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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(307)/PSB/2019 | 1585-1590 Dated: 05/04/19

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."

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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, 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, **P.P. International school (School ID-1411255), Pitampura, Delhi-110034** 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 January 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 25 June 2018 at 12 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 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.*"

   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 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 totalling to INR 1,25,18,966 (INR 61,10,028 during FY 2014-2015, INR 31,67,071 during FY 2015-2016 and INR 32,41,867 during FY 2016-2017), which was not in accordance with the aforementioned provisions. Further, this capital expenditure was incurred by the school 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, the amount incurred by the school on additions to building has been included as an adjustment to the amount payable to the Society (reflected in the audited financial statements) in financial finding no. 7 for deriving the rectified balance of the Society.

Further, based on the documents submitted by the school and taken on record, it was noted that the school had taken a loan from State Bank of India for construction of school building during FY 2009-2010 and paid interest totalling to INR 6,20,34,046. This amount of interest could not be a charge on the school funds, as it was part of the responsibility of the Society to construct the school building and arrange resources for same.

Accordingly, the amount incurred by the school as interest on building loan has also been included as an adjustment to the amount payable to the Society (reflected in the audited financial statements) in financial finding no. 7 for deriving the rectified balance of the Society.

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….. capital expenditure/investments have to come from savings.*"

   During review of the audited financial statements of the school for FY 2015-2016, it was noted that the school had incurred capital expenditure on purchase of cars amounting to INR 43,50,052. The school did not provide details of make and model of the car(s) and how many cars were purchased by the school. Thus, it has been observed that the school has purchased costly vehicles and submitted proposal for increase of fee from students, which translates to constituting capital expenditure as component of the fee structure and hence non-compliance of the above direction. Further, the above capital expenditure was incurred by the school without complying the requirements prescribed in Rule 177 of DSER, 1973.

   The audited financial statements of the school for FY 2015-2016 also indicated that the school had incurred capital expenditure on purchase of buses amounting to INR 1,50,42,224. Further, while the school is not following fund based accounting and has not created fund account against transport service provided to students by the school, the income and expense towards transport service from the audited financial statements of the school for FY 2015-2016 to FY 2016-2017 were evaluated and it was noted that the school was charging transport fee, which was not even adequate to cover revenue (operating) expenses for providing the transport service to students. Also, this capital expenditure on buses was incurred by the school without complying the requirements prescribed in Rule 177 of DSER, 1973.

Thus, it has been observed that the school has purchased buses and submitted proposal for increase of fee from students, which translates to constituting capital expenditure as component of the fee structure of school and hence non-compliance, since the school has been running in deficit from the transport facility provided to students.

Accordingly, the amount spent by the school on purchase of cars of INR 43,50,052 and buses of INR 1,50,42,224 has been included as adjustments to the amount payable to the Society (reflected in the audited financial statements) in financial finding no. 7 for deriving the rectified balance of the Society.

The school is directed to ensure that capital assets are not procured from school funds unless savings are derived in accordance with Rule 177 or the cost of the capital assets is recovered by way of earmarked levy collected from the user students over the life of the asset.

3. 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. Salaries and allowances are revenue expenses incurred during the current year and therefore, have to come out of the fee of the current year while capital expenditure/investments have to come from savings.*" The same was also upheld by the Hon'ble Supreme Court of India in the matter of Modern School Vs Union of India & Ors.

   The financial statements for FY 2014-2015, FY 2015-2016 and FY 2016-2017 submitted by the school along with its proposal for enhancement of fee for FY 2017-2018 were examined and it came to light that the school has been incurring excessive capital expenditure. While the school has been charging development fee from students, analysis of the last three financial years' financial statements pointed out that the school had purchased capital assets of a value higher than the amount of development fee collected from students (even after adjusting the carried over balance of development fund) as tabulated below:

Particulars	FY 2014-2015	FY 2015-2016	FY 2016-2017	Total (INR)
Total Assets Purchased (as per Fixed Assets Schedule annexed to the financial statements) {A}	77,19,799	2,75,57,146	76,29,309	4,29,06,254
Less: Additions to Building reported in Fixed Assets Schedule, which has been dealt with separately under Financial Finding No. 1 {B}	61,10,028	31,67,071	32,41,867	1,25,18,966
Less: Value of cars and busses included in additions above, which has been dealt with	-	1,93,92,276	-	1,93,92,276

