

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

No. F.DE.15 ( 15 )/PSB/2019/1478-1482

Dated: 7/2/2019

**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.....

.....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

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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, **Maharajan Agrasen Model School, Pitampura, New Delhi- 110088 (School Id: 1411182)** 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 with effect from 01.01.2016.

AND WHEREAS, in order to ensure that the proposals submitted by the Schools for fee increase are justified or not, this Directorate has deployed teams of 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 24, 2018. Further, School was also provided opportunity of being heard on June 6, 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. As per clause 14 of order no. F.DE. /15(56)/Act/2009/778 dated 11.02.2009, and Clause 7 of Order No. DE 15/Act/Duggal.com/203/99/23033-23980 dated 15 Dec 1999 states that "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."
- a. The school has utilised Development Fund for purchase of library books and renovation and upgradation of building in contravention of clause 14 of the order dated 11.02.2009. Therefore, the School is directed to make necessary adjustments in the Development Fund account. Summary of amount utilised by the school in contravention of the aforesaid clause is as under:

<b>Assets purchased out of development fund</b>	<b>FY 2014-15 (Rs.)</b>	<b>FY2015-16 (Rs.)</b>	<b>FY2016-17 (Rs.)</b>
Library books	23,043	12,135	10,290

Renovation/upgradation of building	38,34,726	41,55,586	42,55,104
<b>Total</b>	<b>38,57,769</b>	<b>41,67,721</b>	<b>42,65,394</b>

Further, the above expenditure incurred by the school on renovation of Building out of the development fee in FY 2014-15, FY 2015-16 and FY 2016-17 was neither capitalised nor routed through income and expenditure account. Moreover, the school has submitted in its reply as "this expenditure was not capitalised because there was no new asset was created and was not charged to income and expenditure account because the expenditure was incurred out of the development fund which is capital receipts". Thus, it is clear the said expenditure was incurred for expansion of school's building. Therefore, amount incurred by the school, amounting to Rs.38,34,726, Rs.41,55,586, Rs.42,55,104 in FY 2014-15, 2-15-16 and 2016-17 is directed to be recovered from the society.

- b. The school is not charging depreciation on assets purchased out of development fee and therefore, has not maintained Depreciation Reserve Fund as required by clause 14 of the order dated 11.02.2009. Thus, the school is directed to comply with clause 14 of the order dated 11.02.2009.

II. 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';
- 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 2014-15, 2015-16 and 2016-17, the school has collected earmarked levies in the name of activity fee from the students but this levy was not charged on 'no profit no loss' basis as the school has earned surplus from this levy. Further, the school is not following the fund-based accounting in respect of earmarked levies collected from the students. Therefore, the school is directed to follow fund based accounting and make necessary adjustments in the General Reserve Fund account.

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 above provisions, the activity fee collected by the school would not fall under the category of earmarked levies and thus the school is directed to stop collection of separate levy in the name of Activity Fee.

- III. On the face of the financial statement of FY 2016-17, the amount of fixed assets was Rs.3,02,10,040 whereas as per fixed assets schedule it was Rs.3,02,06,690 resulting there is difference of Rs. 3,350. During the discussion the school had accepted this error and ensure to rectify it in the following year. Hence, this claim of the school is directed to be verified while evaluating the fee increase proposal of the ensuing financial year.
- IV. The school has made provision of Rs.1,39,65,561 for salary reserve equivalent to 3 months' of salary in its financial statements as on 31.03.2017 without earmarking investment in Joint name of Manager of the school and DY. Director of Education. Therefore, it has not been considered in the calculation of fund availability of the school. The school is directed to earmark the investment in the Joint name of Manager of the school and DY. Director of Education.

#### **Other Irregularities:**

- I. As per notes to accounts of the financial statement of FY 2014-15, FY 2015-16 and FY 2016-17, the fixed assets are shown at cost less depreciation. Whereas the fixed assets purchased out of development fund is reflected in financial statement at cost less depreciation and other assets are reflecting at Gross Value. Therefore, the school is directed to prepare and present its financial statement in conformity with the notes to accounts and as per GN 21 "Accounting by School".
- II. The school is not complying with the DOE Order No.F.DE.15/Act-I/08155/2013/5506-5518 dated 04-06-2012, and s.no. 18 of land allotment letter which provides for 25% reservation to children belonging to EWS category. The admission allowed under EWS category in FY 2016-17 was only 14% as per the student enrolment details submitted by the school. Therefore, the concerned DDE of Districts is directed to consider the matter and ensure the compliance of the above provisions.
- III. School has not submitted fee corroboration statement for the FY 2014-15 and 2015-16.

