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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(267) / PSB / 2019 / 1350 - 1354 Dated: 29/03/2019

ORDER

WHEREAS, this Directorate vide its order No. DE.15 (318)/PSB/2016/19786 dated 17 Oct 2017 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:-

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

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

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

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AND WHEREAS, the Hon'ble Supreme Court in the above said Judgment also held that under section 17(3), 18(4) 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-1106235), Dilshad Garden, New Delhi-110095** 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 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 10 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:

. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/947 dated 4 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 had contracted a company named "S.R.C. Amvee Tours & Travels Pvt. Ltd." by entering into an agreement dated 1 Apr 2013 for period of 5 years for providing the transportation service to the students of the school. However, the terms and conditions of the service were not clearly laid out in the agreement with the company, as the same did not state the value of service and on what basis the company will raise bills. Further, due to ambiguous terms and conditions, the invoices raised by the transporter could not be verified for accuracy. Also, on examination of the financial statements, it was noted that the expense on transportation charges increased exponentially in FY 2014-2015 and onwards.

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, East of Loni Road).

- The transportation agreement was signed by the Principal of Siddharth International Public School, East of Loni Road on behalf of the Company in the capacity of Director of the Company.
- The agreement entered for the period 1 Apr 2013 to 31 Mar 2018 did not mention about the number of vehicles hired and the rate per vehicle, instead it was mentioned as "provide commercial vehicle(s)" and "on the rates accepted" respectively.
- 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, East of Loni Road also provided the copies of the registration certificates for the same vehicles in respect of the vehicles used for transportation of students by that school.
- Additionally, the school submitted details of routes and students using the transport facility during FY 2016-2017. Based on the details, each vehicle is operating on two routes. 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 19.48 lakhs and made cheque payments of INR 15.80 lakhs after deduction of tax at source of INR 72,000. The school did not submit copy of its bank statement to validate if these cheque payment were made through account payee cheques or bearer cheques. Also, the school did not submit any receipt against cash payments made by it.
- The company did not levy service tax in any of the 192 invoices raised by it and service tax number was also not mentioned on the invoices. Tax at source (TDS) was not deducted by the school from each invoice recorded by the school instead TDS was recorded on a monthly basis from Apr-July 2016 and for the remaining eight months, tax was deducted only on 31 Mar 2017.
- Based on the cash book submitted by the school for FY 2016-2017, it was noted that cash payments were even made to the transporter on Sundays, Summer/Winter vacations and other holidays.
- The students availing transportation services have reduced year on year from FY 2013-2014 (with an exception of FY 2015-2016, where the numbers increased marginally), whereas payments made to the company increased multifold from FY 2013-2014 to FY 2016-2017. Details of no. of students, amount of fee collected and transportation expenses are enclosed below:

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Financial Year	Students availing transport facility	Amount collected from students (INR)	Total Transport Expenses (INR)
2013-2014	91	11,00,000	11,00,000
2014-2015	80	12,00,000	29,93,620
2015-2016	86	13,10,000	42,66,000
2016-2017	78	14,40,000	47,16,000
Total		**50,50,000**	**1,30,75,620**

- Based on the above, the school paid 3 times more to the Company than the amount collected from students by the school during FY 2016-2017, as the school collected INR 14,40,000 as transport fee from students against which the school paid INR 47,16,000 to the Company. From the records submitted by the school, 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 5,038 per student per month (i.e. INR 47,16,000/ 78 students/ 12 months) has been derived, which is excessive.
- The school has also given an advance of INR 6,50,000 to the Company, while there was no requirement for making such payment as per the agreement signed with the Company, which was explained by the school as security deposit with the Company. Hence, payment of such security deposit could not be justified.
- Further, on examination of the ledger account of 'bus hire charges' for FY 2016-2017, expenses for bus hire from other transporters - 'Vaishali Travels' and 'Y.K. Travels' of INR 2,76,000 (INR 23,000 per month) and INR 8,40,000 (INR 70,000 per month) respectively were noted. However, the school did not provide any detail/ supporting documents including ledger accounts in relation to these transporters. These expenses are included in the 'Total Transport Expenses' mentioned in table above.