Particulars	FY 2014-2015	FY 2015-2016	FY 2016-2017	Total (INR)
separately under Financial Finding No. 2 {C}				
Net Additions to Fixed Assets purchased {D} = {A – B – C}	**16,09,771**	**49,97,799**	**43,87,442**	**1,09,95,012**
Less: Development fee collected from students (as per audited financial statements of the school) {E}	12,30,000	18,15,000	15,00,000	45,45,000
Less: Balance of Development Fund as on 1 Apr 2014 (as per audited financial statements of FY 2014-2015) {F}				62,74,825
Excessive Capital expenditure done by school (exceeding development fee collection) {G} = {D – E – F}				**1,75,187**

Thus, it has been observed that the school has incurred excessive capital expenditure and submitted proposal for increase of fee from students, which translates in making capital expenditure as component of the fee structure. Further, this capital expenditure was incurred by the school without complying the requirements prescribed in Rule 177 of DSER, 1973.

Accordingly, the amount of INR 1,75,187 has been included as adjustment to the amount payable to the Society (reflected in the audited financial statements) in financial finding no. 7 for deriving the rectified balance of the Society.

Further, as the amount of development fee collected and development fund balance has been adjusted in table above for deriving the amount of excessive capital expenditure incurred by the school and recoverable from the Society, the school is directed to adjust the entire development fund balance in its books of account and should not carry forward any balance of development fund in subsequent financial year. Accordingly, no amount towards development fund has been considered while deriving the fund position of the school for FY 2017-2018 (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, upgradation and replacement of furniture, fixtures and equipment.*" The Hon'ble Supreme Court of India, also through its judgement in the matter of Modern School, quoted "*the management of recognized unaided schools should be permitted to charge development fee not exceeding 15% of the total annual tuition fee.*"

   It was observed that the school is charging development fees more than 15% of total annual tuition fees collected from students. The school is charging INR 15,000 as development fees from the students, however, development fees computed at 15% of the annual tuition fee arrives as INR 10,800 (i.e. 15% of INR 72,000).

During personal hearing, the school mentioned that development fees is being charged only at the time of admission and not every year and the calculation of the percentage should be from school's total tuition fees and not from individual student's tuition fees.

Based on the amount of development fee collected from students, the school has not complied with the directions of the Directorate in this regard and judgement of Hon'ble Supreme Court of India. Accordingly, the contention of the school is incorrect and development fees should be charged as per the direction of order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009. The school is directed to revise its fees structure immediately and ensure that it does not collect development fee in any year more than 15% of tuition fee collected during that year from any student. Compliance of the same will be verified at the time of evaluation of subsequent fee increase proposal of the school.

5. The school submitted a memorandum of understanding signed between the school and a company names "Its My Name Private Limited" dated 1 April 2015 wherein the company agreed to render the following services:
   a. "Provide Mid day meal to the students of the school
   b. Supply school books and uniform
   c. Including any other identical or ancillary items/services to be supply/perform under this agreement."

   Further, based on the memorandum of understanding, the vendor shall be entitled to reimbursement for all collection made by the school on its behalf as agreed between the parties herein. It was noted that one of the Directors of 'Its My name Private Limited' is holding the position of chairman of the school.

   Based on the details (ledger account) submitted by the school, it collected INR 4,200 from each student quarterly totalling to INR 71,59,400 during FY 2016-2017. Further, the school submitted copies of 6 invoices raised by the vendor during the FY 2016-2017, as detailed below:

Invoice number	Invoice Date	Amount (INR)
MM/001/2016-17	30-Apr-16	17,85,000
MM/002/2016-17	31-May-16	13,500
MM/003/2016-17	31-Jul-16	17,86,500
MM/004/2016-17	31-Aug-16	15,228
MM/005/2016-17	1-Oct-16	16,11,500
MM/006/2016-17	1-Jan-17	16,08,600
Total Amount		**68,20,328**

Based on the invoices submitted by the school, the vendor raised invoices totalling to INR 68,20,328. However, the invoices did not include any description to understand the basis on which the same was raised i.e. no. of students, rate, etc. While the school submitted comparative statements of quotations collected for mid-day meals that indicated that the selected vendor quoted INR 60 per day per child towards meals, no amount per child/ per meal was mentioned in the MOU signed with the vendor. Instead, the MOU mentioned that 'the vendor shall be entitled to reimbursement for all collection made by the school on its behalf as agreed between the parties herein'.

