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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(648)/PSB / 2018 / 30703 – 30707 Dated: 19/12/2018

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 Rules,

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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, **Kulachi Hansraj Model School (School ID-1411222), Ashok Vihar, Delhi-110052** submitted its proposal for enhancement of fee for the academic session 2017-2018 in the prescribed format including the impact on account of implementation of recommendations of 7th CPC with effect from 1 Apr 2017.

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 15 June 2018 at 2:00 PM to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted.

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

A. Financial Discrepancies

1. As per the Directorate's Order No. DE 15/Act/Duggal.com/203/ 99/23033/23980 dated 15 Dec 1999, the management is restrained from transferring any amount from the recognized unaided school fund to society or trust or any other institution. The Supreme Court also through its judgement on a review petition in 2009 restricted transfer of funds to the society.

   The audited financial statements of the school for FY 2016-2017 reflected a receivable balance (of Reserve Fund) of INR 6,74,40,014 from DAV CMC (Society), which has been carried over from previous financial year. The school was directed to prepare a reconciliation statement of interest received/ receivable through this Directorate's Order No. F.DE-15/ACT-I/WPC-4109/PART/13/956 dated 13 October 2017, which was provided by the school (in the form of ledger account of the school with DAV CMC as of 31 March 2018) and taken on record. From the ledger account submitted by the school it was observed that interest of two financial years (INR 53,95,201 for FY 2016-2017 and INR 58,26,817 for FY 2017-2018) was credited to the school, which was calculated at the rate of 8% per annum compounded annually. This amount of interest along with the balance carried over from previous year of INR 6,74,40,014 totalling to INR 7,86,62,032 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.

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In addition to above, as per the audited financial statement of the school for FY 2016-2017, the school had receivable balances from other schools under the management of DAV CMC and from DAV CMC on account of expenses incurred on its behalf. During FY 2017-2018 the school has recovered INR 50,75,014 from DAV CMC against which evidence of recovery was provided by the school, but the amounts of INR 6,434 and INR 8,19,254 receivable from Hansvatika Boarding School and Kulachi Manovikas Kendra (schools under the management of DAV CMC) respectively have not been recovered till date. Total of amounts recovered during FY 2017-2018 amounting to INR 50,75,014 along with the amount to be recovered of INR 8,25,688 (total: INR 59,00,702) 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 respective schools.

2. The school had increased its fees by 10% during first quarter of FY 2016-2017 without prior approval of the Directorate. Whereas, post evaluation of fee increase proposal for FY 2016-2017 submitted by the school, the fee increase proposal was rejected by DoE with the direction that in case increased fee has already been charged from the parents, the same shall be refunded/adjusted vide Order No. F.DE-15/ACT-I/WPC-4109/PART/13/956 dated 13 Oct 2017. Based on the information provided by the school, the school collected an additional sum of INR 85,77,945 on account of increased fee for FY 2016-2017 out of which the school has adjusted a sum of INR 43,28,202 from the fee collected from students during FY 2017-2018. The balance amount of INR 42,49,743 is yet to be refunded to students/ /adjusted from the fee collected from students. Reasonable explanation/justification for not refunding/adjusting the excess amount collected from the students was not provided by the school. While the school has refunded only a part of the excess fee during FY 2017-2018, the total amount of increased fee of INR 85,77,945 collected from students during FY 2016-2017 has been adjusted while deriving the fund position of the school for FY 2017-2018 (enclosed in the later part of this order) with the direction to the school to immediately refund the amount to the students and submit evidence of the same within 30 days from the issue of this order.

Further, the school had collected one-time fee at the time of admission from new students during FY 2016-2017. The school was directed by the DOE through its Order No. F.DE-15/ACT-I/WPC-4109/PART/13/956 dated 13 Oct 2017 not to collect the same. Basis the order, the school has created a liability in its books of account to refund/adjust the amount of INR 68,64,158 collected as one-time fee during FY 2016-2017. However, the school has not adjusted the same from fee collected from students during FY 2017-2018 or subsequently and has not refunded the same.