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 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 Managing Committee members in the Company, agreement without any price and payment terms, no procurement process done before selecting the Company, invoices raised on almost daily basis including on holidays, no service tax charged, heavy 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, buses used for transport not in the name of the company, etc. Payments also made to additional transporters, no details against whom were provided. Thus, total expenses recorded by the school in respect of transportation have been disallowed, as the same is not justified with adequate supporting documents.

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Accordingly, the amount of INR 1,37,25,620 (i.e. total expense of INR 1,30,75,620 plus security deposit of INR 6,50,000) 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 adequate supported and justified.

2. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/947 dated 4 October 2017 issued to the school post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 noted that an amount of INR 5.29 lakhs was paid/payable to Priyanka communication, however, original bills issued by the party were not made available for verification. The payments were stated to have been made for advertisements in the newspaper clipping, etc., but the same could not be made available for verification.

   The school submitted ledger accounts and copies of journal vouchers relating to Priyanka Communication for FY 2016-2017, which were taken on record. From the submissions, it was noted that the school paid INR 5.23 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:

   - Only ledger account of vendor and copies of the journal vouchers (printed from Tally) were provided by the school, but supporting invoices of the vendor were not provided by the school for FY 2016-2017 and previous year(s).
   - On examination of the ledger account, it was noted that payments totalling to INR 2,67,300 were made through bank. However, the school has made multiple payments in cash to Priyanka Communication of INR 18,000 in 14 instances amounting to INR 2,52,000 from 1-14 June 2016. One single amount of INR 4,410 was also paid in cash to the vendor on 15 June 2016. The school could not produce any cash receipt from the vendor.
   - The school could not provide any justification for the expenses recorded in the books of account, further, supporting documents such as newspaper clipping could be provided by the school. Thus, the genuineness of the invoices of Priyanka communication is questionable.
   - Further, the school did not deduct any TDS from the amount paid to the vendor during FY 2016-2017.
   - 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 funds. Thus, the total amount of INR 10,52,710 (expense of previous year of INR 5,29,000 plus expense of INR 5,23,710 for FY 2016-2017) pertaining to payments made by the school to Priyanka Communication 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.

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 Chartered Accountants of India, *"The financial statements should disclose, inter alia, the historical cost of fixed assets."*

   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 1,44,02,259 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 2,42,525. 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 493 student chairs and desks, 174 teacher chairs-desks-tables, 340 stools, 268 wooden bench and 34 office chairs and tables. The school did not submit details of purchases made from development fund for FY 2013-

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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 3 to 40 per purchase. During FY 2016-2017, it was noted that the school has recorded 184 transactions in which furniture items were purchased, which appeared quite unusual. For instance, Student Chair and Desk was purchased 101 times by the school during 1 April 2016 to 5 August 2016, with quantities ranging from 4 to 6 in every purchase with amount ranging between INR 13,000 to INR 19,750. Other instance of Teacher Chair and Desk was noted, which were purchased 36 times from 8 April 2016 to 12 August 2016 with quantities ranging from 3 to 6 in every purchase with amount ranging between INR 11,800 to INR 19,400. 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 towards possible diversion of school funds. Thus, the amount of INR 1,40,27,259 (i.e. 1,44,02,259 minus payment made to Kasana Nursury of INR 3,75,000 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/ 947 dated 4 October 2017 issued to the school post evaluation of the fee increase proposal for FY 2016-2017 also noted that the school had not created the depreciation reserve and no separate bank account for development fund was maintained by the school. The school was directed to prepare depreciation reserve and maintain a separate bank account for development fund and transfer interest earned on the same to development fund.

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.