Based on the details provided by the school, it collected INR 71,59,400 from students towards mid-day meals, which was reimbursed to the vendor against invoices totalling to INR 68,20,328 raised by the vendor. Also, based on the information placed on record, it was noted that the school collected Mid-Day meal charges from all students for 12 months whereas, the meals were provided roughly for 10 months (218 days only).

Further, it was noted that the school has made mid-day meal charges compulsory for all the students of the school. Thus, the fee charged from all students loses its character of earmarked levy, being a non-user based fees. Further, the school mentioned that no fees is collected from EWS students towards Mid-Day meals and such students are provided meals free of cost by the vendor. The explanation provided by the school seems unjustified and it is more likely that the expenses of mid-day meal pertaining to EWS students were met from excess collections made from other students.

Though quotation received from Its My Name Pvt. Ltd. was not submitted by the school, the per-child per-day rate as quoted by Its My Name Pvt. Ltd. was mentioned as INR 60 in the comparative statement of the mid-day meal charges quoted by different vendors. Further, it was noted that the comparative statement did not account for whether the rates quoted by the vendor were inclusive or exclusive of VAT and comparison was made of quoted rates ignoring if VAT was included in same or not. Therefore, based on the details of number of non-EWS students provided by the school (419 students), rate per-child per-day of INR 60 and days for which mid-day meals were provided (218 days) by the vendor during FY 2016-2017, charges for midday meals that should have been collected and reimbursed to the vendor amounts to INR 54,80,520. Thus, the school is directed to recover excess payment made to the vendor against mid-day meal of INR 16,78,880 (INR 71,59,400 minus INR 54,80,520) from the vendor within 30 days from the date of this order.

Further, the school did not provide any documentation to indicate prior experience of the vendor – "Its My Name Pvt. Ltd." in providing same/similar services. Thus, it appears that the contract to Its My Name Pvt. Ltd. was not awarded on merit, but purely on account of interest of the chairman of the School in the Company.

Accordingly, the school must ensure that all contracts awarded to vendors on the basis of merit and experience of the vendor rather that it being a related party. Also, the school is directed to ensure that mid-day meal charges are not collected compulsorily from all students and the same is collected at no-profit no-loss basis.

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6. Based on the documents submitted by the school and taken on record, it was noted that the school has been incurring excessive expenditure on promotion of the school by giving advertisement through various mediums like radio, hoardings, newspaper, metro pillars, malls, etc., which is not directly related for educational purposes and benefit of the students. Further, the school has reflected deficit in its operation on account of high amount spent on promotional expenses as detailed below:

Financial Year	Promotion Expenses (A)	Annual Charges collected from students (B)	Promotional expense as percentage of annual charges (A / B*100)
2014-2015	96,92,909	*	-*
2015-2016	1,40,21,221	38,24,000	367%
2016-2017	71,08,479	38,81,000	183%
Total	**3,08,22,609**	*	**274%**

* Details of Annual Charges collected from students during FY 2014-2015 was not separately disclosed in the audited Income and Expenditure Account for FY 2014-2015. Also, the school did not provide this details separately.

Thus, the school has incurred excessive expenditure on advertisement and promotion as compared with the total annual charges collected from students in the last three financial years which, did not reap any benefit to the students. Further, fee of the students cannot be increased on account such expenditures which does not reap any benefits to the students and such expenses should not be incurred from fee collected from students.

Thus, the amount of expenditure of INR 3,08,22,609 reported as incurred on promotional expenses has been included as adjustment to the amount payable to Society (reflected in the audited financial statements) in financial finding no. 7 for deriving the rectified balance of the Society.

Further, the school is directed not to incur such expenses from fee collected from students and ensure that the fee collected from students is utilized in efficient manner for the benefit of the students. Accordingly, the amount budgeted by the school towards promotional expenses for FY 2017-2018 has not been considered as part of the budgeted expenses for FY 2017-2018 while deriving the fund position of the school for FY 2017-2018 (enclosed in the later part of this order).

7. 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 Hon'ble Supreme Court of India also through its judgement on a review petition in 2009 restricted transfer of funds to the society.

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While the audited financial statements of the school reflected payable balance to the Society, which was incorrectly derived by the school. During evaluation of the fee increase proposal and examination of documents and information placed on record, multiple amounts have been identified, which need to be adjusted from the Society's ledger balance to derive at the correct amount payable/ receivable to/from the Society. The adjustments identified in other findings have been compiled in table below to derive the Society's balance.

