

150

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13

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

No. F.DE.15 (275)/PSB/2019/1490-1494

Dated: 04/04/19

Order

WHEREAS, this Directorate vide its order No. DE.15 (318)/PSB/2016/19786 dated 17.10.2017 issued 'Guidelines for implementation of 7th Central Pay Commission's recommendations in private unaided recognized schools in Delhi' and directed that the 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, needs to submit their online fee increase proposal for the academic session 2017-18. Accordingly, vide circular no. 19849-19857 dated 23.10.2017, the fee increase proposals were invited from all aforesaid schools till 30.11.2017 and this date was further extended to 14.12.2017 vide Directorate's order No. DE.15 (318)/PSB/2016/20535 dated 20.11.2017 in compliance of directions of Hon'ble High Court of Delhi vide its order dated 14.11.2017 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 19.01.2016 in writ petition No. 4109/2013 in the matter of Justice for All versus GNCTD and others wherein it has been directed by the Hon'ble Delhi High Court that the Director of Education will ensure the compliance of conditions, if any, in the letter of allotment regarding prior approval of Director of education for the increase of fee by all the recognized unaided schools which are allotted land by DDA.

AND WHEREAS, the Hon'ble High Court of Delhi 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 27.04.2004 passed in Civil Appeal No. 2699 of 2001 titled Modern School V. 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.....*

151

.....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) of Delhi School Education Act, 1973 read 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 pursuance to order dated 23.10.2017 of this Directorate, **Arwachin International School, Pocket-B, Dilshad Garden, Delhi - 110095 (School Id: 1106262)** had submitted the proposal for increase in fee for the academic session 2017-18 including the impact on account of implementation of recommendations of 7<sup>th</sup> CPC.

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 expert Chartered Accountants at HQ level who have evaluated the fee 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 vide email dated March 27, 2018. Further, school was also provided opportunity of being heard on July 12, 2018 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 clarifications on various issues noted and inspection of the school was also carried out on October 25, 2018.

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

### **Financial Irregularities**

- I. The school is required to comply with following provisions in respect of the earmarked levies collected by it:
  - ▶ As per clause 22 of order dated 11.02.2009, the earmarked levies shall be charged from user students and on 'no profit no loss' basis;
  - ▶ As per Rule 176 of DSER, 1973, income derived from collections for specific purpose shall be spent only for such purpose;
  - ▶ As per the Judgement of Hon'ble Supreme Court of India in the case of Modern School Vs Union of India and Others, the schools being run as non-profit organizations, are supposed to follow fund-based accounting.

However, on review of the financial statements for the FY 2014-15, 2015-16 and 2016-17, it has been observed that the school has been charging earmarked levy in the name of Transport Fee from students but this is not being charged on 'no profit no loss' basis. Because the school has earned surplus from this earmarked levy. It has also been noted that the school is not following fund based accounting in respect of the earmarked levy collected by it. Therefore, the school is directed to make adjustment to General Fund for the surplus earned by the school on the earmarked levy and to follow fund based accounting.

- II. As per Section 18(4) of DSEA, 1973, income derived by Unaided Recognised School by way of fees should be utilized only for educational purposes as prescribed under Rules 176 and 177 of the DSER, 1973. However, on review of the financial statements of the school, it has been observed that the school has utilised its funds for purchase of bus by taking a loan from ICICI Bank in FY 2013-14. Upon which the school has paid Rs. 13,27,500 towards principal repayment and Rs. 2,41,722 towards interest cost on the said loan during the FY 2014-15 to 2016-17 which is not in accordance with the aforesaid provisions. Therefore, amounts paid towards principal repayment and interest thereon has been included in the calculation of fund availability of the school with direction to the school to recover this amount from the society. Further, the school is directed to make adjustment to General fund for the amount of interest charged to income and expenditure in the past three financial years. The summary of principal repayment and Interest payment during the period is as under:

(Figures in Rs.)				
Particulars	2014-15	2015-16	2016-17	Total
Principal repaid on loan taken for Purchase of bus	4,06,126	4,55,449	4,65,925	13,27,500
Interest paid on loan taken for Purchase of bus	1,31,894	82,571	27,257	2,41,722

- III. As per Clause 14 of Order No. F.DE./15(56)/Act/2009/778 dated 11 Feb 2009 and Clause 7 of Order No. DE 15/Act/Duggal.com/203/99/23033-23980 dated 15 Dec 1999 stated "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. However, on review of the financial statement of the school for FY 2015-16 to 2016-17, the following have been observed:

- a. Development Fund of Rs. 24,68,721 and Rs. 19,82,079 has been utilised for revenue expenditure for repairs of building, furniture and computer in FY 2015-16 and in FY 2016-17 respectively which is not in accordance with the provision of clause 14 of the order dated 11.02.2009. Thus, the school is directed to make adjustment to Development fund and General fund for Rs. 44,50,800 and to comply with clause 14 of order dated 11.02.2009

(Figures in Rs.)

Particulars	As per Audited FS for FY 2015-16	As per Audited FS for FY 2016-17
Repair of building	24,68,721	12,30,579
Repair of furniture	-	7,24,772
Repair of computer	-	26,728
<b>Total</b>	<b>24,68,721</b>	<b>19,82,079</b>

- b. In FY 2016-17, the fixed assets of Rs. 34,70,007 purchased out of the development fund is neither reflected on the face of financial statements nor reflected in the fixed assets schedule forming part of financial statements which indicates that the school has diverted its funds. Therefore, this amount has been included in the calculation of fund availability of the school with direction to the school to recover this amount from the society.
- IV. As per Para 99 of Guidance note on "Accounting by School" issued by ICAI, relating to restricted fund, "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.

However, on review of the financial statements of the school it has been observed that assets purchased out of the development fund were not shown as utilisation of development fund account till FY 2015-16 resulting in over statement of development fund account to the extent of development fund utilised during that period. Moreover, in FY 2016-17, the school rectified this. Since the school was showing assets at WDV therefore, the amount of depreciation which was charged by the school in the earlier years has also been reversed in order to find out correct cost of the assets. Further, the school instead of treating the aforesaid utilisation as "Deferred Income" as recommended by para 99 of the GN -21, it has reduced the WDV of fixed assets in its financial



154

statements. Therefore, the school is directed to comply with para 99 and reinstate its figures in accordance with the Guidance Note-21 issued by ICAI.

- V. The financial statements of FY 2016-17, reflect fixed assets purchased out of the development fund at the written down value (WDV) and at the same time depreciation reserve fund also appeared at the liability side. This implies that General Fund was debited twice with the amount of depreciation, first at the time of charging depreciation on fixed assets and second at the time of creating depreciation reserve fund. Thus, balance of depreciation reserve fund would form part of the General Fund because it was created out of General Fund.

**Other Irregularities:**

- I. As per DOE order No.F.DE.15/Act-I/08155/2013/5526-5518 dated 04.06.2012 as well as s.no. 18 of DDA land allotment letter, the school shall provide 25% reservation to children belonging to EWS/DG category. However, the school has not complied with above requirements in the FY 2014-15, FY 2015-16 and FY 2016-17. Therefore, concerned DDE District is directed to look into the matter. The details of total students and EWS/DG students for the FY 2014-15, 2015-16 & 2016-17 are given below.

