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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(667)/PSB/2018/ 30818-822 Dated: 24/12/18

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, 1973 Directorate of Education has the authority to regulate the fee and other charges to prevent commercialization of education

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AND WHEREAS in response to this directorate's circular dated 23 Oct 2017 referred to above, **Yuvashakti Model School (School ID- 1413248), Sector-3, Rohini New Delhi-110085** 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 Jan 2016.

AND WHEREAS, in order to ensure that the proposals submitted by the schools for fee increase in academic session 2017-2018 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 20 August 2018 at 05:00 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 from Yuva Shakti Education Society of INR 88,30,078, which has been carried over from previous financial year. The school was asked to provide the ledger account of society from its books of account to validate the nature of transactions done with the Society, but the school did not provide the same.

   Further, based on the personal hearing, it was identified that the school has given a number of advances/loans to related parties and to schools under the management of the same society which were not in relation to any expense/service or liability of the school. Based on the audited financial statements of FY 2016-2017, it was noted that total amount of INR 18,68,344 is recoverable from related parties/school details of which are as under:

Name of the related Party	Amount in INR
Jugender Bharadwaj	1,00,000
Vijay Kumar Sharma	17,00,000
V. K. Sharma	50,000
Yuva Shakti Model School Rama Vihar	18,344
Total	**18,68,344**

The amount of advance/loan to society and related parties totalling to INR 1.06.98.422 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 and related parties within 30 days from the date of this order.

2. As per the 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*"

From the audited financial statements of the school for FY 2013-2014, it was noted that the school was already owning cars such as Honda Civic, Hyundai i20, Maruti Omni, Eco, Pajero, Swift, Toyota Corolla as on 1 April 2014. However, school purchased multiple high cost cars from the school fund during FY 2013-2014, FY 2014-2016 and FY 2015-2016 including BMW, Mercedes, Ecosport, etc

Further, the need of having more than 12 cars (as on 31 Mar 2017) by the school is questionable in itself

The details of cars purchased, interest on loan paid and loan amount outstanding as at 31 March 2017 are as follows

Financial Year	Purchase Price (INR)	Interest on loan (INR)	Total (INR)
2013-2014	43,98,918	4,86,047	48,84,965
2014-2015	10,67,868	4,43,962	15,11,830
2015-2016	85,00,404	3,66,964	88,67,368
2016-2017	-	4,63,693	4,63,693
Total	**1,39,67,190**	**17,60,665**	**1,57,27,855**
Less Outstanding Loan Amount as at 31 Mar 2017			36,87,959
Net Cost of Vehicles met out of School Funds			**1,20,39,897**

During the personal hearing, the school mentioned that it is facing stiff competition from nearby schools and due to this competition, the students and their parents are expecting good facilities, infrastructure and image from their school. Thus, in order to meet these expectations, the school has invested funds to improve the image/brand of the school.

Thus, it has been observed that the school has been purchasing vehicles and submitting proposals for increase of fee from students that translates to constituting capital expenditure as component of the fee structure of school and hence non-compliance of DSEA & R, 1973. Further, the above capital expenditures were incurred by the school without complying the requirements prescribed in Rule 177 of DSER, 1973

Accordingly, the amount spent by the school on purchase of cars (together with interest and net of outstanding loan) of INR 1,20,39,897 from the school funds 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

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from the Society within 30 days from the date of this order. Further, the school is directed not to make payment towards repayment of loan taken on vehicles along with interest thereon from the school funds. Also, the school is instructed to ensure compliance of DSEA & R. 1973 before making any purchase of capital asset from the school funds.

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

During review of financial statements of the school for FY 2013-2104 and FY 2016-2017, it was noted that the school had incurred capital expenditure on purchase of buses totalling to INR 1,17,70,479 (INR 18,27,429 during FY 2013-2014 and INR 99,43,050 during FY 2016-2017).