Further, the financial statements of the school reflected outstanding loan taken from a related party "Its My Name Pvt. Ltd." on which interest was also accrued by the school. It was noted that after making the adjustments towards financial findings noted above in the Society Account, the school had a receivable balance from the Society instead of payable balance reflected in the financial statements of the school and the amount receivable from Society was adequate enough towards which the loan from the related party could be netted off. Thus, the amount of interest accrued by the school as expense and credited to the related party's ledger should not have been reported as expense of the school or should be met by the Society, as the school funds were lying with the Society.

Thus, the amount of interest recorded by the school of INR 1,56,91,441 (sum of interest expense recorded during FY 2015-2016 and FY 2016-2017 of INR 59,63,770 and INR 97,27,671 respectively) has not been considered and the same was removed from the closing balance of the outstanding loan amount of Its My Name Pvt. Ltd. reported in the financial statements of the school before netting it off from the derived balance of the Society.

Refer table below for computation of the closing balance of the Society after adjustments of the amounts identified in other financial findings, which is further netted off with the outstanding loan balance of Its My Name Pvt. Ltd.

Particulars	FY 2014-2015	FY 2015-2016	FY 2016-2017	Reference
Balance payable to Society as on 31 March (A)	22,94,36,320	23,20,90,020	28,23,31,309	Audited financial statements of the school
Net change in the society account as compared to the previous year (B)	**-**	**26,53,700**	**5,02,41,289**	
Net adjustments to society account:-				
i. Cost of fixed assets at the time of recognition - responsibility of the school, but included in the Society's Account as liability (as per	23,14,00,000	-	-	Refer ^ below

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Particulars	FY 2014-2015	FY 2015-2016	FY 2016-2017	Reference
details provided by the school)				
ii. Financial expenses paid on loan taken for construction of building from SBI	6,20,34,046	-	-	Refer Financial Finding No. 1
iii. Additions to building (over and above that included in i. above)	61,10,028	31,67,071	32,41,867	Refer Financial Finding No. 1
iv. Purchase of car	-	43,50,052	-	Refer Financial Finding No. 2
v. Purchase of bus		1,50,42,224		Refer Financial Finding No. 2
vi. Promotion Expenses	96,92,909	1,40,21,221	71,08,479	Refer Financial Finding No. 6
vii. Excessive capital expenditure incurred over and above development fee collection from students	-	-	1,75,187	Refer Financial Finding No. 3
Total adjustments/ Recoverable (C)	**30,92,36,983**	**3,65,80,568**	**1,05,25,533**	
Adjusted Balance of Society as on 31 Mar 2015 (Receivable from Society) (D) = (C) - (A)	**7,98,00,663**			
Adjusted Closing Balance of Society as on 31 Mar 2016 (Receivable from Society) (E) = (D) - (B) + (C)		**11,37,27,531**		
Adjusted Closing Balance of Society as on 31 Mar 2017 (Receivable from Society) (F) = (E) - (B) + (C)			**7,40,11,775**	
Closing Balance of loan from "Its My Name Private Limited" (G)	5,44,82,102	8,89,38,687	7,93,48,577	Audited financial statements of the school
Cumulative interest Expense against loan from "Its My Name Private Limited" (H)	-	59,63,770	1,56,91,441	Audited financial statements of the school

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Particulars	FY 2014-2015	FY 2015-2016	FY 2016-2017	Reference
Net Recoverable Balance of Society after adjusting loan from "Its My Name Private Limited" as on 31 Mar 2015 (I) = (D) - (G) - (H)	**2,53,18,561**			
Net Recoverable Balance of Society after adjusting loan from "Its My Name Private Limited" and interest as on 31 Mar 2016 (J) = (E) - (G) - (H)		**3,07,52,614**		
Net Recoverable Balance of Society after adjusting loan from "Its My Name Private Limited" and cumulative interest as on 31 Mar 2017 (K) = (F) - (G) - (H)			**1,03,54,639**	

^ The school in its representation mentioned that fixed assets amounting to INR 23.14 crores pertaining to construction of school building and other basic infrastructure of the school that were required to start the school were part of the responsibility of the Society. However, these assets and corresponding liability towards Society are recorded in the books of the School. Thus, the same have been adjusted from the payable balance of the Society.

