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

No. F.DE.15 (286)/PSB/2019 /1560-1564
Order

Dated: 04/04/19

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:-

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"27....

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

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

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

AND WHEREAS, the Hon'ble Supreme Court in the above said Judgment also held that under section 17(3), 18(4) 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, **Queen Global International School, C-Block, main road, Dilshad Garden, Delhi-110095 (School Id: 1106280)** had submitted the proposal for increase in fee for the academic session 2017-18 including the impact on account of implementation of recommendations of 7th 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 April 05, 2018. Further, School was also provided opportunity of being heard on June 05, 2018 to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the

discussions, School was further asked to submit necessary documents and clarifications 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 evaluated thoroughly by the team of Chartered Accountants. The key findings noted are as under:

Financial Irregularities

- I. School has not submitted documents namely, Fee receipts for the FY 2015-16, Fee collection registers for the FY 2015-16 claiming that these documents have been lost and therefore has submitted the copy of FIR to this effect. In view of this it cannot be ascertained that whether the income shown in the financial statements is corroborating with fees charged from the fee paying students. Accordingly, the income of the School in FY 2016-17 and subsequently in 2017-18 cannot be verified. In view of aforesaid, the correct fund position of the School cannot be arrived for fee evaluation proposal of the school.
- II. As per clause 14 of order no. F.DE. /15(56)/Act/2009/778 dated 11.02.2009, development fee, not exceeding 15% of the total annual tuition fees may be charged for supplementing the resources for purchase, upgradation 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 depreciation reserve fund, equivalent to the depreciation charged in the revenue accounts and the collections under this head along with income generated from the investment made out of this fund, will be kept separately maintained development fund account. However, on review of audited financial statement for the year 2015-16 and 2016-17, following observations have been noted:
 - a. In the FY 2015-16, school has not maintained depreciation reserve fund which is a contravention of clause 14 of order no. F.DE. /15(56)/Act/2009/778 dated 11.02.2009.

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- b. In the FY 2016-17, though the school has maintained depreciation reserve fund but it has not transferred amount equivalent to the depreciation charged in the revenue accounts to depreciation reserve fund. The same is in contravention of clause 14 of order no. F.DE. /15(56)/Act/2009/778 dated 11.02.2009. Further, the school has transferred a nominal amount from general reserve to depreciation reserve fund and then utilised that amount for purchase of fixed asset. Following are the details of depreciation reserve fund:

(Figures in Rs.)

Depreciation Reserve Fund	FY 2016-17
Opening balance as on 01.04.2016	-
Add: Depreciation charged during the year	-
Amount transferred from general fund	31,000
Less: Utilised during the year (Printers)	(30,300)
Closing balance as on 31.03.2017	700

- c. In the FY 2016-17, as per schedule development fund was utilised amounting Rs.18,15,308 but the additions made to fixed assets were only Rs.16,91,975 leading to a difference of Rs.1,23,333 which have been spent on revenue nature expenses. The same is in contravention of clause 14 of order no. F.DE. /15(56)/Act/2009/778 dated 11.02.2009. Thus, School has been charging development fund though it is in contravention of aforesaid clause.

III. In respect of earmarked levies, school is required to comply with:

- ▶ Clause 22 of order dated 11.02.2009, which specifies that earmarked levies shall be charged from user students on 'no profit no loss' basis;
- ▶ Rule 176 of DSER, 1973, which provides that 'income derived from collections for specific purpose shall be spent only for such purpose';

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- Judgement of Hon'ble Supreme Court of India in the case of Modern School Vs Union of India & others, which specifies that schools, being run as non-profit organizations, are supposed to follow fund-based accounting.

In FY 2015-16 and 2016-17, the school has collected earmarked levies namely i.e. IT fee, activity fee, transport fee, exam centre fee and smart class fee from the students but these levies were not charged on 'no profit no loss' basis as the school is incurring deficit from all the levies except for exam centre fee for which it is earning surplus. Further, the school is not following the fund-based accounting in respect of these earmarked levies collected from the students. Therefore, the School is directed to follow fund based accounting.