Particulars	FY 2014-15	FY 2015-16	FY 2016-17
Total Strength	1,114	1,211	1,249
EWS Students	49	69	89
% EWS students to total strength	4%	6%	7%

- II. As per clause 18 of order no. F.DE. /15(56)/Act/2009 778 dated 11.02.2009 the school is required to refund the caution money along with bank interest to the students at the time of his/ her leaving the school. However, on review of financial statement for the FY 2014-15, 2015-16 and 2016-17, it is noted that the school has not been refunding the caution money along with interest amount to ex-students. Therefore, the school is directed to comply with clause 18 of the order dated 11.02.2009.
- III. As per the condition of Land allotment letter, the School shall not increase the rate of any fee without prior sanction of the Directorate of Education and shall follow the provisions of Delhi Education Act/ Rules, 1973 and other instruction issued from time to time. Accordingly, the Directorate of Education sought online proposals from the Schools for the FY 2016-17 which was allotted land by Land owning agencies having condition of obtaining prior approval from the Directorate of Education vide Order No. F. DE-15/Act-I/WPC-5256/16/9352/-9359 dated 16.04.2016. However, on review of the fee receipts submitted by the school and comparison of overall income of the school, it has been observed that the school had increased the Tuition Fee, Annual Charges,

55

Development Fee and Activity fee in FY 2016-17 without obtaining prior approval from Directorate of Education in contravention of the DoE order dated 16.04.2016. Therefore, the school is directed to roll back the increased fee or adjust the excess amount collected by the school against the future fee receivable from the students. The summary of increased fee is as under.

Class	2015-16	2016-17	% increase	2015-16	2016-17	% increase	2015-16	2016-17	% increase
	Tuition Fee			Annual Charges			Development Fee		
Class I-3SE I	7,260	8,500	17%	12,100	20,600	70%	9,680	14,400	49%
Class 5-CBSE Main	4,935	4,958	0%	5,830	11,560	99%	8000	8,485	961%
Class 2	-	-	-	11,560	12,100	5%	3,485	9,680	14%
Class 7-CBSE Main	3,940	4,935	25%	-	-	-	-	-	-

After detailed examination, considering all the material on record and clarification submitted by the school it was finally evaluated/ concluded that:

- The total funds available for the year 2017-18 amounting to Rs. 9,81,60,266 out of which cash outflow in the year 2017-18 is estimated to be Rs. 9,53,70,891. This results in net surplus of amounting to Rs. 27,89,374. The details are as follows:

(Figures in Rs.)	
Particulars	Amount
Cash and Bank balances as on 31.03.17 as per audited Financial Statements	33,23,083
Investments as on 31.03.17 as per audited Financial Statements	4,20,167
Add: Amount recoverable from society against utilization of development fund for purchase of fixed assets not appearing in the financial statements	34,70,007
Add: Amount recoverable against payment of interest thereon	15,69,222
Less: Caution money balance as on 31.03.2017	4,12,986
<b>Total</b>	<b>83,69,493</b>

Particulars	Amount
Add: Fee for FY 2016-17 as per audited Financial Statements (we have assumed that the amount received in FY 2016-17 will at least accrue in FY 2017-18)	8,89,14,679
Add: Other income for FY 2016-17 as per audited Financial Statements (we have assumed that the amount received in FY 2016-17 will at least accrue in FY 2017-18)	8,76,094
<b>Estimated availability of funds for FY 2017-18</b>	<b>9,81,60,266</b>
<b>Less: Budgeted expenses for the session 2017-18 (after making adjustment)</b>	<b>9,53,70,891</b>
<b>Net Surplus</b>	<b>27,89,374</b>

### Adjustments:

**Note 1:** The school has first time proposed provision for gratuity of Rs. 1,15,15,000 in its budget for FY 2017-18 on the basis of management estimates. Therefore, the same has not been considered in the evaluation of fee increase proposal because it is not supported by actuarial valuation report.

**Note 2:** Establishment Expenditure: The amount of expenditure proposed by the school is higher as compared to the actual expenditure incurred by the school in FY 2016-17 for which the school has not provided any justification/explanation for such unusual increase. Therefore, such expenditures have been restricted to 110% of the actual expenditure incurred by the school in the previous financial years considering the rate of inflation for the purpose of evaluation of fee increase proposal. The summary of amount disallowed is as under.