Basis above, the net computed balance of INR 1,03,54,639 recoverable from the Society 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 to adjust the amount of liability indicated towards Its My Name Pvt. Ltd. from its books of account by setting it off against the balance of the Society.

B. Other Discrepancies

1. 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.*"

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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, Activity fee and Mid-day meal Charges 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. 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/(Deficit) (INR)
	A	B	C=A-B
Transport Fee	64,41,900	1,36,20,970	(71,79,070)
Activity Fee	1,22,51,832	1,57,00,754#	(34,48,922)
Mid Day Meal Charges	71,59,400	71,59,400*	-

The school included depreciation on instruments & equipments in the breakup of expenses incurred against the earmarked levy, which has not been included in expenses reported in table above, as development fees is collected by the school for the purchase of furniture, fixture and equipment.

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* The school mentioned that the amount collected from students has been disbursed to the vendor. Thus, there is no saving or deficit from this earmarked levy. Refer financial finding no. 5 for observations relating to mid-day meals.

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 Activity fees and Mid-Day Meal charges 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 Activity fee and Mid-day Meal Charges and details provided by the school in relation to expenses incurred against the same, the school should not charge such fee as earmarked fee with immediate effect and should incur the expenses relating to these from tuition fee and annual charges, as applicable collected from the students.

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/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 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 and not to include fee collected from all students as earmarked levies.

2. 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.

   From the financial statements for FY 2016-2017, it was noted that the school has not created any provision for retirement benefits. Further, the school has not got its liability for retirement benefits liability valued from an actuary.

   The school is directed to get its liability for retirement benefits valued by an actuary within 30 days from the date of this order and record the same as provision in its books of account. Further, the school is directed to invest the amount against the liability for retirement benefits determined by the actuary in investments that qualifies as 'plan-assets' in accordance with Accounting Standard 15 and start building the value of investments equivalent to the liability so determined in the coming years.

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In absence of actuarial valuation, provision in books of account and investment, no amount towards retirement benefits has been considered while deriving the fund position of the school (enclosed in the later part of this order).

3. Incomes (fee collected from students) reported in the audited Income and Expenditure Account/ Receipt and Payment Account for FY 2016-2017 were recomputed to evaluate the accuracy of incomes reported based on the approved fee structure of the school and details of number of students enrolled (non-EWS) provided by the school. Basis the computation prepared, differences were noted in the fee collection reported by the school during FY 2016-2017 in its audited Income & Expenditure Account and the amount of fee arrived/computed as per details provided by the school, which are tabulated below:

Particulars	As per Income & Expenditure A/c (A)	Computed figure based on details provided by school (B)	Derived Difference (A-B)
Tuition Fees	2,82,73,500	3,01,68,000	18,94,500
Annual fees	38,81,000	39,14,000	(33,000)
Activity Charges	1,22,51,832	1,30,72,800	8,20,968

The school should perform a detailed reconciliation of the amount collected/income from students and the income that should have been recognised based on the fee structure and number of students enrolled by the school. Compliance of the same will be verified at the time of evaluation of subsequent fee increase proposal.

4. Clause 14 of the 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. 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."*

Further, 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."*

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Para 67 of the Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India states *"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, it was noted that the school is reporting Fixed Assets at written down value (net of depreciation) and has not created depreciation reserve equivalent to the depreciation charged on the fixed assets, which is not in accordance with the directions above and disclosure requirements of the guidance note citied above. Also, the school has not segregated the fixed assets purchased from development fund and those purchased from general fund and has included a consolidated fixed assets schedule along with its audited financial statements.

Accordingly, the school is instructed to create depreciation reserve and make necessary entries relating to development fund and depreciation reserve to comply with the accounting treatment indicated in the Guidance Note. Also, the school is directed to disclose all asset at gross (historic) value on the face of Balance Sheet on the assets side and accumulated depreciation as depreciation reserve on the liability side of the Balance Sheet. Further, the school should prepare separate fixed assets schedule for assets purchased against development fund and other assets purchased against general reserve/ fund. The school is directed not to charge development fee from students till the time it ensures compliance with the above directions.

5. 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.*"

   From the information and documents submitted by the school and taken on record, it was noted that the school is collecting additional security deposit of INR 4,500 from new students other than INR 500 collected as caution money. During personal hearing, the school mentioned that this additional deposit is taken as security, which is refundable to students after three years.

