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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(313)/PSB/2019/ 1635-1639 Dated: 24\04\19

ORDER

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

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

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

"27....

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

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

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

AND WHEREAS, the Hon'ble Supreme Court in the above said Judgment also held that under section 17(3), 18(4) read along with rule 172, 173, 175 and 177 of Delhi School Education

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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 **Rukmini Devi Public School (School ID- 1411219), CD-Block, Pitampura, Delhi- 110034** proposal for enhancement of fee for the academic session 2017-2018 in the prescribed format including the impact on account of implementation of recommendations of 7th CPC with effect from 1 Jan 2016.

AND WHEREAS, in order to ensure that the proposals submitted by the schools for fee increase are justified or not, this Directorate has deployed teams of Chartered Accountants at HQ level who has evaluated the fee increase proposals of the school very carefully in accordance with the provisions of the DSEA, 1973, the DSER, 1973 and other orders/ circulars issued from time to time by this Directorate for fee regulation.

AND WHEREAS, necessary records and explanations were also called from the school through email. Further, school was also provided an opportunity of being heard on 13 July 2018 at 04:00 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 including details and information regarding feeder school (Rukmini Devi Public School (Junior Wing of CD Block), GD Block, Pitampura), financial statements of which were prepared separately by the school and not included with the proposal.

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

A. Financial Discrepancies

1. As per direction no. 2 included in the Public Notice dated 4 May 1997, "*it is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school becomes the sole property of the society*". Additionally, Hon'ble High Court of Delhi in its judgement dated 30 Oct 1998 in the case of Delhi Abibhavak Mahasangh concluded that "*The tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society.*" Also, Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/ 883-1982 dated 10 Feb 2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*"

   Accordingly, based on the aforementioned public notice and Hon'ble High Court judgement, the cost relating to land and construction of the school building has to be met by the society, being the property of the society and school funds i.e. fee collected from students is not to be utilised for the same.

   The financial statements of the feeder school, Rukmini Devi Public School (Junior Wing of CD Block) for FY 2016-2017 revealed that the school had incurred expenditure on construction of building of junior wing out of the school funds and has capitalised building totalling to INR 62,69,871 (INR 51,60,312 for building plus INR 11,09,559 for lift) in the aforesaid financial year, which was not in accordance with the aforementioned provisions. Further, this capital expenditure was incurred on the building without complying the requirements prescribed in Rule 177 of DSER, 1973. Though the financial statements of the school reflect opening block of building, adjustment in the fund position of the school has been done to the extent of additions made in the past three financial years (based of financial statements obtained for evaluation of the fee increase proposal for FY 2017-2018). Accordingly, this amount of INR 62,69,871 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 order.

2. Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/ 883-1982 dated 10 Feb 2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*" From the audited financial statements of the school, it was noted that the school had taken loan for purchase of vehicles (bus for transport service) and has been repaying the bank in instalments. This capital expenditure was incurred by the school without complying the requirements prescribed in Rule 177 of DSER, 1973. Further, it was noted that the school had not created any reserve from transport fee collected from students for purchase of the vehicles nor has it created any transport fund. On perusal of the income and expenses incurred against the transport fee, it was noted that school was not making adequate surplus for making payment of instalment of bank loan. Since the purchase was made previous year, the principal amount has been allowed, but the interest paid on the loan, being additional burden met out of school funds (fee collected from students), the same should not have been paid from school funds. Accordingly, the amount of interest/financial expenses in relation to vehicle loans totalling to INR 10,47,192 for FY 2014-2015 to FY 2016-2017 paid out of school fund 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. Further, the school is directed not to pay any interest/financial charges from the school funds. Also, the school must incur capital expenditure on buses/ vehicles for transport only from the transport fund.

   Based on above, the school has reported interest on loan of INR 2,088 during FY 2017-2018, which has not been considered as part of the Budgeted Expenses for FY 2017-2018 while deriving the fund position of the school (enclosed in the later part of this order).

B. Other Discrepancies

1. As per the Order no 15072-15871 dated 23 March 1999 "*All pre-primary schools being run by the registered society/ trust in Delhi as Branches of the recognized schools by the appropriate authority in or outside the school premises shall be deemed as one Institution for all Purposes*". Further, the Hon'ble High Court of Delhi in the matter of Social Jurist vs. the Govt. of NCT of Delhi & others concluded "*We do not find any proper reason or rationale*

to keep Pre-school apart and segregated by those regular schools where Preschool facilities exist and admission starts from that stage."

