basis including on holidays, cash payments made on almost daily basis without any cash receipt, excessive expenditure incurred on transport as compared with income, same buses used for transportation of students of two schools on multiple routes (Based on the explanation by the school), buses used for transport not in the name of the company, etc. Thus, total expenses recorded by the school in respect of transportation have been disallowed, as the same is not justified with adequate supporting documents, are questionable on account of number of issues raised above with possible diversion of school funds.

Accordingly, the amount of INR 87,06,400 (i.e. total expense of INR 81,06,400 plus security deposit of INR 6,00,000) paid by the school to transport agencies in the aforementioned financial years 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 transporters/ society within 30 days from the date of this order. Also, the school is strictly directed not to make any further payment to the transporters till the time it is adequately supported and justified.

2. During the review of the ledger and supporting invoices of Priyanka Communication for FY 2016-2017, it was noted that the school paid INR 17.25 lakhs during FY 2016-2017 for advertisements in the newspaper. The following were noted in relation to the expenses incurred by the school from the documents on record:

    - On examination of the ledger account, it was noted that payments totalling to INR 16,78,650 were made through bank. However, the school has made multiple payments in cash also to Priyanka Communication of INR 18,500 in 10 instances amounting to INR 185,000 from 1 April to 31 May 2016. One single amount of INR 9,479 was also paid in cash to the vendor on 31 May 2016. The school could not produce any cash receipts issued by the vendor.

- On examination of the invoices of Priyanka Communication, it was noted that between the period of 2 March 2017 to 4 March 2017 (3 days), the vendor issued 10 invoices to the school with invoice serial numbers ranging between 371 to 380. Thus, all invoices for the year was issued by the school at one instance. On examination of the invoices for FY 2016-2017, it was noted that the vendor issued invoices for advertisements given during FY 2015-2016 i.e. after a year of providing the service. For instance, invoice no. 371 dated 2 Mar 2017 was raised for newspaper advertisements published in Dainik Jagaran and Hindustan Times on 8 March 2016 and 24 March 2016. Invoices being raised after a year of publication of the advertisement appears unusual compared to the business practice of advertisers.
- The school only submitted the invoices raised by the vendor during FY 2016-2017 and did not submit any secondary supporting documents such as newspaper cutting with advertisement of the school. Thus, the genuineness of the invoices of Priyanka communication is questionable.
- Also, the school did not provide any documents relating to procurement procedure for selection of the vendor to whom payments have been made year on year.

Thus, based on the facts and grounds above including non-substantiation of the actual services obtained by the school from the Priyanka Communication and non-availability of invoices and supporting documents, genuineness of the expenses recorded in books of account is questionable with possible diversion of school funds. Thus, the total amount of INR 18,73,129 pertaining to payments made by the school to Priyanka Communication 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.

3. 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.*"

As per para 67 of the Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India, *"The financial statements should disclose, inter alia, the historical cost of fixed assets."*

Further, Directorate's order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 974 dated 13 October 2017 issued to the school post evaluation of the fee increase proposal for FY 2016-2017 noted that the assets purchased are debited to development fund instead of showing as additions to block of fixed assets. This is not as per GAAP and amounts to understatement of assets in Balance Sheet and creation of secret Reserve. The school was directed to make proper accounting for purchase of assets from development fund in accordance with clause 14 of the order dated 11 February 2009 and ICAI pronouncements. Further, no contract was entered into by the school for purchase of Desk- chairs and the same were purchased at a frequency of 2-3 days. Whereas all the payments were made in cash amounting to INR 43,62,620, INR 30,77,200 and INR 10,92,250 for F.Y. 2013-14, 2014-15 and 2015-16 respectively. Further, the Invoice numbers were serially numbers as in the vendor has been supplying the items to the school only.

Basis the presentation made in the audited financial statements of the school for FY 2013-2014 to FY 2016-2017, it was noted that the school had reported utilisation of development fund totalling to INR 2,49,69,544 during the aforementioned financial years. Further, the school submitted list of transactions that comprise utilisation of development fund for FY 2016-2017. From the details provided by the school, it was noted that in addition to purchase of furniture, fixture and equipment, the school had spent development fund on purchase of flowers and plants. The school adjusted the cost of assets/items purchased from development fund without capitalising the assets and did not reflect additions to fixed assets in its audited financial statements. This was not in accordance with accounting treatment indicated in the Guidance Note cited above. Accordingly, fixed assets have been grossly misstated in the audited financial statements of the school without inclusion of the assets purchased from development fund with total written down value of fixed assets as on 31 March 2017 reported as INR 6,08,494. Since, the school has not capitalised fixed assets purchased from development fund, corresponding depreciation on such assets has not been charged by the school and no depreciation reserve has been created by the school.

Further, on examination of details of assets/items purchased from development fund for FY 2016-2017, it was noted that the school has purchased 103 number of Black Board, 642 number of student chair and desk, 33 number of office chair and table, 500 number of Desk-Bench, 739 Stools, 183 Teacher chair-desk-table, 100 lab stool. The school did not submit details of purchases made from development fund for FY 2013-2014 to FY 2015-2016. Supporting documents were also not submitted by the school. Thus, in absence of adequate details, requirement of these assets vis-à-vis number of staff and students could not be assessed.

Also, on examination of the details of assets/items purchased from development fund and cashbook submitted by the school for FY 2016-2017, it was noted that the school had made all purchases of assets in cash with each transaction less than INR 20,000. Further, various instances were noted whereby multiple transactions were recorded for purchase of same assets on a given day.