The school is directed to comply with the directions with regard to deposit of development fund in 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 expenditure on purchase of a plants and flower pots of INR 3,75,000 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 relates to 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 55,900, which did not bear any contact number of the vendor. Further, handwriting in the invoices submitted by the school for Kasana Nursery was similar to the handwriting in the invoices of other parties such as 'Ravinder General Store', 'New India Stationers' and 'Delhi Men Power Service' (based on comparison of sample invoices of these parties submitted by the school).
- 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. Thus, genuineness of these bills and those of other vendors is questionable and all these invoices appeared to have been fabricated.
- During the review of the ledger it was noted that the school has made payment to Kasana Nursery in cash ranging from INR 12,850 to INR 20,000 in 20 instances amounting to INR 3,75,000 during FY 2016-2017. However, in relation to other vendors complete details were not provided by the school to assess complete financial impact.
- The school was asked to submit relevant documents to substantiate the authenticity of the expenditure including the ledger accounts and complete supporting documents

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of all the vendors named above. However, the school did not submit any documentation regarding the same other than the initial set of documentation submitted by the school.

Thus, based on the available facts and grounds above, reasonability of the items/services obtained by the school from the aforementioned vendors could not be justified on account which genuineness of the expenses recorded in the books of account in relation to aforementioned vendors is questionable with possible diversion of funds. Based on the limited information available, the amount quantified in relation to the vendors named above is as under:

Vendor Name	Expense Description	Amount (INR)
Kasana Nursery	Purchase of flowers, plants and pots	3,75,000
Ravinder General Store	Sport kits and goods	52,100
New India Stationers	Stationery items	74,700
Delhi Men Power Service	Security and Book keeping	1,70,000
Total		**6,71,800**

Accordingly, the amount identified pertaining to the above vendors totalling to INR 6,71,800 based on sample of invoices submitted by the school, 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 within 30 days from the date of this order.

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

5. From the financial statements of the school for FY 2016-2017, it was noted that the school had spent INR 25,69,435 on Printing and Stationery during FY 2016-2017 towards which supporting documents were called from the school against which school submitted ledger account of printing and stationery and 4 invoices of a vendor, which were taken on record. On examination of the supporting documents submitted by the school, it was noted that the school had purchased stationery items such as Stock registers, Files, A4 paper, Master register, file cover etc.

   On examination of the ledger account of 'printing and stationery' for FY 2016-2017, it was noted that payment to the printing and stationery vendors were made in cash in 78 instances, where in most of the payments were around INR 15,000 to INR 20,000.

   Further, similarity in handwriting in the 4 Invoices (all pertaining to April 2016) of 'New India stationers' was noted with the invoices other vendors like 'Kasana Nursery' and 'Ravinder General Store'. Also, the invoices of 'New India Stationers' did not include any contact/ phone number and TIN. Also, the school did not submit stock records in relation to receipt and utilisation of stationery items. Thus, the genuineness of the invoices of New India Stationers could not be verified.

In absence of the complete information regarding the printing and stationery, the amount of the 4 invoices submitted by the school has been quantified and considered in financial finding no. 4 with the instruction to the school to recover this amount from the Society within 30 days from the date of this order.

6. Directorate order No DE.15/ACT/2007/5690-5710 dated 04-10-2007 stated that "*(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".

From the salary statement for the month of April 2017 submitted by the school, it was noted that the school has 33 permanent staff and 17 (ad-hoc) contractual staff. Further, all the 17 contractual staff are 'Computer Teachers' whose salary range between INR 22,500 per month to INR 25,000 per month. From the cash book for FY 2016-2017 and details of salary payments made by the school, the following cash payments towards staff salaries were noted:

Date of Payment	Nature of Staff	Amount Paid (INR)
30-Apr-16	Computer Teachers	4,05,000
31-May-16	Computer Teachers	4,05,000
31-Jul-16	Computer Teachers	4,05,000
31-Aug-16	Computer Teachers	4,05,000
30-Sep-16	Computer Teachers	4,10,000
07-Oct-16	Teaching staff	5,08,307
07-Oct-16	Non-teaching staff	72,410
31-Oct-16	Computer Teachers	4,10,000
07-Nov-16	Teaching staff	5,44,252
07-Nov-16	Non-teaching staff	97,769
30-Nov-16	Computer Teachers	41,000
07-Dec-16	Teaching staff	5,50,409