During the process of evaluation of fee hike proposal, it was identified that Rukmini Devi Public School, Pitampura (operating from class 1) was admitting most of the students directly from the pre-school – 'Rukmini Devi Public School (Junior Wing of CD Block)', which on that basis has been considered as feeder school of Rukmini Devi Public School, Pitampura. Accordingly, the conditions and requirements applicable to 'Rukmini Devi Public School, Pitampura' would apply in the same manner to 'Rukmini Devi Public School (Junior Wing of CD Block)'. However, 'Rukmini Devi Public School, Pitampura' did not submit details including financial information and fee (existing and proposed) for students enrolled in 'Rukmini Devi Public School (Junior Wing of CD Block)' along with its proposal for enhancement of fee for FY 2017-2018, which were subsequently obtained from the school and included in the process of evaluation of fee increase proposal for FY 2017-2018.

The School is instructed to ensure that complete details of the feeder school should be enclosed with any subsequent fee hike proposal including the financial information, similar to the main school.

2. 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

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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 levy in the form of Transport Fees, Computer Fees, Science Fees and Diary & Syllabus from students. However, the school has not maintained separate fund account for the earmarked levies and the school has been generating surplus, which has been utilised for meeting other expenses or incurring loss (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/13/966 dated 13 October 2017 issued to the school post evaluation of the proposal for FY 2016-2017. Details of calculation of surplus/deficit, based on breakup of expenditure provided by the school for FY 2016-2017 is given below:

Earmarked Fee	Income (INR)	Expenses (INR)	(Deficit)/Surplus (INR)
Transportation Charges^	86,18,000	87,13,957	(95,957)
Science Fee	9,25,200	8,75,103	50,097
Computer Fee	3,13,200	3,40,418	(27,218)
Diary & Syllabus*	-	-	-

^ The school has not apportioned depreciation on vehicles used for transportation of students in the expenses stated in table above for creating fund for replacement of vehicles, which should have been done to ensure that the cost of vehicles is apportioned to the students using the transport facility during the life of the vehicles.

* Details regarding income and expenses have not been separately provided by the school.

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 Diary & Syllabus 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 Diary & Syllabus, the school should not charge such fee as earmarked fee with immediate effect and should incur the expenses relating to these from annual charges collected from the students. The school explained that annual charges collected from students are not sufficient to meet revenue expenses of the school. Thus, the surplus generated from earmarked levies has been applied towards meeting revenue expenses of the school on account of which fund balance of earmarked levies could not separated from the total funds maintained by the school. Accordingly, total fees (including earmarked fee) have been included in the budgeted income and budgeted expenses (included those for earmarked purposes) while deriving the fund position of the school (enclosed in the later part of this order).

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The school is directed to maintain separate fund account depicting clearly the amount collected amount utilised and balance amount of 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. Further, the school is directed to evaluate costs against earmarked levy and propose the fee structure for earmarked levy during subsequent proposal for enhancement of fee ensuring that the proposed levy has been calculated on no-profit no-loss basis and not to include fee collected from all students as earmarked levies.

3. The Directorate of Education, in its Order No. DE.15/Act/Duggal.Com/ 203/99/23033-23980 dated 15 Dec 1999, indicated the heads of fee/ fund that recognised private unaided school can collect from the students/ parents, which include:

   - Registration Fee
   - Admission Fee
   - Caution Money
   - Tuition Fee
   - Annual Charges
   - Earmarked Levies
   - Development Fee

   Further, clause no. 9 of the aforementioned order states "*No fee, fund or any other charge by whatever name called, shall be levied or realised unless it is determined by the Managing Committee in accordance with the directions contained in this order ......*"

   The aforementioned order was also upheld by the Hon'ble Supreme Court in the case of Modern School vs Union of India & Others.

   It was noted that the school's fee structure include pupil fund, which is collected from all the students, but the same was not disclosed in the Income and Expenditure Account/ Balance Sheet of FY 2016-2017. It was explained by the school that the same has been utilised on the welfare of the students, thus the income and expenses have not been reported separately in the financial statements of the school. Further, details regarding collection and utilisation of pupil fund was not provided by the school.