   Since the school is collecting additional security deposit from students, which is not in accordance with the provisions of DSEA & R, 1973, the school is directed to stop collecting any additional security deposit from the students and refund the same to students within 30 days from the date of this order. Further, the school is directed not to collect this security deposit from students.

6. As per Order No. F.DE-15/ACT-I/WPC-4109/Part/13/7905-7913 dated 16 April 2016 "*The Director hereby specify that the format of return and documents to be submitted by schools*

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under rule 180 read with Appendix-II of the Delhi School Education Rules, 1973 shall be as per format specified by the Institute of Chartered Accountants of India, established under Chartered Accountants Act, 1949 (38 of 1949) in Guidance Note on Accounting by Schools (2005) or as amended from time to time by this Institute."

Further, para 58(i) of the Guidance Note states "*A school should charge depreciation according to the written down value method at rates recommended in Appendix I to the Guidance Note.*"

From the financial statements of FY 2016-2017, it was noted that the school did not charge depreciation at the rates specified in Appendix I to the Guidance Note, which was not in accordance with the directions above and requirements of the guidance note. Also, it was noted that financial statements of the school were signed by the Chairman of the School instead of HOS/Principal and Manager of the School.

The school is directed to ensure compliance with the requirements of guidance note. Further, the school should ensure that subsequent financial statements are signed by the HOS/Principal and Manager of the School.

7. As per Rule 180(1) of DSER, 1973, the school is required to file annual return, wherein the school is required to furnish among other documents, pattern of concession/ scholarship, etc. However, it was noted that the school did not furnish details regarding concessions including the criteria for awarding concessions in its annual return for FY 2016-2017.

   Further, it was noted that the school had submitted its fee structure only till class X with the annual return, however, the school is also operating senior secondary classes (XI and XII) details of which were included in the proposal for enhancement of fee for academic session 2017-2018.

   The school is directed to ensure that complete and accurate details as per requirements of DSEA & R, 1973 are enclosed along with the annual return. Compliance of the same will be verified at the time of evaluation of subsequent fee increase proposal of the school.

8. Part IV of Appendix III - 'Instructions for preparing Income and Expenditure Account' of Guidance Note 21 issued by the Institute of Chartered Accountants of India specifies that "*Any item under which income or expense exceeds 1 per cent of the total fee receipts of the School or INR 5,000, whichever is higher, should be shown as a separate and distinct item against an appropriate account head in the Income and Expenditure Account. These items, therefore, should not be shown under the head 'miscellaneous income' or 'miscellaneous expenses'.*"

   The school, in its audited Income and Expenditure Account for the FY 2016-2017 has not segregated all items of income and expenses that exceeded 1% of the total fee receipts and reported a single head of income as 'Receipts' without providing its break-up in Income and Expenditure account and reported consolidated certain expenses under the head 'Other

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Expense', which is more than 1% of the total fee receipts. The school is directed to ensure that all subsequent financial statements are prepared in accordance with the requirements of Guidance Note 21 issued by ICAI.

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 7,23,40,492 out of which cash outflow in the year 2017-2018 is estimated to be INR 6,86,67,573. This results in net surplus of INR 36,72,919. 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)	62,68,169
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	42,61,637
Total Liquid Funds Available with the School as on 31 Mar 2017	**1,05,29,806**
Add: Estimated Fees and other incomes for FY 2017-2018 as per Budget Estimate submitted by the school [Refer Note 1]	5,43,02,804
Add: Excess payment made to Its My Name Pvt. Ltd. against Mid-Day meals [Refer Financial Finding No. 5]	16,78,880
Add: Net amount recoverable from the society after adjustments against financial findings and loans from Its My Name Pvt. Ltd. [Refer Financial Finding No. 7]	1,03,54,639
Gross Estimated Available Funds for FY 2017-2018	**7,68,66,129**
Less: FDR submitted with CBSE and DOE (as per audited financial statements of FY 2016-2017)	42,61,637
Less: Caution Money balance as on 31 Mar 2017 (as per audited financial statements of FY 2016-2017)	2,64,000
Less: Development fund balance [Refer Financial Finding No. 3]	-
Net Estimated Available Funds for FY 2017-2018	**7,23,40,492**
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 2]	5,94,29,458
Less: Arrears of salary from January 2016 to March 2018 on account of implementation of 7th CPC (as per separate computation submitted by the school)	92,38,115
Estimated Surplus	**36,72,919**

Notes:

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.