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 2013-2014 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. Calculation of deficit is enclosed below:

Particulars	FY 2016-2017	FY 2015-2016	FY 2014-2015	FY 2013-2014
Income				
Transport Fees (A)	66,04,773	67,09,747	64,52,565	62,08,855
Expenses				
Insurance Charges	5,63,710	4,07,648	4,36,393	3,87,383
CNG Filling Expenses	4,51,001	5,90,553	6,61,670	6,74,426
Transport Expense- Hire Charges	49,24,651	46,05,626	44,86,286	40,58,007
Tour and Travel Expenses	4,06,219	4,83,511	-	24,000
Motor Vehicle Repair & Maintenance	16,31,579	7,63,756	10,47,494	8,15,901
Service Tax on Transport charges	2,84,198		-	-
Total Expenses (B)	**82,61,358**	**68,51,094**	**66,31,843**	**59,59,717**
Deficit	**(16,56,585)**	**(1,41,347)**	**(1,79,278)**	**2,49,138**

Note: Salaries of staff engaged in the transport facility such as driver, conductor, etc. are not included in table above, as the same were not separately reflected in the audited financial statements of the school and the school did not provide specific details of the same.

The school explained that the same was purchased to meet the needs of the school. Thus, it has been observed that the school has been purchasing vehicles and submitting proposals for increase of fee from students that translates to constituting capital expenditure as component of the fee structure of school and hence non-compliance, while the school has been incurring deficit from the transport facility provided to students in the last 4 financial years

Further, the above capital expenditures were incurred by the school without complying the requirements prescribed in Rule 177 of DSER 1973. Accordingly, the amount spent by the school on purchase of buses of INR 1 17,70,479 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

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.

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 (viii) (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 audited financial statements of the school for FY 2016-2017 reflected a receivable balance of INR 3,39,00,000 towards advance given for purchase of land situated in Kotputli Jaipur Rajasthan, which has been carried over from previous financial years. The school submitted copies of agreements with two parties, which was in the name of Yuva Shakti Education Society. During personal hearing, the school explained that this amount was given as advance for purchase of land, but the deal with the land owner could not be materialized. However, the school has failed to recover this amount. It was further mentioned that the school is exploring legal options for recovery the same.

   From the documents submitted by the school, the initial advances were paid to the parties on 7 Dec 2011 and 11 Jan 2012. Further, the receipts of initial advances mentioned that amount of INR 90 lakhs and INR 80 lakhs were received in cash by the parties. Also, the total value of agreements were INR 2.05 crores and INR 2 crores. The school did not provide complete details of advances paid to the parties against these agreements. The school did not provide any reasonable explanation regarding paying such large advances in cash to parties. Also, purchase of this land was not in connection with the operations of the schools, but the school could not explain why school funds were utilised for the same

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Accordingly, this amount of INR 3,39,00,000 reflected in the financial statements of the school 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 also directed to submit complete details of all advances paid for purchase of land from school funds including the above two advances paid in cash of INR 80 lakhs and INR 90 lakhs.

5. 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, according to para 7.14 of the Accounting Standard 15 "*Plan assets comprise:*
   (a) assets held by a long-term employee benefit fund, and
   (b) qualifying insurance policies."

   It was noted that the school was not providing for the liability towards staff terminal benefits (gratuity and leave encashment) in its financial statements. Further, it was noted that the school was charging expenses relating to gratuity and leave encashment in the Income and Expenditure Account based on actual expenditure/payment to staff during the year. The school has also not obtained actuarial valuation of its liability towards retirement benefits of the staff and has not made investments towards same in accordance with Accounting Standard 15.

   The school mentioned that due to limited/inadequate funds, the school has not been able to deposit any funds towards gratuity and leave encashment. Further, it mentioned that the staff will not be denied any benefits of gratuity and leave encashment, which will be paid as and when it becomes payable.

   However, based on the fact that the school has neither obtained an actuarial certificate regarding its liability towards staff retirement benefits nor has it provided for any liability in its financial statements and has not deposited any amount in investments, the same has not been considered except to the extent of school's projection towards actual payment of gratuity and leave encashment during FY 2017-2018 in the budgeted expenses while deriving the fund position of the school (enclosed in the later part of the order).

   The school is directed to obtain actuarial valuation of its liability towards gratuity and leave encashment and record the provision towards retirement benefits in its financial statements in conformity with actuarial valuation report. Also, the school should start creating investments that qualify as 'plan-assets' in accordance with Accounting Standard 15.