(Figures in Rs.)

Particulars	FY 2016-17	FY 2017-18	Net Increase	% Change	Disallowed
Salary - Teaching staff	3,43,74,473	3,95,18,888	51,44,415	15%	17,06,968
Salary- Non-teaching staff	1,34,33,717	1,70,30,112	35,96,395	27%	22,53,023
Staff welfare	4,34,948	7,65,000	3,30,052	76%	2,86,557
Provident Fund	16,40,549	22,00,000	5,59,451	34%	3,95,396
<b>Total</b>	<b>4,98,83,687</b>	<b>5,95,14,000</b>	<b>96,30,313</b>	<b>19%</b>	<b>46,41,944</b>

**Note 3:** Other Expenditure: Under the following heads of expenditure, the amount proposed by the school is higher as compared to the actual expenditure incurred by

157

the school in FY 2016-17 for which the school has not provided any justification/explanation. Therefore, such expenditures have been restricted to 110% of the actual expenditure incurred by the school in the previous financial years considering the rate of inflation. The summary of expenditure disallowed is as under:

(Figures in Rs.)

Particulars	FY 2016-17	FY 2017-18	Net Increase	% Change	Disallowed
Lab expenses	53,917	5,80,000	5,26,083	976%	5,20,691
Sports expenses	87,392	7,35,000	6,47,608	741%	6,38,869
Gardening expenses	92,369	5,25,000	4,32,631	468%	4,23,394
Miscellaneous expenses	1,67,256	6,00,000	4,32,744	259%	4,16,018
Medical expenses	13,187	2,65,000	2,51,813	1910%	2,50,494
<b>Total</b>	<b>4,14,121</b>	<b>27,05,000</b>	<b>22,90,879</b>	<b>553%</b>	<b>22,49,467</b>

**Note 4:** The school has proposed computer learning fee of Rs. 89,63,000 in its budget for FY 2017-18. However, during inspection of the school it has been observed that the school has incurred actual expenditure of Rs. 77,65,846 for the FY 2017-18 towards computer learning. Therefore, actual expenditure incurred by the school has been considered in the evaluation of fee increase proposal. Further, on analysis of past three years financial statements it has been observed that the school is incurring on an average Rs. 64,68,098 in FY 2014-15, Rs. 71,64,222 in FY 2015-16 and Rs. 71,97,370 in FY 2016-17 for computer learning which appear to be quite high. Therefore, the school management is directed to monitor the relevance and exercise over this expenditure.

**Note 5:** The school has proposed Rs. 55,91,000 towards repairs and building in budget for the FY 2017-18. However, during inspection of the school it has been observed that school has incurred this expenditure for expansion of auditorium roof and cricket rooms which is of capital nature. Therefore, the amount proposed by the school has been disallowed in terms of clause 2 of public notice dated 04.05.1997 and Rule 177 of DSER, 1973.

**Note 6:** The amount proposed by the school of Rs. 34,60,000 for purchase of vehicles has not been considered in the evaluation of fee increase proposal in terms of Rule 177 of the DSER, 1973 because this is the year of implementation of 7<sup>th</sup> CPC where students/parents are already overburdened.



**Note 7:** The school has proposed salary arrears of Rs. 1,38,78,000 in budget for FY 2017-18 which is 29% of the actual salary paid in the previous financial year which is quite high therefore, the salary arrears have been restricted to 25% of previous year salaries and excess amount of Rs.19,25,923 [ $1,38,78,000 - (4,78,08,190 \times 25\%)$ ] has been disallowed.

**Note 8:** The school has proposed electricity expense of Rs.15,50,000 in its budget for FY 2017-18 however, the actual electricity expenses was Rs. 7,25,826 in FY 2016-17. Since the school has installed solar plant for Rs. 42,00,000 in FY 2015-16 therefore the increase in electricity expenses is not justified. Therefore, electricity expenses has been restricted 110% of the actual expenditure incurred by the school in FY 2016-17 considering the rate of the inflation.