The school explained that it was collecting one-time fee from students at the time of admission (for orientation programme, community outreach and extra care facilities fund), much before the receipt of DOE order dated 13 Oct 2017. The school has stopped collecting such funds after receipt of the order and the provision of refund of the same has been created in the books of accounts of the school. The amount will be adjusted/refunded in the next fee collecting cycle. Based on the explanation of the school for refund of one-time fee, the same

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has been adjusted while deriving the fund position of the school for FY 2017-2018 (enclosed in the later part of this order) considering the same as funds refundable by the school and with the direction to the school to refund/adjust this amount immediately to the students and submit evidence of the same within 30 days from the issue of this order.

3. As a practice adopted by the schools under the management of DAV CMC, the school provides for Gratuity and Leave encashment expense @ 7% and 3% respectively of Basic Pay and Dearness Allowance, which is transferred to DAV CMC. DAV CMC in turn manages and maintains the common pool of funds for all schools under its management and uses the same for payment of gratuity and leave encashment liability as and when the same arises in respect of the staff of respective school at the time of his/her resignation/ retirement.

   The school was directed by DoE through its Order no. F.DE-15/Act-I/WPC-4109/Part/13/956 dated 13 October 2017 to obtain an actuarial valuation of its gratuity and leave encashment liabilities. Further, the school was directed to disclose its liabilities on account of gratuity and leave encashment along with corresponding investments in the financial statements from FY 2017-2018 onwards. The school is yet to obtain an actuarial certificate regarding its liability towards retirement benefits of the staff and has continued to maintain the investments with DAV CMC.

   Based on discussion with the school during personal hearing, the school provided details of fund balance with DAV CMC in respect of payments made by the school to DAV CMC towards maintenance of retirement benefits fund with DAV CMC including interest accrued for last two years. The balances disclosed by the school based on records maintained by DAV CMC as on 31 Mar 2017 have been indicated below:

Head	**Balance as on 31 Mar 2017 (INR)**
Gratuity Fund	55,67,037
Leave Encashment Fund	2,87,19,405
Total	**3,42,86,442**

   Further, according to para 7.14 of the Accounting Standard 15 – 'Employee Benefits' issued by the Institute of Chartered Accountants of India, "*Plan assets comprise:*

   (a) assets held by a long-term employee benefit fund; and
   (b) qualifying insurance policies."

   Accordingly, the investment in the form of fund balance maintained by DAV CMC in respect of the liability towards retirement benefits of the school does not qualify as 'Plan Assets' within the meaning of Accounting Standard 15 (AS-15).

   The school mentioned that DAV CMC is in the process of getting the actuarial valuation of retirement benefits of staff of all the schools under its management and the selection process of the actuary has been completed by DAV CMC for carrying out the valuation. It was further explained that the valuation exercise has been initiated for all school under the management of DAV CMC, thus, it has taken more time than expected in collecting the staff data from schools across India, verifying the same and submitting it to the Actuary for valuation. The school further mentioned that the liability as per actuarial valuation would be presented in the financial statements of the school for FY 2018-2019 along with investment in plan-assets as per the requirements of AS-15.

While the school has initiated the process of actuarial valuation, the school should get the valuation of its liability towards staff retirement benefits from an actuary at the earliest and ensure that the liability and corresponding investments are disclosed appropriately in its financial statements for FY 2018-2019. The school should also invest the amount of funds available with DAV CMC towards retirement benefits of the staff of the school in the investments that qualify as 'Plan Assets' within 30 days from the date of this order.

In absence of actuarial valuation, expenditure towards gratuity and leave encashment budgeted by the school during FY 2017-2018 have been restricted to the amount of actual pay-out of the same to the staff upon retirement during FY 2017-2018 (as per ledger account submitted by the school) and adjusted from the budgeted expenses of FY 2017-2018 while deriving the fund position of the school (enclosed in the later part of this order).