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.*"

24.2.3

Further clause 21 of the aforesaid order states "*No annual charges shall be levied unless they are determined by the Managing Committee to cover all revenue expenditure, not included in the tuition fee and 'overheads' and expenses on play-grounds sports equipment, cultural and other co-curricular activities as distinct from the curricular activities of the school.*"

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

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

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

Also, earmarked levies collected from students are a form of restricted funds, which, according to Guidance Note on Accounting by Schools issued by the Institute of Chartered 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 Smart Intel Fees, Computer Fees, Activity Fees, I-Card Fees and Transport Fees 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. 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)
Transport Fees^	66,04,773	82,61,358	(16,56,585)
Smart Intel Fees	62,57,984	29,08,193	33,49,791
Computer Fees*	3,02,950	-	3,02,950
I- Card Fees	1,53,260	63,694	89,566
Activity Fees	14,05,115	41,93,039	(27,87,924)

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^ The school did not provide details of salaries paid to staff involved in transportation of students, which is not included in the figure of expense and has also 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. Also, refer Financial Finding No.3.

* School did not provide details/breakup of expenses incurred towards earmarked levy

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 I-Card Fees 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 I-Card Fees and details provided by the school in relation to expenses incurred against the same, the school should not charge such fee as earmarked fee and should incur the expenses relating to these from tuition fee and annual charges, as applicable collected from the students. The school explained that annual charges are not sufficient to meet the revenue expenses of the school. Thus, the surplus generated from earmarked levies has been applied towards meeting general revenue expenditure of the school on account of which fund balance of earmarked levies could not separated from the total funds maintained by the school. Accordingly, total fees (including earmarked fee) have been included in the budgeted income and budgeted expenses (included those for earmarked purposes) while deriving the fund position of the school (enclosed in the later part of this order).

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

2. Para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states "*Where the fund is meant for meeting capital expenditure upon incurrence of the expenditure the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter the concerned restricted fund account is treated as deferred income to the extent of the cost of the asset and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year*"

As per 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*

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be charged for supplementing the resources for purchase, up gradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and 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 audited financial statements of the school for FY 2016-2017 includes a separate fixed assets schedule for assets purchased out of development fund, but the amount of additions to fixed assets included in the schedule did not reconcile with the amount reflected as utilization of development fund. On a detailed review of audited financial statements of the school for FY 2014-2015, FY 2015-2016 and FY 2016-2017 and breakup of expenditure provided by the school in respect of utilization of development fund, it was noted that the school has been utilising development fund towards revenue expenditure such as repair and maintenance, games & sports, horticulture, etc. and had purchased the fixed assets out of general fund of the school.

Further, it was noted that the school had reported purchase of buses amounting to INR 99,43,050 during FY 2016-2017 in the fixed assets schedule segregating the assets purchased out of development fund. While the school did not actually utilize the development fund, as mentioned in para above, for purchase of buses, the school is instructed that development fund can be utilised only for purchase, up gradation and replacement of furniture, fixtures and equipment and not for any other purpose (including incurring of expenses of revenue nature and purchase of assets other than furniture, fixtures and equipment). Also, refer Financial Finding No. 3. The school is also directed to rectify the presentation in the financial statements to ensure the utilisation of development fund and the cost of assets (furniture, fixtures and equipment) purchased by it are matched.

It was further noted that the school had reported development fee as income in the Income and Expenditure Account and represented the same as revenue receipt. However, the net amount of development fund (i.e. development fee minus expense incurred against the same) was reflected as appropriation of the surplus in the Income and Expenditure Account. This balance of development fund was transferred to the Unutilised Development Fund balance in the Balance Sheet (treating the surplus as capital receipts). This is an incorrect presentation of development fund. The school is directed to follow DOE instruction in this regard and ensure that development fee is treated as capital receipt and the accounting treatment as prescribed in para 99 of aforementioned Guidance Note is applied.

3. The school was asked to submit its procurement policy and documentation in relation to carrying out procurement processes by the school for selection and contracting with different agencies and parties. However, no documentation was provided by the school in relation to the same. Accordingly, it has been derived that the school does not have any procurement policy and that it has been awarding contracts on discretionary basis to the particular contractors without inviting quotations/bids from other parties.

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The school is directed to implement proper internal control system in relation to procurement of goods and services so as to ensure that contracts are awarded on arms' length and competitive prices only.