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2. 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 10,78,16,315 (including arrears of salary as per 7th CPC for the period January 2016 to March 2017, but not separately indicated in the Budgeted Receipt and Payment Account for FY 2017-2018), 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, while other expense heads were restricted to 110% of the expense incurred during FY 2016-2017 giving consideration to general rise in cost/inflation and especially because FY 2017-2018 is the year of implementation of 7th CPC where additional financial burden of increased salary of staff is already there. Further, during review of budgeted expenses, other discrepancies were also 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 the budgeted expenses for FY 2017-2018:

Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Salaries and wages including Allowances	2,79,81,913	4,05,45,315	2,79,81,913	1,25,63,402	School submitted a computation of arrears based on difference in salaries as per 7th CPC and 6th CPC. In accordance with the computation, arrears of salary have been separately considered in fund position table above. Thus, the amount of salary has been restricted to the amount of the salary paid during FY 2016-2017 as the amount of increase has been included in the figure of arrears.
Admin Charges PF	-	18,82,300	-	18,82,300	Based on the salary expense of the school, the amount budgeted by the school towards admin charges of PF is highly inflated. Also, total salary

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Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
					expense of FY 2016-2017 has been considered above including PF and admin charges on PF. Thus, this has not been considered.
Transportation expenses	37,46,919	46,68,400	37,46,919	9,21,481	The school is incurring more expense on transportation than income. Thus, no increase in transport expense compared with that incurred during FY 2016-2017 has been allowed.
Printing & Stationery	15,52,752	19,80,300	17,08,027	2,72,273	Reasonable explanation or supporting documents were not provided by the school for such percent increase. Thus, expenditure has been restricted to 110% of that incurred during FY 2016-2017.
Electricity and water charges	49,23,851	57,31,100	54,16,236	3,14,864	
Others	1,18,09,310	1,42,61,200	1,29,90,241	12,70,959	
Promotion Expenses	71,08,479	98,57,100	-	98,57,100	Refer Financial Finding No. 6
Rents, rates and taxes	10,70,514	35,81,200	15,15,722	20,65,478	Based on the ledger account for FY 2017-2018 submitted by the school, this expense has been considered.
Financial Expenses	97,41,247	1,19,19,000	-	1,19,19,000	Refer Financial Finding no. 7
Insurance Expenses	-	11,50,000	-	11,50,000	Reasonable justification/

Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
					explanation was not provided by the school for this new head of expense included in the budget. Thus, the same has not been considered.
Construction of school building	32,41,867	15,00,000	-	15,00,000	Capital expenditure on construction of building is not allowed from school funds, as the school has not ensured compliance with Rule 177 of DSER, 1973. Accordingly, this expenditure has not been considered.
Bus	-	17,00,000	-	17,00,000	School has not created any transport fund and is incurring deficit. Thus, this capital expenditure for purchase of additional bus cannot be done from fee collected from students. Accordingly, the same has not been considered.
Other capital expenditure budgeted by the school	41,49,333	44,70,000	15,00,000	29,70,000	The capital expenditures are restricted to the amount of development fees received during the year.
Total	**7,53,26,185**	**10,32,45,915**	**5,48,59,058**	**4,83,86,857**	

In view of the above examination it is evident that the school has sufficient funds for meeting all 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 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 1,03,54,639 from Society, which is a non-compliance of the aforementioned order. Accordingly, the school is directed to recover this amount from society and utilize the same for meeting expenses of the school.

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 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. Accordingly, the school is advised to maintain separate fund in respect of each earmarked levy charged from the students in accordance with the DSEA & R, 1973 and orders, circulars, etc. issued thereunder. Also, school should discontinue charging compulsory earmarked levies from all students.

And whereas per clause 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. The school is directed to comply with the directions in this regard and ensure that it does not charge development fee more than 15% of the annual tuition fee collected from students.

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 exist (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings which were 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 **P.P. International School (School ID-1411255), 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 DSEA, 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. Not to collect same fee from students after they are promoted to higher class as the existing fee structure for that class will be applicable.
3. 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.
4. 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).
5. 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.
6. 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.

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7. 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) 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
P.P. International School
School ID - 1411223
LD Block, Pitampura, Delhi-110034

No. F.DE.15(307)/PSB/2019 /1585 - 1590 Dated: 05/04/19

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