4. 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 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 school for FY 2014-2015, FY 2015-2016 and FY 2016-2017 revealed that the school has incurred expenditure on construction of building out of school funds and has capitalised building totalling to INR 2,40,19,904 in the aforesaid financial years, which is not in accordance with the aforementioned provisions. This amount of INR 2,40,19,904 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. Further, this capital expenditure was incurred on the building without complying the requirements prescribed in Rule 177 of DSER, 1973.

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B. Other Discrepancies

1. Rule 176 - 'Collections for specific purposes to be spent for that purpose' of the DSER, 1973 states "*Income derived from collections for specific purposes shall be spent only for such purpose.*"

   Para no. 22 of Order No. F.DE./15(56)/ Act/2009/778 dated 11 Feb 2009 states "*Earmarked levies will be calculated and collected on 'no-profit no loss' basis and spent only for the purpose for which they are being charged.*"

   Sub-rule 3 of Rule 177 of DSER, 1973 states "*Funds collected for specific purposes, like sports, co-curricular activities, subscriptions for excursions or subscriptions for magazines, and annual charges, by whatever name called, shall be spent solely for the exclusive benefit of the students of the concerned school and shall not be included in the savings referred to in sub-rule (2).*" Further, Sub-rule 4 of the said rule states "*The collections referred to in sub-rule (3) shall be administered in the same manner as the monies standing to the credit of the Pupils Fund as administered.*"

   Also, earmarked levies collected from students are a form of restricted funds, which, according to Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India, are required to be credited to a separate fund account when the amount is received and reflected separately in the Balance Sheet.

   Further, the aforementioned Guidance Note lays down the concept of fund based accounting for restricted funds, whereby upon incurrence of expenditure, the same is charged to the Income and Expenditure Account ('Restricted Funds' column) and a corresponding amount is transferred from the concerned restricted fund account to the credit of the Income and Expenditure Account ('Restricted Funds' column).

   From the information provided by the school and taken on record, it has been noted that the school charges earmarked levies in the form of Transport Fees, Computer Fees, Science Fees, etc. from students. However, the school has not maintained separate fund accounts for these earmarked levies and the school has been generating surplus from earmarked levies, which has been utilised for meeting other expenses of the school or has been incurring losses (deficit) which has been met from other fees/income, which was also mentioned in DOE's order No. F. DE-15/ACT-I/WPC-4109/PART/13/956 dated 13 October 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)	Surplus (INR)
	A	B	C=A-B
Transportation Charges^	1,31,28,500	84,57,318	46,71,182
Computer Fee	1,43,58,750	16,17,866	1,27,40,884
Science fee	38,26,200	6,17,330	32,08,870

^ 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. Further, the school has purchased buses for transport of students for INR 25,87,014 during FY 2016-2017 utilising development fund. Refer Other finding No. 3 for details.

The school explained that tuition fee collected from students is not sufficient to meet the establishment cost. Thus, the surplus generated from earmarked levies has been applied towards meeting establishment cost on account of which fund balance of earmarked levies could not be 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) have been considered while deriving the fund position of the school (enclosed in the later part of this order).

The school is hereby directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from students. Unintentional surplus, 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 should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies during subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on no-profit no-loss basis.

2. 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 the all students and based on the details submitted by the school, utilised on providing fee concessions to students. Details of collection and utilization of pupil fund provided by the school for FY 2016-2017 is included hereunder:

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Particulars	Nature	Amount
Pupil Fund	Income	1,23,15,350
Fee Concessions	Expense	16,03,650
Net surplus reflected by school		**1,07,11,700**

Based on the fact that the fee head of 'Pupil Fund' has not been defined for recognised private unaided school and the purposes for which the school has utilised the same is not appropriate, as fee concessions are normally adjusted from income of the school. Thus, the school is directed not to collect pupil fund from students with immediate effect. For the purpose of evaluation of the fee hike proposal for FY 2017-2018, the above-mentioned fee has been included in budgeted income while deriving the fund position of the school (enclosed in the later part of this order).

3. Point 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states *"Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixtures and equipment."* However, it was noted that the school had incurred an expenditure on additions to building of INR 99,78,155, purchase of buses for INR 25,87,013, and development of web portal for INR 1,23,164 during FY 2016-2017 and reflected the same as utilisation of development fund in the audited financial statements for FY 2016-2017, which is not in accordance with the direction included in above order.