Further, based on the listing of assets purchased provided by the school, the quantities of assets purchased were ranging between 2 to 125 per purchase. During FY 2016-2017, it was noted that the school has recorded 226 transactions in which furniture items were purchased, which appeared quite unusual. For instance, Student Chair and Desk was purchased 39 times by the school during 01 April 2016 to 20 March 2016, with quantities ranging from 4 to 125 in every purchase. In another instance, stool was purchased 37 times from 13 April 2016 to 18 March 2016 with quantities ranging from 2 to 40 in every purchase which appears to be unreasonable. Also, in another instance Teacher Table and chair was purchased 44 times from 09 April 2016 to 24 March 2016 with quantities ranging from 1 to 12 in every purchase which appears to be unreasonable.

Thus, based on the facts and grounds above including non-ascertainability of the reasonableness of furniture procured by the school and non-reliability of financial statements indicates possible diversion of school funds. Thus, the amount of INR 2,38,77,344 (i.e. 2,49,69,544 minus payment made to Kasana Nursery of INR 10,92,200 separately questioned in Financial Finding No. 4) towards utilisation of fixed assets not included as additions of fixed assets by the school in the aforementioned years 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 with the direction to the school to recover this amount from the Society within 30 days from the date of this order.

The school is also directed to include all the additions to fixed assets in the books of accounts and ensure that its financial statements give a true and fair view of all assets and liabilities of the school. The school is also, required to pass necessary rectification entries relating to development fund, fixed assets and depreciation reserve to comply with the accounting treatment indicated in the Guidance Note. Further, the school should present the fixed assets at historic cost in the financial statements for FY 2016-2017.

4. 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, upgradation 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."*

   Further, Directorate order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 974 dated 13 October 2017 issued to the school post evaluation of fee increase proposal for FY 2016-2017 noted that the school had not created depreciation reserve fund and correspondingly assets were recorded at written down value in the Balance sheet. The school was directed not to charge development fee unless it complies with the Directorate's order.

On examination of the audited financial statements for FY 2016-2017, it was noted that the school has not complied with the directions for creation of depreciation reserve and maintenance of separate bank account/investments for development fund. However, the school has continued to charge development fee from students without ensuring compliance of the directions included in the aforesaid order.

The school is directed to comply with the directions with regard to deposit of development fund in a separate bank account and creation of depreciation reserve. The school is further directed not to charge development fee till the time it ensure compliance with aforesaid directions.

Further, it was noted that the school had incurred an expenditure on purchase of a plants and flower pots of INR 1,092,200 during FY 2016-2017 and reflected the same as utilisation of development fund in the audited financial statements for FY 2016-2017, which is not in accordance with the direction included in above order as plants and flower pots are not in the nature of furniture, fixture and equipment. Thus, this results in mis-utilisation of development fund.

During the personal hearing, the school informed that the flower pots and plants were purchased by the school from Kasana Nursery and the expenditure was allocated towards development fund. On examination of the documents submitted by the school, the following was noted:

- The school submitted only three invoice of Kasana Nursery totalling to INR 50,900, which did not bear any contact number of the vendor.
- Also, as per the address mentioned on the invoice of Kasana Nursery, the location of the vendor is approx. 15 kms. away from the school. Further, genuineness of the invoices of this vendor was identified as questionable while evaluating fee increase proposal of Siddharth International Public School, Dilshad Garden.
- During the review of details of fixed assets for purchase of 'Plants and Flowers, during FY 2016-2017, it was noted that the school has purchased plants, Fertiliser, cutters, flower pot, spray bucket from 13 July 2016 to 27 March 2017 which appeared to be unreasonably excessive. For Instance, the schools has purchased 3,496 no. of plants (i.e. Ashoka plants 25 no's, Haze plants 1,220 no's, plants 2,071 no's (no description on the listing), rose plants 155 no's and rubber plants 25 no's).
- On review of the cash book for FY 2016-2017, it was noted that the school has made payment to Kasana Nursery in cash ranging from INR 14,000 to INR 20,000 in 60 instances amounting to INR 10,92,200 during FY 2016-2017.

- The school was asked to submit relevant documents to substantiate the authenticity of the expenditure including the ledger accounts and complete supporting documents of Kasna Nursery, however, the school did not submit any document regarding the same other than the initial set of documents submitted by the school.

Thus, based on the facts and grounds above including reasonability of the items/services obtained by the school from the Kasana Nursery could not be justified, on account which genuineness of the expenses recorded in books of account in relation to Kasana Nursery is questionable with possible diversion of school funds. Accordingly, this amount of INR 10,92,200 paid by the school to Kasana Nursery, 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.

Further, DDE district is directed to inspect the relevant records and documents including verification of goods/services procured and submit its report within 30 days from the date of this order.

5. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/974 dated 13 October 2017 issued post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 submitted by the school noted that, raised a question upon the genuineness of payments amounting to INR 1,03,35,640 (including INR 27,16,673 incurred on printing and stationery) appearing in the Receipt and payment Account for FY 2015-16 due to non-availability of supporting documents.

   During the review of ledger accounts for printing & stationery for FY 2016-2017, it was noted that the school had spent INR 42,74,174 towards printing and stationery. On examination of the supporting documents for printing and stationery expenses provided by the school on sample basis, it was noted that the school had purchased various items like copier paperA4, file cover, sharpener, pen, folder cover, I-card, eraser, note book, duster, chawk, attendance register etc., which were primarily purchased from Krishna Enterprises, Apex systems, D Pradeep and Co. etc. and it was also noted that most of the purchases were done by the school in cash. Following were noted in respect of printing and stationery expenses:

   - On examination of the invoices of Krishna Enterprises, it was noted that the vendor issued 11 invoices to the school from 2 January 2016 to 31 March 2016 totalling to INR 10,62,694, which were recorded by the school on 1 April 2016. The school has recorded all the invoices issued by the vendor with a delay ranging from 2 days to 90 days in the subsequent financial year. Even through on the invoices, the receipt date was mentioned as 1 April 2016, however, the school could not justify the reason for recording previous year's invoices in subsequent financial year.