Further, the school has also proposed Rs. 9,00,000 for installation of solar plant, however, during inspection of the school it has been observed that the school has not installed solar plant in FY 2017-18, therefore, the amount proposed by the school for solar plant has not been considered in the evaluation of fee increase proposal.

- ii. The school has sufficient funds to carry on the operation of the school for the academic session 2017-18 on the existing fees structure. In this regard, Directorate of Education has already issued directions to the schools vide order dated 16/04/2010 that,

"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."

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 expert Chartered Accountants that prima facie there are financial and other irregularities and also, sufficient funds are available with the school to meet its budgeted expenditure for the academic session 2017-18 including the impact of implementation of recommendations of 7<sup>th</sup> CPC, the fee increase proposal of the school may not be accepted.

AND WHEREAS, it is noticed that the school has incurred Rs. 15,69,222 for repayment of principal amount of loan taken for bus and interest thereon and has misutilised Rs. 34,70,007 in contravention of provisions of DSER, 1973 and other orders issued by the departments from time to time. Therefore, the school is directed to recover Rs. 50,39,229 from the society. The amount of receipts along with copy of

159

bank statements showing receipt of above mentioned amount should be submitted with DoE, in compliance of the same, within sixty days from the date of issuance of this order. Non-compliance of this shall be taken up as per DSEA&R, 1973.

AND WHEREAS, recommendations of the team of expert Chartered Accountants along with relevant material were put before the Director of Education for consideration and who after considering all the material on the record, found that sufficient funds are available with the school to meet its budgeted expenditure for the academic session 2017-18 including the impact of implementation of recommendations of 7<sup>th</sup> CPC. Therefore, Director (Education) has rejected the proposal of fee increase submitted by the said school.

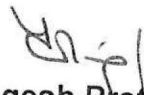
Accordingly, it is hereby conveyed that the proposal of fee increase of **Arwachin International School, Pocket-B, Dilshad Garden, Delhi - 110095 (School Id: 1106262)** is rejected by the Director of Education. Further, the management of said school is hereby directed under section 24(3) of DSEAR 1973 to comply with the following directions:

1. Not to increase any fee in pursuance to the proposal submitted by school on any account including implementation of 7<sup>th</sup> CPC for the academic session 2017-18 and if, the fee is already increased and charged for the academic session 2017-18, the same shall be refunded to the parents or adjusted in the fee of subsequent months.
2. To communicate the parents through its website, notice board and circular about rejection of fee increase proposal of the school by The Directorate of Education.
3. To remove all the financial and other irregularities/violations as listed above and submit the compliance report within 30 days from the date of issue of this order to the D.D.E (PSB).
4. To ensure that the salaries and allowances shall come out from the fees whereas capital expenditure will be a charge on the savings in accordance with the principles laid down by Hon'ble Supreme Court of Delhi in its Judgment of Modern School vs Union of India. Therefore, school not to include capital expenditure as a component of fee structure to be submitted by the school under section 17(3) of DSEA, 1973.
5. To utilise the fee collected from students in accordance with the provisions of Rule 177 of the DSER, 1973 and orders and directions issued by this Directorate from time to time.

- 160
6. In case of submission of any proposal for increase in fee for the next academic session, the compliance of the above listed financial and other irregularities will also be attached.

Non-compliance of this order or any direction herein shall be viewed seriously and will be dealt with the provision of Section 24(4) of DSEA, 1973 and DSER, 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

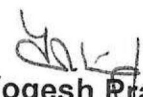
To  
The Manager/ HoS  
Arwachin International School,  
Pocket-B, Dilshad Garden,  
Delhi - 110095 (School Id: 1106262)

No. F.DE.15 (275)/PSB/2019/149-1494

Dated: 04/04/19

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 Addl. 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