   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.

4. 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.*"

   Basis the presentation made in the audited financial statements for FY 2016-2017 submitted by the school, it was noted that the school transferred an amount equivalent to the purchase cost of the assets from development fund to general reserve instead of accounting treatment as indicated in the guidance note cited above.

   Also, the school has enclosed a consolidated fixed assets schedule giving details of all assets carried over by the school in its audited financial statement for FY 2016-2017 and has not prepared separate fixed assets schedules for assets purchased against development fund and those purchased against general reserve.

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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 prepare separate fixed assets schedule for assets purchased against development fund and other assets purchased against general reserve/ fund.

5. Rule 107 - "Fixation of Pay' of the DSER, 1973 states "(1) *The initial pay of an employee, on the first appointment shall be fixed ordinarily at the minimum of the scale of pay. Provided that a higher initial pay, in the specified scale of pay may be given to a person by appointing authority ….*

   (2) *The pay of an employee on promotion to higher grade or post shall be determined by the same rules as are applicable to the employee of government school."*

   From the computation of salary in accordance with 7th CPC prepared by the school and placed on record, it was noted that gross salary of principal was computed as INR 2,35,494 (grade pay of INR 8,900) for the month of July 2017, which appeared excessive in comparison to the salary paid to principals in government schools. The school explained that the principal is working for a long time with the school and received annual increments as per her experience and tenure of services. However, reconciliation of salary from her date of joining and subsequent increments was not provided by the school. In absence of detailed reconciliation, it could not be concluded whether excessive salary is being drawn by the principal of the school. Accordingly, the compliance of the above will be examined at the time of evaluation of proposal for enhancement of fee for subsequent academic session.

6. The school has prepared a Fixed Assets Register (FAR) that only captures asset name and amount. The school should also include details such as supplier name, invoice number, manufacturer's serial number, location, purchase cost, other costs incurred, depreciation, asset identification number, etc. to facilitate identification of asset and complete details of assets at one place.

   During the personal hearing, school mentioned that it will make recommended changes from FY 2018-2019 onwards. The school is directed to update the FAR with relevant details mentioned above. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

7. 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.*"

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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.*"

The following were noted under DoE's order No. F. DE-15/ACT-I/WPC-4109/PART/13/956 dated 13 October 2017:

- School had not maintained separate bank account for deposit of caution money collected and was directed to maintain separate bank account for collection of caution money and interest earned on the same, if any, is to be credited to the caution money account.
- School had not refunded interest on caution money along with refund of caution money to exiting students and was instructed to include interest earned on caution money in the refund amount.

During the personal hearing, school mentioned that it has stopped collecting caution money from students from FY 2018-2019 onwards. Also, the school has started adjusting the caution money already collected from old students against the fee due from FY 2017-2018 and a total of INR 24,18,000 out of the balance of INR 31,17,500 has been refunded. The same would be completely adjusted in FY 2018-2019. Thus, based on the explanation provided by the school, the school should refund total caution money within FY 2018-2019 and should not collect it subsequently. The amount to be refunded to students after adjusting the income recorded by the school during FY 2017-2018 towards unclaimed caution money, as per the details provided by the school, has been considered while deriving the fund position of the school (enclosed in the later part of this order).

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 2017-18 amounting to INR 54,97,04,604 out of which cash outflow in the year 2017-18 is estimated to be INR 44,78,60,585. This results in net surplus of INR 10,18,44,020. 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)	2,93,33,051
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	7,63,79,016
Current Account balance with DAV CMC as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	4,20,31,624
Overdraft account with PNB	(1,12,98,590)
Total Liquid Funds Available with the School as on 31 Mar 2017	**13,64,45,101**