4. From the documents submitted by the school and taken on record. it was observed that the school is irregular in depositing statutory dues of tax deducted at source (TDS) in accordance with the provisions the Income Tax Act. 1961 instances of delays (4 out of 12 months) were also noted during FY 2016-2017. The school mentioned that in future TDS will be deposited with the Income Tax Department within the prescribed time lines and extra care will be taken in this regard in future.

   The school is directed to adhere to all statutory compliances including timely payment of statutory dues.

5. It has been noted that the school is not maintaining a fixed assets register (FAR). The school mentioned it maintained a fixed assets register, but the same got misplaced during the audit by Anil Dev Committee. It also mentioned that a new FAR is under preparation and would be completed soon.

   The school is directed to prepare a FAR, which should include details such as asset description, purchase date, 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 documenting complete details of assets at one place.

6. Direction no. 3 of the public notice dated 4 May 1997 published in the Times of India states "*No security/ deposit/ caution money be taken from the students at the time of admission and if at all it is considered necessary it should be taken once and at the nominal rate of INR 500 per student in any case and it should be returned to the students at the time of leaving the school along with the interest at the bank rate.*"

   Further Clause 18 of Order no F.DE/15(56)/Act/2009/778 dated 11 Feb 2009 states "*No caution money/security deposit of more than five hundred rupees per student shall be charged. The caution money thus collected shall be kept deposited in a scheduled bank in the name of the concerned school and shall be returned to the student at the time of his/her leaving the school along with the bank interest thereon irrespective of whether or not he/she requests for refund.*"

   The school is not refunding interest along with caution money to students. Also, the school had not treated un-claimed caution money as income after the expiry of 30 days from the date the students were informed to collect their caution money from school.

   During the personal hearing, the school mentioned that it will communicate with ex-students to collect the unclaimed caution money and refund the same to ex-students during FY 2018-2019. Any unclaimed caution money will be treated as income during FY 2018-2019 after the expiry of 30 days of communicating with ex-students. The school further mentioned that it will maintain separate bank account for deposit of caution money and interest earned on the same, if any, will be credited to the caution money account.

Thus, based on the explanation provided by the school, the school should refund the unclaimed caution money within FY 2018-2019 and follow the directions included in aforesaid order. The amount to be refunded to students after adjusting the income to be recorded by the school towards unclaimed caution money, as declared by the school, has been considered while deriving the fund position of the school (enclosed in the later part of this order).

7 Directorate's order no. F.DE 15/WPC-4109/Part/13/7905-7913 dated 16 Apr 2016 regarding uniform format of returns and documents states "...*the format of return and documents to be submitted by schools 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.*"

It was noted that the school did not submit audited Receipt and Payment Account and Notes to Account for FY 2016-2017. Further, the school has not reported corresponding figures of previous year in the audited financial statements submitted for FY 2016-2017.

The school is directed to follow the format specified by the Institute of Chartered Accountants of India under Guidance Note on Accounting by Schools (2005). Compliance shall be validated at the time of evaluation of next fee hike proposal.

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

i. The total funds available for the year 2017-2018 amounting to INR 17,03,92,833 out of which cash outflow in the year 2017-2018 is estimated to be INR 11,76,89,369. This results in net surplus of INR 5,27,03,464. 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)	56,36,847
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	1,16,38,550
Total Liquid Funds Available with the School as on 31 Mar 2017	**1,72,75,397**
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]	9,52,31,066
Add: Recovery of advances given to the Society and Related Parties [Refer Financial Finding No. 1]	1,06,98,422
Add: Recovery from the society towards cost of cars purchased out of school funds [Refer Financial Finding No. 2]	1,20,39,897
Add: Recovery from the society towards cost of buses purchased out of school funds [Refer Financial Finding No. 3]	1,17,70,479
Add: Recovery from society of advance given for land on behalf of the society [Refer Financial Finding No. 4]	3,39,00,000
Gross Estimated Available Funds for FY 2017-2018	**18,09,15,260**

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Particulars	Amount (INR)
Less: Development Fund [Refer Note 2]	97,72,427
Less: Caution Money [Refer Note 3]	7,50,000
Less: Retirement Benefits [Refer Financial Finding No.5]	-
Net Estimated Available Funds for FY 2017-2018	**17,03,92,833**
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 4]	10,16,28,025
Less: Arrears of salary from January 2016 to March 2017 on account of implementation of 7th CPC with effect from 1 Jan 2016 [Refer Note 4]	1,60,61,344
Estimated Surplus as on 31 Mar 2018	**5,27,03,464**

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 with the exception of profit on sale of assets, which has not been considered being non-cash income.