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Date of Payment	Nature of Staff	Amount Paid (INR)
07-Dec-16	Non-teaching staff	71,681
30-Dec-16	Computer Teachers	4,10,000
30-Jan-17	Computer Teachers	4,10,000
28-Feb-17	Computer Teachers	4,10,000
31-Mar-17	Computer Teachers	4,10,000
	Total	**59,65,828**

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 59.65 Lakhs in cash to the teachers, out of which INR 41.21 lakhs was paid to the ad-hoc computer teachers for 11 months salary (i.e. period for which teachers hired in FY 2016-2017). The remaining amount of INR 18.44 lakhs pertain to payment of salary to teaching staff and non-teaching staff in 3 months during FY 2016-2017.
- Monthly payment of all teachers to whom payment made in cash was in excess of INR 20,000, which is not in accordance to section 40A(3) of Income Tax Act, 1961.
- The school has 26 sections in totality for all classes, but it is paying salary to 17 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 eight months, no tax deducted from salaries. Though TDS was recorded as deducted from staff salaries on 31 Mar 2017.
- The school did not deduct and deposit PF and ESI of the computer teachers. The school was deducting PF of principal only.

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 59,65,828 paid in cash by the school to computer 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.

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Also, the school has budgeted an amount of INR 35,00,000 as 'Remuneration to Computer Faculty' 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).

7. 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" in exact multiples of INR 20,000 during the year FY 2016-2017. The cash book reflected 38 transactions during FY 2016-2017 of cash receipt totalling to INR 7,60,000 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.

8. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/947 dated 04 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 respective financial years.

   During the review of the documents submitted by the school and taken on record it was noted that, there has been frequent movement of funds between Ravi Bharti Shiksha Samiti and the school. On examination of the ledger account of Ravi Bharti Shiksha Samiti for FY 2016-2017, it was noted that school has received INR 48,63,000 from Ravi Bharti Shiksha Samiti, out of which INR 7,71,000 was received in cash (in 37 instances exact amount of INR 20,000 was received). Based on the transactions reported in the ledger account, it appeared that the school has regular practice of receiving cash in exact multiples of INR 20,000 from the society and repaying the society through cheque/Bank transfer.

   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.

9. 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/13/947 dated 4 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 10	9% to 32%
Exam fee	Nursery to 10	6% to 8%
Computer fees	1 to 10	8% to 31%
Development fee	9	2%
	10	6%
Insurance	Nursery to 10	8%
Smart class fees, Transport and Activity charges (one time)	Nursery to 10	10%
Web Services and RFID*	Nursery to 10	100%

* The school has introduced two new heads of fee as 'Web Services' and 'RFID' from FY 2016-2017. Thus, percentage increase is mentioned as 100%

   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 continued to collect 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. The school submitted a summary of class-wise and per-student wise increased fee collected during FY 2016-2017, however, quantification of the total amount of increased fee collected by the school during FY 2016-2017 was not provided by the school. Further, for indicating the amount of fee increased by the school during FY 2016-2017, it used different fee structure as compared with the actual fee collected (based on fee collection register) from students during FY 2015-2016 and did not provide reasons for the difference. Thus, the increase in fees (as reported in table above) have been estimated on the basis of fees included in the fee collection registers. 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 has been estimated as INR 39,70,145, 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 16,22,700 on account of these new levies during FY 2016-2017.

Accordingly, the school is directed to refund/adjust the increased fee of INR 39,70,145 and 'Web Services' and 'RFID' of INR 16,22,700 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).

10. Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 which states "*Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up gradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund, will be kept in a separately maintained Development Fund Account.*"

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 stated that "*Sub-Section (3) of Section 17 merely requires the manager of every recognised school whether aided or unaided to file with the Director a full statement of the fees to be levied by such school during the ensuing academic session, and, furthermore, except with the prior approval of the Director, no school shall charge during that academic session any fee in excess thereof.*"

Directorate's order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 947 dated 4 October 2017 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017 noted that the school had charged development fee in excess of 15% of the tuition fee and the school was directed not to charge the development fee unless it comply with the directions of the order of the Directorate. On review of the financial statements from FY 2013-2014 to FY 2016-2017, it was noted that the school has continued to collect excessive development fee from students of different classes ranging from 19% to 22% approx. of the tuition fees collected from students. The school did not provide details of excess amount of development fee collected from students. Thus, computation has been done based on information included

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in the audited financial statements of the school for FY 2013-2014 to FY 2016-2017 to estimate the amount of excessive development fee collected from the students in these financial years as under:

Particulars	FY 2013-2014	FY 2014-2015	FY 2015-2016	FY 2016-2017
Development fee as a percentage of tuition fee derived based on fee structure provided by school (simple average of all classes) (A)	21%	22%	23%	20%
Amount reported as Development fee collected from students pertaining to respective year (as per audited financial statements of the school) (B)	30,75,215	37,27,830	38,26,585	35,65,560
Estimated Development fee computed at 15% of tuition fee (C) = (B/A*15%)	21,55,018	25,84,470	24,54,915	26,48,164
Excess Development fee charged by the school (D) = (B) - (C)	9,20,197	11,43,360	13,71,670	9,17,396
Total Excess Development fee for the FY 2013-2014 to FY 2016-2017				**43,52,623**

During the personnel hearing, the school agreed on the excess collection of the development fee. The school also submitted a summary of excess development fee collected from class-wise and per-student wise, but the total amount to be refunded/adjusted on this account was not provided by the school.

Accordingly, the amount of excessive development fee of INR 43,52,623 collected from students during FY 2013-2014 to 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 school is strictly directed not to levy development fee more than 15% of the tuition fee. Any subsequent non-compliance will be dealt with in accordance of the provisions of section 24(4) of the Delhi School Education Act, 1973.

11. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/947 dated 4 October 2017 issued to the school post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 noted that actual fee received by the school was much below the fee receivable by the school based on the number of students enrolled and fee structure of the school, as detailed below:

Year	Fees to be received	Fees received	Difference
2013-2014	1,49,85,815	1,44,35,831	5,49,984
2014-2015	1,88,10,612	18555113	2,55,499
2015-2016	1,92,78,947	18837411	4,41,536

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

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(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	2,00,01,780	21,381,900	13,80,120
Annual charges	2,31,800	2,39,400	7,600
Development Fee	35,65,560	4,142,210	5,76,650
Exam Fees	11,12,650	11,51,700	39,050
Smart class Fees	32,29,125	33,49,500	1,20,375
Insurance Medical	14,67,650	16,44,300	1,76,650

Reasonable justification for the difference 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.

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 Web & RFID Service, Computer Fee, Smart Class Fee, Transport Fees, Activity charges, Medical and Exam from students. 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 DOE's order No. F. DE-15/ACT-I/WPC-4109/PART/13/947 dated 4 October 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
Web Service & RFID *	16,22,700	78,79,615	1,73,425
Computer Fee *	32,01,215		
Smart Class*	32,29,125		
Transport Fees	14,40,000	47,16,000	(32,76,000)
Activity charges ^	11,72,900	0	11,72,900
Medical	14,67,650	14,71,000	(3,350)
Exam	11,12,650	12,35,325	(1,22,675)

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

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^ The school collected this fee one-time at the time of admission from students and the school has not submitted 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, Smart Class fee and medical insurance 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 and 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 5,100 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 used for payment of salaries. The purpose mentioned by the school for which the fee has been used relates to establishment expenses, which should be met out of tuition fee and not collected as earmarked levy.

Also, the school has stated it was noted that the school started collecting a new earmarked levy as 'Web Services' and 'RFID' from all students from FY 2016-2017, which resulted in indirect increase of 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 9.