   - Further, on compilation of materials procured by the school from this vendor, it was noted that the school purchased excessive number of Exam sheets, Diary, Note Book, Sharpener, which appeared unreasonable when compared to the number of students.

For instance, invoice no. R/88 dated 22 February 2016 reflected purchase of approx. 45,000 Exam sheets from Krishna Enterprises i.e. around. 37 answer sheets per student during the year. In another instance, invoice no. R/63, R/80, R/98 and R/106 dated 16 January 2016, 06 February 2016, 02 March 2016 and 11 March 2016 respectively reflected purchase of approx. 3000 Diary from Krishna Enterprises i.e. around. 2.5 Diary per student during the year. The school had not maintained any stock record documenting therein number of items received, issued and balance. Further, reasonable justification/explanation for purchase of excessive exam sheets, diary could not be provided by the school. Thus, the genuineness of the invoices of Shree Sai Printers is questionable and actual receipt of the materials could not be validated.

- Further, out of the total printing and stationery expenses amounting to INR 42,74,174 48% of the payment were made in cash totalling to INR 20,62,654 during FY 2016-2017, hence excessive cash payments were made to the vendors.

Thus, based on the facts and grounds above including reasonability of the items procured by the school from the aforementioned vendors could not be justified on account which genuineness of the invoices of the vendors are questionable and there is a possible diversion of school funds. Thus, the amount of INR 58,42,022 (i.e. excessive payment to Krishna Enterprises of INR 10,62,694 plus stationery purchased in cash INR 20,62,654 plus INR 27,16,673 as per order dated 13 October 2017) diverted by the school in the aforementioned years 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.

6. Directorate order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 974 dated 13 October 2017 noted that the school has paid INR 5,90,500, INR 5,45,000 and INR 12,20,500 during FY 2013-2014, FY 2014-2015 and FY 2015-2016 respectively for 'Computer Hire Charges', whereas no information were provided by the school with regard to the number of computer procured and where the Computers were located.

   During the review of the computer hire charges for FY 2016-2017 it was noted that the school paid INR 12,90,000 to four different vendors (GP System, TM Systems & Co., Lakshya Digital Solutions, T & P Systems) during FY 2016-2017 for 'Computer Hire Charges'. The school submitted only the copies of Memorandum of Understanding ("MOU") for 'Computer Hire Charges' signed with the vendors in support of the expenses. The following were observed on examination of the MOUs submitted by the school:

   - From the MOU signed with 'GP System', it was noted that the MOU was executed on 31 June 2015 for a period of 3 years from 1 July 2015 to 30 May 2018 for installation of 3 computer machines in computer lab along with UPS, Keyboard, Mouse, Printer etc. The hire charges as mentioned in MOU was INR 60,500 per month . The hire charges of computers appeared unreasonably high as compared to the market price of new computers. In addition to above, the proprietor of GP System - Mrs. Gulshan Bala was also the Manager of another vendor 'T & P Systems' who also provide computer hire services to the school. Further, the address of three vendors - GP Systems, TM Systems & Co. and T & P Systems are same "B-44 Mansarovar Park, G.T Road, Shahdara, Delhi" as per the MOU's submitted by the school.

- From the MOU signed with TM Systems & Co., it was noted that the MOU was executed on 1 July 2015 for a period of 3 years from 1 July 2015 to 30 May 2018 for installation of 2 Servers/computer lab along with UPS, Keyboard, Mouse, Printer etc. The hire charge was mentioned in MOU as INR 7,000 per month
- The school did not submit complete MOU signed with Lakshya Digital Solutions, only the first page of the MOU (executed on 15 Jun 2013) was provided, based on which details regarding computer hire such as number of computers, amount paid to the vendor, contract period, etc. could not be validated.
- From the MOU signed with T & P Systems, it was noted that the MOU was executed on 1 Apr 2013 for a period of three years; however the validity period was mentioned as 1 April 2013 to 30 April 2015. Also, no details regarding number of computers, their configuration, amount payable per computer/ per month was mentioned in the MOU. Also, school did not provide any information regarding whether the MOU was extended or it got terminated after the validity period of MOU i.e. 30 Apr 2015.

Further, the school did not submit other supporting documents in relation to Computer Hire Charges recorded by the school such as ledger accounts of vendors, invoices raised and receipts issued by the vendor. Also, the school did not follow any procurement procedure for selection of any of vendor to whom such computer hire charges are paid. During personnel hearing, the school mentioned that it has been engaging with these vendors since a long time, however, no procurement process was done previously by the school for selection of these vendors.

Accordingly, in light of the observations in respect of excessive hire charges, unclear terms of hire, no procurement process followed for selection of vendors and determination of prices, expired and incomplete documents submitted by the school noted above, the transactions with GP System, TM Systems & Co., Lakshya Digital Solutions and T & P Systems does not appear to be reasonable on account of which genuineness of the same is questionable. Thus, there is a possibility that the school has diverted school funds by charging inflated expenses in its books of account.

Thus, the amount of INR 36,46,000 diverted by the school in the aforementioned years (from 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/vendor within 30 days from the date of this order.

Further, the school has budgeted an amount of INR 13,42,500 towards Computer Hire Charges during FY 2017-2018, which has not been considered as part of budgeted expenses while deriving the fund position of the school (enclosed in the later part of this order).

7. Directorate's order No DE.15/ACT/2007/5690-5710 dated 04 Oct 2007 stated "*(1) The Managing Committees of the unaided private recognized schools under the provisions of the Delhi School Education Act &. Rules. 1973 must ensure that the appointment of teachers against regular vacancies is made on regular basis after following the procedure as prescribed under Rule 96 of Delhi School Education Rules, 1973. Ad-hoc appointments shall not be made against regular posts. (2) The Managing Committees of the unaided private recognized schools must ensure that the teachers appointed in these schools are paid scales of pay and allowances. medical facilities, pension, gratuity, provident fund and other prescribed benefits strictly as per provisions of section 10(1) of the Delhi School Education Act, 1973*".