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 INR 2,55,57,200 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. Unclaimed caution money of INR 10,49,958 as declared by the school to be treated as income during FY 2017-2018 has been adjusted from the liability towards caution money as on 31 Mar 2017 of INR 1,799,958 (as per audited financial statements of FY 2016-2017) and the net balance of INR 7,50,000 refundable to students has been considered for deriving the net estimated available funds with the school for FY 2017-2018. Also refer other finding no. 6

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 as INR 13,04,16,375 (Including arrears of 7th CPC that are considered separately), which in some instances was found to be unreasonable/ excessive. Based on the explanations and details provided by the school during personal hearing, some of the expenses heads as budgeted were considered, while other expense heads were restricted to 110% and 120% 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 increase salary of staff is already there. Therefore, certain expenses in excess of 10%/20% and expenditure under new heads have not been considered in the evaluation of fee increase proposal. 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
Encashment of Leaves Reserved		[illegible] 84 [illegible]	-	10 84.773	Refer Financial Finding 5
Gratuity Reserve		31 03 958	-	31,03,958	
Development Fund Expense	28 63 1[illegible]	58 98 166	31 49 432	27,48,734	Reasonable explanation or supporting documents not provided by the school for such percent increase Thus, expenditure restricted to 110% of that incurred during FY 2016-2017
Transport Expense	49 24 [illegible]	61,21 800	54,17,116	7,04,684	
Motor Vehicle Repair & Maintenance	[illegible]	18 81 579	17,94,737	86,842	
Security Service Expense	21 [illegible]	43 07 688	26,39,656	16,68,032	Based on the explanation of school regarding increase in minimum wages, expenditure has been allowed at 120% of that incurred during FY 2016-2017
House Keeping Expenses	30 [illegible] 44	46 50 912	37,13,453	9,37,459	
Loan Repayment		23 92 523	-	23,92,523	Repayment of loans is not considered as compliance to Rule 177 is not fulfilled Refer Financial finding 2 as well
Total	1,47,13,607	2,94,41,399	1,67,14,393	1,27,27,006	

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

ii. The directions issued by the Directorate of Education vide circular no. 1978 dated 16 Apr 2010 states *"All schools must first of all explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances as a consequence of increase in the salary and allowance of the employees A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase."* The school has sufficient funds to carry on the operation of the school for the academic session 2017-2018 on the basis of existing fees structure and after considering existing funds/reserves.

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 [illegible] towards advance given to society and related parties,

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Also, the costly cars purchased out of school funds amounting to INR 1,20,39,897 and buses purchased even after having a deficit in transport fund of INR 1,17,70,479. Thus, the school is directed to recover these amounts from Society.

As 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 amount of advance given for acquisition of land on behalf of the society should not be met out of the fee collected from students and is required to be recovered from the society.

And whereas per point no. 22 of Order No. F.DE./15 (56)/Act/2009/778 dated 11 Feb 2009, user charges should be collected at 'no profit and no loss' basis and should be used only for the purpose for which these are collected. The school has continued to charge earmarked fee higher than the expenses incurred against smart Intel fees, computer fees and I-card fees whereas the expenses incurred are more than transport charges and activity fees collected from students. The school has utilised the surplus earned for meeting the revenue expenditure and deficit on transport charges. 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. 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.

And whereas per point no. 14 of Order No. F.DE./15(56)/ACT/2009/778 dated 11 Feb 2009, Development Fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up-gradation and replacement of furniture, fixtur 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 2017-2018 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 of enhancement of fee for session 2017-2018 of **Yuvashakti Model School (School ID- 1413248), Sector-3, Rohini New Delhi-110085** 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.

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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) 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
Yuvashakti Model School
School ID- 1413248,
Sector-3, Rohini
New Delhi-110085

No. F.DE.15(667)/PSB/2018/ 30818-822 Dated: 24/1/18

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