   Based on the fact that the fee head of 'Pupil Fund' has not been defined for recognised private unaided school and details of expense heads on which the school has utilised the same is not separately provided with concealment of income from Pupil Fund, the school is directed not to collect pupil fund from students with immediate effect. In absence of necessary details, no adjustment has been made in budgeted income/expenses while deriving the fund position of the school (enclosed in the later part of this order).

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, up gradation and replacement of furniture, fixtures and equipment. Development Fee, if required to be charged, shall be treated as*

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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."

Incorrect utilisation of development fund was indicated in this directorate's order no. F. DE-15/ACT-I/WPC-4109/PART/13/966 dated 13 October 2017 issued post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 submitted by the school. Further, it was observed that the school had incurred expenditure on purchase of library books of INR 82,341 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 directions included in above order.

Also, from the audited financial statements of the school for FY 2016-2017, it was noted that the school was following incorrect accounting practice for development fund and depreciation reserve fund. It was noted that the school was transferring the balance amount of development fund (after adjustment of assets purchased from it) to depreciation reserve fund. Further, depreciation reserve reported in the financial statements was not equal to the amount of cumulative depreciation reflected by the school in the fixed assets schedule annexed with the financial statements of FY 2016-2017.

The school is directed to follow DOE instruction in this regard and ensure that development fund is utilised only towards purchase of furniture, fixture and equipment. Further, the school should reconcile the amount of depreciation reserve and development fund in accordance with the directions included in order above. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

5. 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.*"

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

   Basis the presentation made in the audited financial statements for FY 2016-2017 submitted by the school, it was noted that the school was not transferring amount equivalent to the amount of depreciation from DF Assets Capital Reserve to the Income and Expenditure Account as indicated in the guidance note cited above.

   While the school reported fixed assets purchased from development fund on the basis of historic cost in the fixed assets schedule annexed to the Balance Sheet, the fixed assets purchased from general fund were reported at written down value basis in the fixed asset schedule. Further, the school has reported written down value of assets purchased from development fund and general fund on the face of the Balance Sheet as on 31 March 2017.

This being a procedural finding, the school is instructed to make necessary rectification entries relating to development fund 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 (both Balance Sheet and fixed assets schedule) for FY 2016-2017.

6. 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 state "*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.*"

   It was noted in Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/966 dated 13 October 2017 issued to the school post evaluation of the fee increase proposal for FY 2016-2017 that the school had not refunded interest on caution money to the students along with caution money refund and was directed to refund caution money together with interest to students.

   The school has not segregated fund balance pertaining to caution money (i.e. no separate bank account or fixed deposits) and has not credited interest to the caution money ledger account for refund to students at the time of their leaving. It was noted that caution money was refunded to the students @ INR 500 i.e. without including any interest.

   During the personal hearing, the school mentioned that it stopped collecting caution money from students in year 2008. Thus, large amount of caution money appearing in the financial statements does not pertain to current students of the school. Thus, the school will transfer the caution money amount collected from students in past to income in the FY 2018-2019 after refunding to current students. Thus, based on the explanation provided by the school, the school is directed to ensure compliance with aforementioned order and should transfer the caution money to income (after refund to existing students), in case ex-students does

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not turn up to collect the caution money within 30 days of sending communication to him/her and should not collect caution money subsequently. Accordingly, based on the explanation provided by the school, no amount has been considered towards caution money while deriving the fund position of the school (enclosed in the later part of this order).

7. From the fee structure for FY 2016-2017 provided by the school, it was noted that the school has filed incorrect or incomplete fee details in the online fee increase proposal submitted to the Directorate, which is tabulated below:

Class	Tuition Fee for FY 2016-2017 reported in the Proposal (FY 2017-2018) (INR)	Actual Tuition fee as per fee structure of the school for FY 2016-2017 (INR)
V	4,230	3,350
VI	3,350	3,630

The school has also not mentioned all categories of fees (i.e. CBSE- G and CBSE –i) in the proposal. Further, the fee of junior wing was also not included in the proposal.