   Further, as per provisions of DSER, 1973, there is no position of ad-hoc staff (contractual) in recruitment rules for the private unaided schools and the school is not allowed to appoint, make payment to ad-hoc staff from the school funds.

   *As per section 40A(3) of Income Tax Act 1961, "Where the assesse incurs any expenditure in respect of which a payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or account payee bank draft, [or use of electronic clearing system through a bank account, exceeds ten thousand rupees,] no deduction shall be allowed in respect of such expenditure".*

   Further, Directorate's order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 974 dated 13 October 2017 issued to the school post evaluation of the fee increase proposal for FY 2016-2017 noted that guest teachers and medical staff were being paid without written contract. INR 2.42 crores were paid during the 3 years period under review. The schools failed to deduct TDS on the amount paid.

   - On examination of the salary statement for the month of January 2016 submitted by the school, it was noted that the school has 45 permanent staff and 12 computer teachers and 9 guest teachers (ad-hoc) contractual staff. Further, all the 21 contractual staff are paid salary ranging from INR 21,000 per month to INR 23,000 per month except in one instance where the salary is paid INR 16,500. From the cash-book for FY 2016-2017 and details of salary payments made available by the school, the following cash payments towards staff salaries were noted:

| Particulars | Amount |
|---|---|
| Remuneration to computer teachers | 30,00,000 |
| Salary of Non-teaching staff | 3,16,582 |
| Salary of teaching staff | 14,81,831 |
| Salary to Guest Teachers | 20,00,000 |
| **Total** | **67,98,413** |

The following were noted in respect of the (ad-hoc) contractual staff and cash payments made by the school towards staff salaries:

- The school has a regular practice of payment of salaries to staff in cash. During FY 2016-2017, the school paid INR 67.98 Lakhs in cash to the teachers, out of which INR 30 lakhs was paid to the ad-hoc computer teachers for 12 months salary (i.e. period for which teachers hired in FY 2016-2017), 20 lakhs to Guest teachers as salary for 10 months. The remaining amount of INR 17.98 lakhs pertain to payment of salaries to teaching staff and non-teaching staff in 4 months during FY 2016-2017.
- Monthly payment of all teachers to whom payment made in cash was in excess of INR 20,000 (except in one instance), which is not in accordance to section 40A(3) of Income Tax Act, 1961.
- The school has 34 sections in totality for all classes, but it is paying salary to 12 computer teachers per month, which seems unreasonably excessive number of computer teachers. During personal hearing, the school explained that the teachers were hired for operating smart class equipment.
- Contracts/ agreements with Computer teachers and documents relating to their hiring were not submitted by the school.
- No deduction of tax at source was made from the payments made by the school to the computer teachers. Further, tax deduction at source (TDS) of the staff other than computer teachers was not made evenly by the school from the salary of staff throughout the year. In this regard, it was noted that TDS was recorded on a monthly basis from Apr-June 2016, but in the subsequent nine months, no tax deducted from salaries. Though TDS was recorded as deducted from staff salaries on 31 Mar 2017.

During the personal hearing, the school informed that, as a practice, it is making payment of salaries to the contractual employees in cash.

Accordingly, this amount of INR 67,98,413 paid in cash by the school to computer teachers, guest teachers, teaching and non-teaching staff 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, as the same is not an allowable expense as per Income Tax Act, 1961 and genuineness of the computer teachers employed by the school could not be established.

The school is strictly directed not to make any payment to staff in cash. The school is also directed to comply with the relevant provisions of Income Tax Act and DSER, 1973.

Also, the school has budgeted an amount of INR 26,40,000 towards Remuneration to Computer Faculty and INR 10,00,000 towards Remuneration to Guest Teacher during FY 2017-2018, which has not been considered as allowable expenditure based on above while deriving the fund position of the school (enclosed in the later part of this order).

8. During examination of the cash book of the school for the FY 2016-2017, it was noted that the school was receiving cash regularly from a party named "M/s Manas Accounting Services"

ranging from INR 18,500 to INR 19,500 during the year FY 2016-2017. The cash book reflected 64 transactions during FY 2016-2017 of cash receipt totalling to INR 11,68,000 against which no response/justification was provided by the school regarding the nature of transactions and relationship of the party with the school. Further, the school did not provide the ledger account of 'M/s Manas Accounting Services' and supporting documents for the transactions made with this party. Hence, on account of non-submission of supporting documents and explanation by the school, nature of the transaction with Manas Accounting Services and genuineness of the same could not be determined with the possibility of routing cash transactions through the school on account of demonetisation.

The school should maintain and submit appropriate records in relation to all transactions done by the school including correct practices for revenue recognition and cash receipts from parties. The school is directed to submit complete details in relation to Manas Accounting Services including its ledger account for 3 years, supporting documents and nature of relationship with party along with its subsequent fee increase proposal as may be submitted by the school. Compliance of the same will be verified at the time of evaluation of subsequent fee increase proposal.

9. 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.

   Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/974 dated 13 October 2017 issued to the school post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 noted that there were frequent movement of funds between All India Siddhartha International Education Society and Ravi Bharati Shiksha Samiti though they were settled within the respective financial years.

   On examination of the documents submitted by the school for FY 2016-2017 and taken on record, it was noted that there was frequent movement of funds between Ravi Bharti Shiksha Samiti and the school. The school did not submit the ledger account of Ravi Bharti Shiksha Samiti for FY 2016-2017. Thus on the basis of cash-book for FY 2016-2017 submitted by the school, it was noted that school has received INR 75,60,000 from Ravi Bharti Shiksha Samiti in cash through 378 transactions of exact amount of INR 20,000. Based on the transactions noted from the cash-book, it appeared that either the school has regular practice of receiving cash in exact amount of INR 20,000 from the society and repaying the society through cheque/Bank transfer or these transactions have been routed through the school books to channel illicit cash on account of demonetisation.