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

- i. The total funds available for the financial year 2017-18 amounting to **Rs. 15,17,08,339** out of which cash outflow is estimated to be **Rs. 13,12,80,509**. This results in surplus of funds amounting to **Rs. 2,04,27,830**. The details are as follows:

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Particulars	Amount (Rs.)
Cash and Bank balances as on 31.03.17 as per Audited Financial Statements	78,05,802
Investments as on 31.03.17 as per Audited Financial Statements	6,85,40,911
Add: Renovation of building neither shown in Income and expenditure account nor capitalised	1,22,45,416
Less: Gratuity Fund and Leave Encashment*	3,08,37,529
Less: FD with PNB in the name of Secretary, CBSE Madhuban Chowk, Delhi	7,09,818
Less: FD with PNB in joint name of Manager of School & DDE (NW-B) Madhuban Chowk, Delhi	13,706
Less: Caution money liability	5,41,800
Less: Development Fund Balance as on 31-03-2017	63,82,098
<b>Total</b>	<b>5,01,07,178</b>
Add: Fees 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)	9,48,67,439
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 2017-18)	67,33,722
<b>Estimated availability of funds for FY 2017-18</b>	<b>15,17,08,339</b>
Less: Budgeted expenses (after below mentioned adjustments) (Refer Note- 1 to 3)	13,12,80,509
<b>Net surplus</b>	<b>2,04,27,830</b>

\*School has maintained FDRs against the provision for gratuity as on 31.03.2017. Further, at the time of hearing school has submitted that it has deposited this amount with LIC group pension scheme and also submitted payment proofs for the same. Hence, we have reduced the respective amount to calculate the fund availability as on 31.03.2017.

#### Adjustments:

#### Note- 1: Details of Establishment Expenses Disallowed:-

Particulars	Amount	Remarks
4 months' salary reserve proposed in the budget	1,29,06,000	We have not considered amount proposed for four months' salary as this was not earmarked in Joint name of school and DDE
Provision for Leave Encashment	67,01,000	Amount proposed by the school has not been considered for evaluation of fee increase proposal, since the same was not supported by Actuarial Valuation Report.
7th CPC arrears proposed	40,77,845	The school has not provided the computation of arrears payable due

Particulars	Amount	Remarks
		implementation of 7 <sup>th</sup> CPC recommendation despite of repetitive reminders sent to school. Therefore, arrears upto 30% over the salary payment of 2016-17 has been considered.
<b>Total</b>	<b>2,36,84,845</b>	

**Note 2 Excessive capital expenditure disallowed**

Particulars	Amount Proposed in the budget	Amount submitted after discussion	Amount Disallowed
Musical equipment	10,00,000	1,00,893	8,99,107
Library books	1,00,000	43,762	56,238
Electrical appliances	50,00,000	10,96,352	39,03,648
<b>Total</b>	<b>61,00,000</b>	<b>12,41,007</b>	<b>48,58,993</b>

**Note 3:** Under the following the school has incurred high expenditure in comparison to previous expenditure. Therefore, the amount of expenditure in excess of 10% over the previous year has not been considered in the evaluation of fee increase proposal.

Particulars	Amount Proposed in the budget	Amount submitted after hearing	Amount Disallowed
Staff Welfare Expenses	5,00,000	199418	3,00,582
Security & Housekeeping	28,00,000	2520710	2,79,290
Medical Expenses	6,00,000	240520	3,59,480
Function & Festival	15,00,000	526333	9,73,667
Nursery Toys	200000	3390	1,96,610
Property Tax	3,00,000	203018	96,982
Advertisement Expenses	9,00,000	187773	7,12,227
Travelling and Conveyance	5,00,000	389310	1,10,690
Newspaper & Periodicals	1,00,000	26604	73,396
Telephone & Internet Charges	5,00,000	137431	3,62,569
Water Charges	10,00,000	512115	4,87,885
Insurance (School Building)	2,00,000	57230	1,42,770
Miscellaneous Expenses	2,00,000	109848	90,152
<b>Repairs:</b>			
Generator	2,00,000	1800	1,98,200
Other	500000	280243	2,19,757
Uniform Expenses	1,00,000	4631	95,369
<b>Total</b>	<b>1,01,00,000</b>	<b>54,00,374</b>	<b>46,99,626</b>

- 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 utilizing 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 utilized 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 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, 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.

AND WHEREAS, it is also noticed that the school has incurred Rs. **1,22,45,416** in FY 2014-15 to 2016-17 for upgradation of building. Therefore, it is directed to be recovered from society. The amount of receipts along with copy of 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 the order. Non-compliance of this shall be taken up as per DSEA&R, 1973.

Accordingly, it is hereby conveyed that the proposal of fee increase of **Maharajan Agrasen Model School, Pitampura, New Delhi- 110088 (School Id: 1411182)** 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 rectify all the financial and other irregularities/violations as listed above and submit the compliance report within 30 days 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.

This issues with the prior approval of the Competent Authority.

  
(Yogesh Pratap)

**Deputy Director of Education-1  
(Private School Branch)**

**Directorate of Education, GNCT of Delhi**

**To  
The Manager/ HoS  
Maharajan Agrasen Model School,  
Pitampura, New Delhi- 110088 (School Id: 1411182)**

No. F.DE.15 ( 15 )/PSB/2018/1478-1482

Dated: 7/2/2019

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 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-1  
(Private School Branch)**

**Directorate of Education, GNCT of Delhi**