The school mentioned that the figures were erroneously mentioned in the proposal and would include the all fee in subsequent proposals. The school is advised to be cautious while filing details with the Directorate going forward and ensure that correct data is filled.

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 year 2017-2018 amounting to INR 17,26,63,365 out of which cash outflow in the year 2017-2018 is estimated to be INR 16,87,80,601. This results in net surplus of INR 38,82,764. 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)	69,82,123
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	2,68,93,448
Total Liquid Funds Available with the School as on 31 Mar 2017	**3,38,75,571**
Add: Fees and other incomes for FY 2017-2018 (as per the audited financial statements of FY 2017-2018 submitted by the school) [Refer Note 1]	14,69,67,084
Add: Recovery of additions to building from the Society [Refer Financial Finding No. 1]	62,69,871
Add: Recovery from society towards interest/financial expenses on vehicle loan [Refer Financial Finding No. 2]	10,47,192
Add: Recoverable from Society for car purchased for use of chairman/ principal [Refer Note 2]	29,15,090
Gross Estimated Available Funds for FY 2017-2018	**19,10,74,809**

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Particulars	Amount (INR)
Less: FDR submitted with DoE (as per audited financial statements of FY 2016-2017)	3,24,845
Less: Depreciation Reserve Fund [Refer note 3]	0
Less: Retirement Benefits - Gratuity [Refer Note 4]	1,40,00,000
Less: Retirement Benefits – Leave Encashment [Refer Note 4]	40,00,000
Less: Development Fund [as per audited financial statements of FY 2016-2017]	86,599
Less: Caution Money [Refer Other Finding No. 6]	-
Net Estimated Available Funds for FY 2017-2018	**17,26,63,365**
Less: Expenses for FY 2017-2018 [Refer Note 5]	13,92,44,411
Less: Arrears of salary as per 7th CPC from January 2016 to March 2018 (as included in the Budget Estimate for FY 2017-2018 by the school and separately provided in respect of the feeder school) [Refer Note 5]	2,95,36,190
Estimated Surplus	**38,82,764**

Notes:

1. The school submitted audited financial statements for FY 2017-2018. Accordingly, fee and income as per audited financial statements of FY 2017-2018 has been considered together with interest income of INR 12,14,192 reported directly under Depreciation Reserve Fund in the Balance Sheet as on 31 Mar 2018 (not routed through the Income & Expenditure Account). Further, in respect of the feeder school of Rukmini Devi Public School, the school provided trial balance from the books of account of Rukmini Devi Public School (Junior Wing of CD Block) as on 31 Mar 2018, based on which income for FY 2017-2018 has been considered.

2. The school was directed through order no. F. DE-15/ACT-I/WPC-4109/PART/13/966 dated 13 Oct 2017 to recover from the Society an amount of INR 29,15,090 incurred towards purchase of car for use of chairman/ principal. Based on the details provided by the school, it recovered this amount from the Society during FY 2017-2018. Accordingly, this amount of INR 29,15,090 has been included in the table above as fund available during FY 2017-2018.

3. On evaluation of depreciation reserve, it was noted that the school had charged depreciation on fixed assets and had transferred the same to depreciation reserve on liabilities side of the Balance Sheet of the school. Also, the school is charging development fund from students for purchase, up-gradation and replacement of furniture, fixture and equipment. Though development fund maintained by the school has been adjusted for deriving the fund position of the school as per Audited financial statements, depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue accounts as per clause 14 of Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009) is more of an accounting head for appropriate accounting treatment of depreciation in the books of account of the school in accordance with Guidance Note 21 issued by the Institute of Chartered Accountants of India. Thus, there is no financial impact of depreciation reserve on the fund position of the school. Accordingly, it is not considered in table above.

4. The school submitted actuarial valuation of its liability towards gratuity and leave encashment as on 31 Mar 2017 of INR 1,11,09,446 and INR 29,98,270 respectively, created provisions for the same in its books of account and reported the same as provision in its financial statements for FY 2016-2017. Further, the school submitted copies of receipts of LIC against amount deposited with

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LIC during FY 2017-2018 & FY 2018-2019 of INR 1.4 crore and INR 40 lakhs in group gratuity scheme and leave encashment scheme respectively in accordance with Accounting Standard 15. The amount so deposited during FY 2017-2018 has been considered while deriving the net estimated available funds with the school for FY 2017-2018.