   During the personal hearing, the school informed that the loan is taken by the school from the society to meet the shortfall of the school, which is settled at the end of the year. However, based on the cashbook for FY 2016-2017, it was noted that the school was maintaining high level of cash in hand; thus, the explanation of the school is untenable. Accordingly, the school is directed to immediately stop the practice of converting cash of the society into bank balance.

Compliance of the same shall be validated during evaluation of subsequent fee increase proposal as may be submitted by the school.

10. Order no. F.DE-15/ACT-1/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/13/974 dated 13 October 2017 and directed the 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 as detailed below:

| Particulars | Class | % Increase during FY 2016-2017 on fee collected during FY 2015-2016 |
|---|---|---|
| Tuition fees | Nursery to 12 | 8% to 10% |
| Exam fee | Nursery to 12 | 6% to 8% |
| Computer fees | 1 | 9% |
| | 2 to 5 | 0% |
| | 6 to 10 | 8% |
| | 11 & 12 | 7% |
| Development fee | Nursery to 12 | 9 to 10% |
| Insurance | Nursery to 12 | 8% |
| Smart class fees ^ | Nursery to KG | 100% |
| | 1 to 12 | 10% |
| Activity charges (one time) | Nursery to 12 | 10% |
| Web Services and RFID* | Nursery to 12 | 100% |

* The school has introduced two new heads of fee as 'Web Services' and 'RFID' from FY 2016-2017, which has been collected from students of all classes without the same being reflected in the fee structure of the school. Thus, percentage increase is mentioned as 100%.

^ The school has started charging Smart class fee from the students of Nursery to KG classes from FY 2016-2017 based on the fee collection register submitted by the school, while the same was not even mentioned in the fee structure of the school for FY 2016-2017.

The school has not adjusted/refunded the increased fee collected from students during FY 2016-2017, which was in contravention of the aforementioned order and directions therein. Based on the information provided by the school, it has collected this increased fee during FY 2017-2018 also.

During the personal hearing, the school informed that the increased fee will be adjusted from the fee collection of FY 2018-2019. However, quantification of total amount of increased fee collected by the school during FY 2016-2017 was not provided by the school. For determining the amount of fee increased by the school during FY 2016-2017, actual fee collected (based on fee collection register) from students during FY 2016-2017 and fee structure provided by the school for FY 2015-2016 was compared. Based on the details of number of students provided by the school for FY 2016-2017 and the fee increase made by the school, total amount of fee increase (including smart class, but excluding Web Services and RFID) has been estimated as INR 62,64,259, which has been collected from students beyond the approved fee for FY 2016-2017, which is yet to be refunded/adjusted by the school.

It was also noted that the school started collection of two new earmarked levies as 'Web Services' and 'RFID' from all the students from FY 2016-2017. Thus, collection of 'Web Services' and 'RFID' from students has resulted in indirectly increasing the fee during FY 2016-2017 that resulted in non-compliance of the direction given by the Directorate of not increasing the fee during FY 2016-2017. Based on the audited financial statements for FY 2016-2017, it was noted that the school collected additional amount of INR 16,40,000 on account of these new levies during FY 2016-2017.

Accordingly, the school is directed to refund/adjust the increased fee of INR 62,64,259 and 'Web Services' and 'RFID' of INR 16,40,000 collected from students during FY 2016-2017 immediately and submit evidence for the same to the Directorate within 30 days from the date of this order. Also, the school is strictly directed not to collect increased fee from students or introduce new heads of fee in future without prior approval of the Directorate. Further, fee/ income without including the amount of increased fee and new heads of earmarked levies has been considered for deriving the fund position of the school (enclosed in the later part of this order).

11. Incomes (fee collected from students) reported in the audited Income and Expenditure Account for FY 2016-2017 were recomputed to evaluate the accuracy of incomes reported based on the approved fee structure of the school and details of number of students enrolled (non-EWS) provided by the school. Basis the computation prepared, differences were noted in the fee collection reported by the school during FY 2016-2017 in its audited Income & Expenditure Account and amount of fee arrived/computed as per details provided by the school as under:

| Particulars | As per Income & Expenditure A/c (A) | Computed figure based on details provided by school (B) | Derived Difference (C= B-A) |
|---|---|---|---|
| Tuition fees | 4,58,21,011 | 5,30,00,880 | (71,79,869) |
| Annual charges | 4,48,970 | 4,59,600 | (10,630) |

| Particulars | As per Income & Expenditure A/c (A) | Computed figure based on details provided by school (B) | Derived Difference (C= B-A) |
|---|---|---|---|
| Development Fee | 64,95,375 | 81,22,044 | (16,26,669) |

Reasonable justification for the differences noted above could not be provided by the school. Thus, the school is directed to perform the a detailed reconciliation of the amount collected/income from students and the income that should have been recognised based on the fee structure and number of students enrolled by the school. The above indicates a possibility of misappropriation of school funds and under-reporting of income. Compliance of the same shall be validated during evaluation of subsequent fee increase proposal as may be submitted by the school.