Further, as per the Duggal Committee report, there are four categories of fee that can be charged by a school. The first category of fee comprises of "registration fee and all One Time Charges" levied at the time of admission such as admission and caution money. The second category of fee comprise of "Tuition Fee" which is to be fixed to cover the standard cost of the establishment and also to cover expenditure of revenue nature for the improvement of curricular facilities like library, laboratories, science and computer fee up to class X and examination fee. The third category of the fee should consist of "Annual Charges" to cover all expenditure not included in the second category and the forth category should consist of all "Earmarked Levies" for the services rendered by the school and to be recovered only from the 'User' students. These charges are transport fee, swimming pool charges, Horse riding, tennis, midday meals etc. This recommendation has been considered by the Directorate while issuing order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and order No. F.DE. /15(56)/Act/2009/778 dated 11.02.2009.

Considering the aforesaid provisions, the earmarked levies should be collected from the user students only availing the services/ facilities and if such service/facilities have been extended to all the students of the School then separate charges should not be collected because it would get covered either from the Tuition Fee or from the Annual Charges. However, it is noted that school is collecting fee under the head "IT fee", 'Activity fee', 'Exam fee' and "Smart class fee" from each of the students and that would not fall under earmarked

levies as per the recommendation by the committee. Therefore, the school is directed to stop collection of fee under these heads.

- 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 incurrance 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".

Taking cognisance from the above para, it has been observed that, the School was not maintaining Development Utilisation Fund. Therefore, school is required to follow Guidance Note-21. However, in FY 2015-16 and 2016-17, school has not created development fund utilisation account and the amount of fixed assets purchased out of development fund has been transferred to general reserve account which results into overstatement of general reserve. In view of the above, the correct position of general reserves as well as development utilisation fund cannot be ascertained.

- V. On review of compiled financial statements for the year FY 2014-15, 2015-16 and 2016-17, it has been noted that the school has not made any provisions for gratuity and leave encashment which is a non-compliance of Accounting Standard 15 "employee benefits" read with guidance note 21 on "Accounting by School". School has submitted that it is recognising gratuity expenditures as and when arise on payment basis against overall revenue of the school. There could be an impact on the financials of the school, had the provision been done on the basis of actuarial valuation in each financial year. In the absence of the actuarial report, the same could not be quantified. Therefore, school is directed to comply Accounting Standard 15 "employee benefits" read with guidance note 21 on "Accounting by School".

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Other Irregularities

- I. School has submitted in its reply that it has not filed returns under rule 180 and fee statement under section 17(3) for any of the years claiming that the school got its recognition by DOE in the year 2017-18.
- II. The school is charging depreciation on fixed assets as per the rates as prescribed under the Income Tax Act, 1961 instead of rates as specified in Appendix 1 to the Guidance Note-21 "Accounting by Schools" issued by the Institute of Chartered Accountants of India (ICAI). School is directed to follow the depreciation rates as prescribed the Guidance Note-21 "Accounting by Schools".

AND WHEREAS, after going through detailed examination of all the material on record and considering the aforesaid financial and other irregularities, the fund position of the School cannot be ascertained and therefore, fee increase proposal of the School may be rejected.

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 has been recommended by the team of expert Chartered Accountants that prima facie since there are financial and other irregularities and also, it is not possible to determine its correct position of the funds, the fee increase proposal of the school may not be accepted.

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 there are financial and other irregularities and also, it is not possible to determine its correct position of the funds and 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 for academic session 2017-18 of **Queen Global International School, C-Block, main road, Dilshad Garden, Delhi- 110095 (School Id: 1106280)** is hereby 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 7th 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.
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/violations 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.

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

[Signature]

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

To
The Manager/ HoS
Queen Global International School, C-Block, main road, Dilshad Garden, Delhi-
110095 (School Id: 1106280)

No. F.DE.15 (286)/PSB/2019 / 1560 - 1564

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.

[Signature]

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