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/13/947 dated 4 October 2017 issued post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 submitted by the school noted that the cash maintained at the school exceeded INR 50 Lakhs for months together.

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 1.38 crores in April 2016 and INR 1.4 Crores in May 2016. This cash balance was approximately equal to half year's fee collection of the school. 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 4 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 (almost equal to the fee collection of 6 months) 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. Point 2(a) of this Directorate's Order No. F.15 (172)/DE/Act-I/2010/20109-20123 dated 30 Dec 2013 states "*school (including minority) which were allotted land by the government shall also admit children from economically weaker section in neighbourhood to the extent of twenty percent in all fresh admissions made in other classes above the entry level*".

Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/947 dated 4 October 2017 issued to the school post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 noted that the students who were provided free ship fell short of 25% during FY 2013-2014, FY 2014-2015 and FY 2015-2016.

On examination of the documents submitted by the school for newly admitted students during FY 2016-2017 and taken on record, it was noted that the EWS students fell short of 25% in all classes except Nursery. List of the new admission during the FY 2016-2017, and the percentage of EWS students admitted is mentioned in table below.

Class	New Admissions	EWS Students	% Of EWS Students
Nursery	69	17	25%
Pre Primary	25	1	4%
I	28	0	0%
II	8	0	0%
III	15	1	7%
IV	8	0	0%
V	11	0	0%
VI	20	0	0%
VII	4	0	0%
VIII	9	1	11%
IX	0	0	0%
X	0	0	0%

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Class	New Admissions	EWS Students	% of EWS Students
Total	197	20	10%

Thus, the school is directed to ensure that students from Economically Weaker Sections are admitted to the school as per the condition of land allotment, provisions of DSEA, 1973, Right to Education Act, 2009 and Directorate's directions in this regard. Compliance of the same shall be validated during evaluation of subsequent fee increase proposal as may be submitted by the school.

4. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/947 dated 4 October 2017 noted that the school made excess payment to Delhi Men Power Service who supplies the housekeeping and security guards to the school.

The school did not submit complete documents (only Tax deduction certificate in Form 16A issued to the party for FY 2015-2016, ledger account of Delhi Men Power Service for FY 2016-2017 and one invoice dated 31 Mar 2016) to validate whether it was making payment to the party as per agreed terms and conditions based on manpower supplied by the agency. Also refer, financial finding no. 4 regarding similarity of handwriting noted in the invoice of the agency with invoices of other vendors. Accordingly, the school is directed to submit the complete details including contract, supporting invoices, proof of the payment, attendance, etc. in relation to manpower service provided by the agency. Compliance of the same shall be validated during evaluation of subsequent fee increase proposal as may be submitted by the school.

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

Further, para 58(i) of the Guidance Note states "*A school should charge depreciation according to the written down value method at rates recommended in Appendix I to the Guidance Note.*"

Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/947 dated 4 October 2017 issued to school post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 noted that depreciation was charged by the school as per Income Tax Act,1961, however the same should be as per the Guidance Note 21. The school was directed to comply with the directions of GN 21.

From the financial statements of FY 2016-2017, it was noted that the school did not charge depreciation at the rates specified in Appendix I to the Guidance Note, which was a contravention of the directions issued by this Directorate. The school is directed to follow DOE

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

6. The school has prepared a Fixed Assets Register (FAR) that only captures asset name, date 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. 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.

7. 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 towards retirement benefits valued by an actuary and was not recording 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 on actual basis.

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

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/13/947 dated 4 October 2017 issued to the school post evaluation of the fee increase proposal for the academic session 2016-2017:

- School had not treated un-claimed caution money as income in the next financial year after the expiry of 30 days from the date of communication to ex-student for collecting caution money, which should have been done.
- School had not refunded interest on caution money along with refund of caution money to exiting students and was instructed to include interest earned on caution money in the refund amount.

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 7,06,500 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 7,93,000 (INR 7,06,500 as on 31 Mar 2017 and INR 86,500 collected 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.