**B. Other Discrepancies**

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

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

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

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

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

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

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

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, Insurance Medical, Exam Fee, Activity charges, Computer Fees, Web & RFID Service and Smart Class Fee from students during FY 2016-2017. However, the school has not maintained separate fund accounts for these earmarked levies and 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. This was also mentioned in Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/974 dated 13 October 2017 issued to the school post evaluation of the fee increase proposal for FY 2016-2017. Details of calculation of surplus/deficit for FY 2016-2017 is given below:

| **Earmarked Fee** | **Income (INR)** | **Expenses (INR)** | **Surplus/ (Deficit) (INR)** |
|---|---|---|---|
| | **A** | **B** | **C=A-B** |
| Transport fees | 18,98,185 | 36,55,400 | (17,57,215) |
| Insurance Medical | 14,93,835 | 15,45,900 | (52,065) |
| Exam Fee | 12,57,860 | 23,55,210 | (10,97,350) |
| Activity Charges ^ | 11,21,973 | - | 11,21,973 |
| Computer Fee * | 31,02,830 | 93,30,755 | (13,50,015) |
| Web Services * | 10,91,650 | | |
| RFID * | 5,48,350 | | |
| Smart Class fee * | 32,37,910 | | |

* Though the school charges separate earmarked levies from students on these heads, it has not maintained separate details regarding expenditure incurred against the same and provided consolidated expenses against these levies.

^ The school collects this fee one-time at the time of admission from students. The school did not submit details/breakup of expenses incurred against the earmarked levy 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 Exam fee, insurance medical, Smart Class fee 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 Exam fee, Smart Class fee, medical insurance and details provided by the school in relation to expenses incurred against the same, the school should not charge such fee as earmarked fee with immediate effect and should incur the expenses relating to these from tuition fee and annual charges, as applicable collected from the students.

Further, the school is collecting one-time charges ranging from INR 3,410 to INR 12,100 (under the aegis of 'Activity fee') from all students at the time of admission. The school explained that this fee has been utilised for function and Programmes, Sports and cultural activity and science Exhibition. The purpose mentioned by the school for which the fee has been used relates to Annual charges, which should be met out of tuition fee and not collected as earmarked levy. Thus, the school should stop collecting this fee within immediate effect.

Also, it was noted that the school started collecting new earmarked levy as 'Web Services' and 'RFID' from all the students from FY 2016-2017, which resulted in indirectly increasing the fee during FY 2016-2017 and thus, a non-compliance of the direction given by the Directorate of not increasing fee. Refer financial finding no 10 for details.

The school is hereby directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from students. Unintentional surplus/deficit, if any, generated from earmarked levies has to be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Also, the school should evaluate costs incurred against the earmarked levy and propose the revised fee structure for earmarked levy during subsequent proposal for enhancement of fee ensuring that the proposed levy is calculated on no-profit no-loss basis. The school is also directed not to include fee collected from all students as earmarked levies and incur the same from tuition fee/ annual charges, as applicable and stop collecting one-time fee from students at the time of admission with immediate effect.

2. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/974 dated 13 October 2017 issued post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 noted that fee received in cash was kept with the principal and not deposited in Bank account of school, which violates sub-rule (4) of Rule 173 of Delhi Education rules, 1973.

   On analysis of the cash-book submitted by the school for the months of April 2016 and May 2016, it was noted that cash maintained at the school exceeded more than INR 74.77 Lakhs in April 2016 and INR 54.24 Lakhs in May 2016. It is apparent from the cash-book that the school is still maintaining huge balance of cash in hand, and has not complied with the directions of the directorate included in the order dated 13 October 2017.

   The above balance of cash in hand seem unreasonable and unrealistic considering the fee collection and expenses of the school with the possibility of misuse of the same by the school management, as keeping excessive cash in hand makes no business sense. The school is instructed to deposit the entire balance of cash in hand in a bank account in the name of the school and initiate the process for collection of fee through digital medium and/or deposit fee received in cash in bank on same/subsequent day of receipt. Compliance of the same will be validated at the time of evaluation of subsequent fee increase proposal.

3. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/974 dated 13 October 2017 issued to the school post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 noted that the school is not maintaining fixed assets register location-wise and no unique identification numbers are mentioned on these assets purchased. Further, Periodical physical verification of fixed assets was not conducted by the school to reconcile the assets with the books.

   On examination of the Fixed Assets Register (FAR) provided by the school and taken on record, it was noted that it only captures asset name, date of purchase, 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.
   Further, physical verification of fixed assets was not done by the school.

   During the personal hearing, school mentioned that it will make recommended changes from FY 2018-2019 onwards. Accordingly, 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.

4. Order No. F. DE-15/ACT-I/WPC-4109/PART/13/974 dated 13 October 2017 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school was not following proper procurement process.

   The school did not submit any documents relating to any procurement process carried by the school during the FY 2016-2017 including documents such as request for quotations/proposals, quotations, comparative statements, approval of procurement committee, etc.

   Accordingly, the school is directed to define and follow proper procurement process and maintain proper documentation in relation to procurements and purchases done by the school. Compliance of the same shall be validated at the time of evaluation of subsequent fee increase proposal.

5. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/974 dated 13 October 2017 issued to the school post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 noted that no stationery stock records (register, requisitions and issuance of stationery) were maintained by the school.

During the personnel hearing the school informed that the stationery and computer items are used for the purposes of the school, which are purchased and issued as and when required and thus, stock records are not maintained by the school.

Accordingly, based on the explanation provided by the school, it is directed to prepare proper stock register so as to have proper control over stationery purchased. Compliance of the same shall be validated at the time of evaluation of subsequent fee increase proposal.

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 not recording the provision for retirement benefits in its books of account and financial statements. During personal hearing, the school confirmed that it is paying retirement benefits to its staff at the time of retirement/resignation in accordance with the provisions of the law of the land.

   Also, it was noted that the school has not deposited any amount in investments that qualify as 'plan-assets' under Accounting Standard 15 to protect the statutory liability towards staff.

   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 determined by the actuary in investments that qualify as 'plan-assets' in accordance with Accounting Standard 15 within 30 days from the date of this order.