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Particulars	Amount (INR)
Add: Estimated Fees and other incomes for FY 2017-2018 based on audited financial statements of FY 2016-2017 of the school [Refer Note 1]	36,07,28,251
Add: Account Receivables from DAV CMC (received during FY 2017-2018) and Hansvatika Boarding School and Kulachi Manovikas Kendra (to be recovered) [Refer Financial Finding No. 1]	59,00,702
Add: Reserve/Capital Fund with DAV CMC and interest on reserve/capital fund for FY 2016-2017 and FY 2017-2018 [Refer Financial Finding No. 1]	7,86,62,032
Add: Recovery of cost of Land & Building reflected in financial statement for FY 2014-2015, 2015-2016 & 2016-2017 from the Society [Refer Financial Finding No. 4]	2,40,19,904
Gross Estimated Available Funds for FY 2017-2018	**60,57,55,990**
Less: FDR against specific funds (with CBSE)	8,50,673
Less: Caution Money balance as on 31 Mar 2017 (as per audited financial statements of FY 2016-2017)	31,17,500
Less: Refund of excess amount collected by the school during FY 2017-2018 for fee collected in FY 2016-2017 [Refer Financial Finding No. 2]	85,77,945
Less: One-time fee collected in FY 2016-2017 by the school to be adjusted from fee during FY 2017-2018 [Refer Financial Finding No. 2]	68,64,158
Less: Development fund [Refer Note 2]	3,66,41,110
Less: Depreciation Reserve Fund [Refer Note 3]	-
Less: Staff retirement benefits [Refer Financial Finding No. 3]	-
Net Estimated Available Funds for FY 2017-2018	**54,97,04,604**
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 4]	44,78,60,585
Estimated Surplus as on 31 Mar 2018	**10,18,44,020**

<u>Notes</u>:

1. Fee and income as per audited financial statements of FY 2016-2017 has been considered with the assumption that the amount of income during FY 2016-2017 will at least accrue during FY 2017-2018 with an adjustment of INR 68,64,158 towards one-time fees (not to be collected from students during FY 2017-2018) and INR 85,77,945 towards increased fee collected in FY 2016-2017 refundable to the students during FY 2017-2018 (included as income in the audited financial statements of FY 2016-2017).

2. The Supreme Court in the matter of Modern School held that development fees for supplementing the resources for purchase, upgradation and replacements of furniture and fixtures and equipment can by charged from students by the recognized unaided schools not exceeding 15% of the total annual tuition fee. Further, the Directorate's 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.*" Over a number of years, the school has accumulated development fund and has reflected the closing balance of

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INR 7,69,56,323 in its audited financial statements of FY 2016-2017. Accordingly, the accumulated reserve of development fund created by the school by collecting development fee more than its requirement for purchase, upgradation and replacements of furniture and fixtures and equipment has been considered as free reserve available with the school for meeting the financial implication of 7th CPC to be implemented by the school. However, development fund equivalent to amount collected in one year (FY 2016-2017) from students has been considered for deriving the fund position of the school, which is considered sufficient basis the spending pattern of the school in past.

3. The school has charged depreciation on fixed assets and has transferred the same to depreciation reserve on liabilities side of the Balance Sheet of the school. While development fund has been adjusted for deriving the fund position of the school as per Note 2 above, depreciation reserve is more of an accounting head for appropriate 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. Per the Budgeted Receipt and Payment Account for FY 2017-2018 submitted by the school along with proposal for fee increase, the school had estimated the total expenditure during FY 2017-2018 of INR 47,61,06,426 which in some instances was found to be unreasonable/ excessive. Based on the explanations and details provided by the school during personal hearing, most of the expense heads as budgeted were considered even though certain expenditures were increased substantially by the school as compared to FY 2016-2017. However, during review of budgeted expenses, discrepancies were noted in some of the expense heads, which were adjusted from the budgeted expenses. The same were discussed during personal hearing with the school. Therefore, the following expenses have been adjusted while considering in the budgeted expenses for FY 2017-2018:

Particulars	**FY 2016-2017**	**FY 2017-2018**	**Amount allowed**	**Amount Disallowed**	**Remarks**
Gratuity Fund contribution	1,26,29,109	1,52,91,864	1,15,21,813	37,70,051	Refer Financial Finding No. 3
Leave Encashment contribution	54,12,236	65,53,620	22,30,614	43,23,006	Refer Financial Finding No. 3
Administrative Charges	33,78,115	1,61,61,978	45,09,194	1,16,52,784	Refer # below
Purchase of Vehicles	25,87,013	20,00,000	-	20,00,000	Cannot be purchased from Development Fund
Basic Pay	6,80,31,050	22,54,59,681	21,89,59,681	65,00,000	Refer ^ below
Total	**9,20,37,523**	**26,54,67,143**	**23,72,21,302**	**2,82,45,841**	

the school budgeted administrative charges payable to DAV CMC at the rate of 7% of basic pay (against 4% charged previously) on account of implementation of pay scales recommended by 7th Central Pay Commission (CPC) for the staff at DAV CMC. Considering that the basic salary of the staff at school has also increased substantially on account of implementation of 7th CPC during FY 2017-2018, administrative charges have been allowed @ 2% of basic salary, which results in a 33% increase in the amount (compared with FY 2016-2017) and should be sufficient to absorb the impact of increased cost at DAV CMC.

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^ According to the office memorandum no. 2/5/2017-E.II(B) of the Ministry of Finance, Govt. of India dated 7 July 2017, admissibility of House Rent Allowance (HRA) as a percentage (24 points for Delhi) of basic salary computed in accordance with 7th CPC was effective from 1 July 2017. Whereas, the computation of 7th CPC provided by the school included incremental HRA from April 2017 resulting in over-budgeting of establishment expenses. While the school agreed to incorrect budgeting, calculation of excess was not provided by the school. Based on estimation, an amount of INR 65 lakhs approximately has been derived as excessive HRA cost for the period Apr to Jun 2017, which has been disallowed from the budgeted expenses of FY 2017-2018.

In view of the above examination, it is evident that the school has sufficient funds for meeting all the budgeted expenditures 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.

As per the Directorate's Order No. DE 15/Act/Duggal.com/203/ 99/23033/23980 dated 15 Dec 1999, the management is restrained from transferring any amount from the recognized unaided school fund to society or trust or any other institution. However, the school has a recoverable balance of INR 7,28,35,215 towards reserve fund balance from Society and INR 59,00,702 towards expenses incurred on behalf of other schools under the management of the Society. Thus, the school is directed to recover these amounts from Society.

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 additions to the building should not be met out of the fee collected from students and is required to be recovered from the society.

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 has continued to charge earmarked fee higher than the expenses incurred against computer and science fee whereas the expenses incurred are more than transport charges collected from students. The school has utilised the surplus earned for meeting the establishment expenses and deficit on transport charges. Accordingly, the school is advised to maintain separate fund in respect of each earmarked levy charged from the

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students in accordance with the DSEA & R, 1973 and orders, circulars, etc. issued thereunder. Surpluses/deficit under each earmarked levy collected from the students should be adjusted for determining the earmarked levy to be charged in the academic session 2018-2019.

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 proper accounting and presentation of Development Fund in the School's financial statements and utilisation of development fund only towards purchase of furniture, fixtures and equipment.

And whereas Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "Accounting for defined benefit plans is complex because actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses." Further, the Accounting Standard defines Plan Assets (the form of investments to be made against liability towards retirement benefits) as:

(a) assets held by a long-term employee benefit fund; and

(b) qualifying insurance policies.

The school has been directed to ensure compliance with Accounting Standard 15 including measurement of its liability towards retirement benefits of the staff by a qualified actuary and making the investment against the liability so determined in the mode specified under the said Accounting Standard.

And whereas, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that along with certain financial irregularities that 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 **Kulachi Hansraj Model School (School ID-1411222), Ashok Vihar, Delhi-110052** 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 rejection of 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 order to 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 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) Delhi School Education Act, 1973 and Delhi School Education Rules, 1973.

This order has to be read in continuation to this Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/956 dated 13 October 2017 issued to the School.

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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
Kulachi Hansraj Model School
School ID 1411222
Ashok Vihar, Delhi-110052

No. F.DE.15(1648)/PSB / 2018 / 30703 - 30707

Dated: 19/12/2018

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