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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), transport payments made to a 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, similarities in handwriting included in the invoices of different vendors, substantial supporting documents not supplied by the school to evaluate its expenses, unreasonably 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 6,00,27,637 out of which cash outflow in the year 2017-2018 is estimated to be INR 3,96,39,913. This results in estimated net surplus of INR 2,03,87,724. 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)	17,18,425
Investments (Fixed Deposits) including accrued interest as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	4,48,960
Total Liquid Funds Available with the School as on 31 Mar 2017	**21,67,384**
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]	3,35,65,190
Add: Recovery of amount paid to 'S.R.C Amvee Tours & Travels Pvt. Ltd' [Refer financial finding No. 1]	1,37,25,620
Add: Recovery of amount paid to 'Priyanka Communication' [Refer financial finding No. 2]	10,52,710
Add: Recovery towards assets purchased by the school without reporting the same in its financial statements [Refer financial finding No. 3]	1,40,27,259
Add: Recovery of amount paid to vendors with similar handwriting in invoices [Refer financial finding No. 4]	6,71,800
Add: Cash payment of salary not in accordance with section 40A(3) of Income tax Act, 1961 [Refer financial finding No. 6]	59,65,828
Gross Estimated Available Funds for FY 2017-2018	**7,11,75,791**
Less: Refund/adjustment of excess fee collected by the school during FY 2016-2017 [Refer Financial Finding No. 9]	39,70,145
Less: Adjustment/Refund of fee collected against new heads of 'Web Services' and 'RFID' during FY 2016-2017 [Refer Financial Finding No. 9]	16,22,700

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Particulars	Amount (INR)
Less: Refund/adjustment of excess development fee collected by the school during FY 2013-2014 to FY 2016-2017 [Refer Financial Finding No. 10]	43,52,623
Less: FDR against specific funds (FDR with DoE) (as per audited financial statements of FY 2016-2017)	4,09,686
Less: Caution Money balance as on 31 Mar 2017 [Refer Other Finding No. 8]	7,93,000
Less: Development Fund [Refer Note 2]	-
Net Estimated Available Funds for FY 2017-2018	**6,00,27,637**
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 3]	3,29,11,789
Less: Arrears of salary as per 7th CPC for the period Jan 2016 to Nov 2017 (as per the computation of 7th CPC submitted by the school)	67,28,124
Estimated Surplus	**2,03,87,724**

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 39,70,145 towards increased fee collected and Web & RFID services amounting to INR 1,622,700 during FY 2016-2017 which are to be adjusted/refunded to the students as per financial finding no 9 during FY 2017-2018 (included as income in the audited financial statements of FY 2016-2017).

2. The school as 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 same. Also, refer financial findings no. 3, 4 & 10.

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 5,17,92,066 (including 7th CPC arrears from Jan 2016 to March 2018 of INR 41,20,736), 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
Remuneration To Computer Faculty	44,90,000	35,00,000	-	35,00,000	Refer Financial Finding No. 6
Computer Stationery	6,05,075	12,97,000	6,65,583	6,31,418	No reasonable justification/ explanation was provided for such increase in the expense as compared with

Particulars	FY 2016-2017	FY 2017-2018	Amount Allowed	Amount Disallowed	Remarks
					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.
Plants & Flower Pots	3,75,000	4,00,000	-	4,00,000	Refer financial finding No. 4
Furniture & Fixtures	30,05,000	35,00,000	-	35,00,000	Refer financial finding No. 3
Total	**84,75,075**	**86,97,000**	**6,65,583**	**80,31,418**	

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 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 for enhancement of fee for session 2017-2018 of **Siddharth International Public School (School ID-1106235), Dilshad Garden, New Delhi-110095** 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.

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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 1106235
Dilshad Garden, New Delhi-110095

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F.DE.15(267) / PSB / 2019 / 1350-1354 Dated: 29/03/2019

Copy to:

1. P.S. to Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
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