   In absence of actuarial valuation report and non-deposit of any amount in investments made in plan-assets, no amount has been considered while deriving the fund position of the school (enclosed in the later part of this order)

7. As per the affiliation bye-laws prescribed by Central Board of Secondary Education (CBSE), there should be 1.5 teacher per section to teach various subjects. Information relating to teaching staff, students enrolled and sections were obtained from the school and included in table below.

| Particulars | Number |
|---|---|
| No. of Section (all classes) {A} | 34 |
| Teaching staff during FY 2016-2017 {B} | 33 |

| Particulars | Number |
|---|---|
| No. of teachers as prescribed by CBSE (No. of sections X 1.5) {C=A*1.5} | 51 |
| Derived understaffing at school (basis CBSE norms) {D=B-C} | -18 |
| Derived Teacher-Section Ratio {E=B/A} | 0.97 |

The above calculations indicate that the school has a Teacher-Section Ratio of 0.97, which is much lower than the ratio prescribed by CBSE.

During the personnel hearing the school informed that, the school has appointed additional part time (guest) teachers from the society, who are directly being paid from the society. Hence, the ratio may vary.

The school should ensure to have adequate teacher section ratio as prescribed by CBSE and ensure that the quality of education is not compromised.

8. 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.*"

   Further, Clause 3 and 4 of Order no. DE/15/150/Act/2010/4854-69 dated 9 Sep 2010 states "*In case of those ex-students who have not been refunded the Caution Money/Security Deposit, the schools shall inform them (students) at their last shown address in writing to collect the said amount within thirty days. After the expiry of thirty days, the un-refunded Caution Money belonging to the ex-students shall be reflected as income for the next financial-year & it shall not be shown as liability. Further, this income shall also be taken into account while projecting fee structure for ensuing Academic year.*"

   The following were noted in Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/974 dated 13 October 2017 issued to the school post evaluation of the fee increase proposal for FY 2016-2017:

   - Caution money had not been deposited in a separate bank account
   - Caution money refunded without any interest thereon, which was violation of Clause 3 of Public notice dated 04 May 1997.

- The school is not treating the un-refunded money as income in the next financial year after the expiry of 30 days.

From the audited financial statements for FY 2016-2017, it was noted that the school transferred the entire amount of caution money payable as on 31 Mar 2017 as income in FY 2016-2017 including the caution money belonging to the students who were studying in the school as on 31 Mar 2017 and thereafter.

During the personal hearing, school mentioned that it has not refunded any caution money to the students leaving the school and the total amount of un-refunded caution money has been transferred to income during FY 2016-2017.

The school is directed to reverse the amount of caution money payable of INR 11,28,500 to the students, which has been erroneously recorded as income by the school during FY 2016-2017 and refund the same to the students who have left the school by sending written communication at their addresses. In case, the students do not claim the same, then record the unclaimed amount of caution money as per directions issued by the Directorate.

Accordingly, total amount of INR 12,39,500 (balance of INR 1,11,000 as on 31 Mar 2017 and INR 11,28,500 transferred to income during FY 2016-2017) has been considered as caution money payable and adjusted while deriving the fund position of the school (enclosed in the later part of this order). Compliance of the same will be validated at the time of evaluation of subsequent fee increase 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 genuineness and transparency of the financial transactions reported by the school in its financial statements cannot be validated as substantial expenses were incurred in cash by making multiple cash payments (including on holidays and weekends), payments made to a transport company owned by the members of school management without following proper procurement procedures by signing an agreement with unclear terms and cash payments on daily basis, substantial supporting documents not supplied by the school to evaluate its expenses, excessive purchases of stationery and computer hire charges, high cash balance maintained by the school, salary payments of more than INR 20,000 (the allowable limit as per Income Tax Act, 1961) made to staff, unexplained cash receipts, conversion of cash of society, etc.

ii. Though the reliability of the financial statements of the school is questionable based on point i. above, fund position of the school is prepared provisionally, based on which the estimated total funds available for the year 2017-2018 amount to INR 10,34,11,882 out of which cash outflow in the year 2017-2018 is estimated to be INR 6,60,59,690. This results in net surplus of INR 3,73,52,192. Thus, the school is engaging in commercialisation and profiteering. 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) | 6,08,848 |
| Investments (Fixed Deposits) including accrued interest as on 31 March 2017 (as per audited financial statements of FY 2016-2017) | 2,88,319 |
| **Total Liquid Funds Available with the School as on 31 Mar 2017** | **8,97,167** |
| Add: Estimated Fees and other income for FY 2017-2018 based on audited financial statements of FY 2016-2017 of the school [Refer Note 1] | 5,98,22,967 |
| Add: Recovery of amount paid to 'S.R.C Amvee Tours & Travels Pvt. Ltd' [Refer Financial Finding No. 1] | 87,06,400 |
| Add: Recovery of amount paid to 'Priyanka Communication' [Refer Financial Finding No. 2] | 18,73,129 |
| Add: Recovery towards assets purchased by the school without reporting the same in its financial statements [Refer Financial Finding No. 3] | 2,38,77,344 |
| Add: Recovery on account of amount paid to 'Kasana Nursery' [Refer Financial Finding No. 4] | 10,92,200 |
| Add: Recovery towards excessive Printing and stationery paid by the school [Refer Financial Finding No. 5] | 58,42,022 |
| Add: Recovery towards excessive Computer Hire charges paid by the school [Refer Financial Finding No. 6] | 36,46,000 |
| Add: Cash payment of Salary not in accordance to section 40A(3) of Income tax Act, 1961 [Refer Financial Finding No. 7] | 67,98,413 |
| **Gross Estimated Available Funds for FY 2017-2018** | **11,25,55,641** |
| Less: Refund/adjustment of excess fee collected by the school during FY 2016-2017 (as per audited financial statements of FY 2016-2017) [Refer Financial Finding No. 10] | 62,64,259 |
| Less: Adjustment/Refund of fee collected against new heads of 'Web Services' and 'RFID' during FY 2016-2017 [Refer Financial Finding No. 10] | 16,40,000 |
| Less: Development Fund [Refer Note 2] | - |
| Less: Staff Retirement Benefits [Refer Other Finding No. 6] | - |
| Less: Caution Money balance as on 31 Mar 2017 [Refer Other Finding No. 8] | 12,39,500 |
| **Net Estimated Available Funds for FY 2017-2018** | **10,34,11,882** |
| Less: Budgeted Expenses for FY 2017-2018 [Refer Note 3] | 5,26,26,724 |
| Less: Arrears of salary as per 7th CPC for the period Jan 2016 to Marc 2018 (as per the computation of 7th CPC submitted by the school) | 1,34,32,966 |
| **Estimated Surplus** | **3,73,52,192** |