5. The School submitted its audited financial statements for FY 2017-2018. Per the audited financial statements for FY 2017-2018, the school had incurred total expenditure (both revenue and capital) during the FY 2017-2018 of INR 13,90,34,877 (excluding arrears of salary as per 7th CPC amounting INR 2,68,60,385, which was not recorded in its audited financial statements). All the expense heads as per the audited financial statements of FY 2017-2018 have been considered. However, the following adjustments were made in the expenses for FY 2017-2018 before considering in the fund position:

Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Employees welfare including retirement benefit (Gratuity and leave encashment)	42,47,857	20,09,349	3,13,833	16,95,516	The total amount deposited by the school with LIC during FY 2017-2018 has been separately considered as per Note 4 above. Thus, the amount of additional provision included as expense has not been allowed. Only the amount of actual payment to staff has been considered.
Financial Expenses such as interest on loans	1,11,015	2,088	-	2,088	Refer Financial Finding No. 2.
Depreciation	26,75,780	1,31,75,304	-	1,31,75,304	Depreciation, being non-cash expense does not result in cash outflow, thus, the same has not been considered.
Depreciation on development Fund assets	-	897,018	-	897,018	
Loss on sale of van	-	59,196	-	59,196	Being non-cash and non-recurring item, it has not been considered.
Total	**70,34,652**	**1,61,42,955**	**3,13,833**	**1,58,29,122**	

However, in respect of the feeder school of Rukmini Devi Public School, the school provided trial balance from the books of account of Rukmini Devi Public School (Junior Wing of CD Block) as

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on 31 Mar 2018. Thus, the expenses (both revenue and capital) recorded in the books of account of the feeder school during FY 2017-2018 totalling to INR 1,60,38,656 (excluding 7th CPC arrears of INR 26,75,805, which was not recorded in its books of account) have also been considered in budgeted expense for FY 2017-2018.

In view of the above examination it is evident that the school have sufficient funds for meeting the budgeted expenditure for the financial year 2017-2018.

ii. 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.

Whereas per direction no. 2 of Public Notice dated 4 May 1997, it is the responsibility of the society who has established the school to raise funds from their own sources or donations from the other associations for construction of building because the immovable property of the school becomes the sole property of the society. Further, Hon'ble High Court of Delhi in its judgement dated 30 Oct 1998 in the case of Delhi Abibhavak Mahasangh concluded that tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society. Thus, the cost of construction of the building should not be met out of the fee collected from students and is required to be recovered from the society.

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. The school is directed to maintain separate fund in respect of earmarked levy charged from the students in accordance with the DSEA & R, 1973 and orders, circulars, etc. issued thereunder. Surplus/Deficit under earmarked levy collected from the students should be adjusted for determining the earmarked levy to be charged in the academic session 2018-2019.

And 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 advised to comply with the directions with regard to utilisation of development fund, proper accounting and presentation of Development Fund and Depreciation Reserve Fund in the School's financial statements and utilisation of development fund only towards purchase of furniture, fixtures and equipment.

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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 thoughalong with certain financial irregularitiesthat were identified (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings which were also 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 **Rukmini Devi Public School(School ID-1411219), CD-Block, Pitampura, Delhi-110034** has been 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/charges during FY 2017-2018. In case, the school has already charged increased fee during FY 2017-2018, the school should make necessary adjustments from future fee/refund the amount of excess fee collected, if any, as per the convenience of the parents.
2. To communicate with the parents through its website, notice board and circular about rejectionof fee increase proposal of the school by the Directorate of Education.
3. To rectify the financial and other irregularities/violations as listed above and submit the compliance report within 30 days from the date of this orderto 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. 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

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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
Rukmini Devi Public School
School ID- 1411219,
CD-Block, Pitampura,
Delhi- 110034

No. F.DE.15(313)/PSB/2019/ 1635 - 1639 Dated: 24/04/19

Copy to:
1. P.S. to Secretary (Education) Directorate of Education GNCT of Delhi.
2. P.S. to Director (Education) Directorate of Education GNCT of Delhi.
3. P.A. to Spl. Director of Education (Private School Branch) Directorate of Education GNCT of Delhi.
4. DDE concerned
5. Guard file.

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