**Notes:**

1. Fee and income as per the audited financial statements of FY 2016-2017 have been considered with the assumption that the amount of income during FY 2016-2017 will at least accrue during FY 2017-2018, but after adjustment of INR 62,64,259 towards increased fee collected during FY 2016-

2017 and new earmarked levies in the name of 'Web & RFID services' collected from students of INR 16,40,000 during FY 2016-2017, which are to be adjusted/refunded to the students as per Financial Finding No. 10 during FY 2017-2018 (included as income in the audited financial statements of FY 2016-2017).

2. The school has not complied with the requirements of clause 14 of order no.F.DE./15 (56)/Act/2009/ 778 dated 11 Feb 2009 as it is not maintaining depreciation reserve and is not doing proper accounting of development fund. Thus, no amount has been considered towards the same. Also, refer Financial Findings No. 3 and 4.

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 9,46,09,711 (including 7th CPC arrears from Jan 2016 to March 2018 of INR 78,43,594), which in some instances was found to be unreasonable/ excessive. Based on the explanations and details provided by the school during personal hearing, some of the expenses heads as budgeted were considered, while other expense heads were restricted to 110% of the expense incurred during FY 2016-2017 giving consideration to general rise in cost/inflation and especially because FY 2017-2018 is the year of implementation of 7th CPC where additional financial burden of increased salary of staff is already there. 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 |
|---|---|---|---|---|---|
| Salaries and wages including Non teaching Staff | 2,73,61,038 | 4,34,98,017 | 2,73,61,038 | 1,61,36,979 | The school has budgeted excessive salary, hence the salary arrears (from Jan 2016 to Mar 2018) against 7th CPC, based on computation of salary submitted by the school has been considered separately in the fund position table. Thus, the excess amount of salary and budgeted arrears have not been allowed. However, impact on increase on PF budgeted by the school has been allowed. |
| Arrears of Salary | - | 78,43,594 | - | 78,43,594 | |
| PF | - | 8,84,000 | 8,84,000 | - | |
| Rental paid and other expenses, if any | 36,55,400 | 36,00,000 | - | 36,00,000 | Refer Financial Finding No. 1 |
| Remuneration To Computer Faculty | 30,00,000 | 26,40,000 | - | 26,40,000 | Refer Financial Finding No. 7 |
| Salary To Guest Teacher | 20,00,000 | 10,00,000 | - | 10,00,000 | Refer Financial Finding No. 7 |
| Computer Hire Charges | 12,90,000 | 13,42,500 | - | 13,42,500 | Refer Financial Finding No. 6 |

| Particulars | FY 2016-2017 | FY 2017-2018 | Amount Allowed | Amount Disallowed | Remarks |
|---|---|---|---|---|---|
| Educational Expenses | 37,61,695 | 50,00,000 | 41,37,865 | 8,62,136 | No reasonable justification/ explanation was provided for such increase in the expense as compared with the expense incurred for same items during FY 2016-2017. Thus, expense incurred during FY 2016-2017 with an increase of 10% towards inflation has been considered. |
| Miscellaneous expenses | 18,15,656 | 31,45,000 | 19,97,222 | 11,47,778 | |
| Black Board | - | 6,00,000 | - | 6,00,000 | Refer Financial Finding No. 3 |
| Furniture & Fixtures | - | 60,00,000 | - | 60,00,000 | Refer Financial Finding No. 3 |
| Plants & Flower Pots | - | 8,10,000 | - | 8,10,000 | Refer Financial Finding No. 4 |
| **Total** | **4,28,83,789** | **7,63,63,111** | **3,43,80,125** | **4,19,82,987** | |

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.

iii. 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.

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. Also, school should discontinue charging compulsory earmarked levies from all students.

And whereas Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India 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 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 qualify as 'plan-assets' in accordance with Accounting Standard 15 within 30 days from the date of this order.

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 record all additions to the fixed assets in the books of accounts and ensure that its financial statements give a true and fair view of all assets and liabilities. The school is also, required to post necessary rectification entries relating to development fund, fixed assets and depreciation reserve to comply with the accounting treatment indicated in the Guidance Note. Further, the school is directed not to levy development fee more than 15% of the tuition fee and not to collect development fee from students until it complies with the directions included in this regard in this order.

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 exist (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings which were noted (appropriate instructions against which have been given in this order), the funds available with the school for implementation of recommendations of 7$^{th}$ 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 7$^{th}$ 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 for enhancement of fee for session 2017-2018 of **Siddharth International Public School (School ID-1106196), Pkt-B East of Loni Road, New Delhi - 110093** 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 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 rejection of fee increase proposal of the school by the Directorate of Education.

4. 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).

5. 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.

6. 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.

7. 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
Siddharth International Public School,
School ID 1106196
Pkt-B East of Loni Road, New Delhi-110093

No. F.DE.15( 3/0 ) / PSB / 2019 / 1595 - 1599 Dated: 05/04/19

**Copy to:**

1. P.S. to Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. P.A. to Spl. Director of Education (Private School Branch), Directorate of Education, GNCT of Delhi.
4. DDE concerned
5. DDE (District) concerned is directed to inspect the relevant records and documents including verification of goods/services procured from Kasana Nursery and submit its report within 30 days from the date of this order.
6. Guard file.

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