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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(124)/PSB/2019/ 1620 - 1624

Dated: 24/04/19

ORDER

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

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

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

"27.....

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

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

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

AND WHEREAS, the Hon'ble Supreme Court in the above said Judgment also held that under section 17(3), 18(4) read along with rule 172, 173, 175 and 177 of Delhi School Education 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, **St. Angel's School (School ID - 1413243), A-Block, Sector-15, Rohini, Delhi - 110089** 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 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 26 March 2019 at 3 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. 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.*" According to para 7.14 of the Accounting Standard 15 – 'Employee Benefits' issued by the Institute of Chartered Accountants of India, "*Plan assets comprise:*

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

   Further, Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/975 dated 13 Oct 2017 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 directed the school to make earmarked equivalent investments against provision for gratuity & leave encashment with LIC (or any other insurer) within 90 days of the receipt of this order, so as to protect the statutory liabilities. Provision for gratuity and leave encashment should be based on actuarial valuation.

Based on the details provided by the school, it obtained actuarial valuation report for determining its liability towards gratuity and leave encashment, however, it has not deposited any amount in investments that qualify as plan-assets as per Accounting Standard 15. Thus, the school did not comply with the directions included in order cited above in respect of making earmarked equivalent investments against provision for gratuity & leave encashment with LIC (or any other insurer).

Since the school has failed to make investment in plan-assets, no amount has been considered against staff retirement benefit while deriving the fund position of the school (enclosed in the later part of this order). In view of the same, the amount budgeted by the school towards gratuity and leave encashment for FY 2017-2018 has not been considered as part of budgeted expenses in the fund position of the school (enclosed in the later part of this order) as no amount has been deposited by the school in plan-assets.

The school is directed to start depositing the amount determined by the actuary in investments that qualify as 'Plan Assets' as per Accounting Standard 15 from subsequent years in order to protect the statutory liability towards staff.

2. Based on the details provided by the school, it was noticed that the school paid salary of INR 12,89,020 during FY 2014-2015, INR 12,69,033 during FY 2015-2016 and INR 14,80,800 during FY 2016-2017, which totalled to INR 40,38,853 to Mr. Archit Bharadwaj, appointed as the Director of the school. While the position of 'Director' is not a prescribed post in the Recruitment Rules prescribed for schools, the school appointed and made payment of salary to the tune of INR 40,38,853 to the Director, which is not in accordance with Recruitment Rules.

   Thus, the amount of remuneration of INR 40,38,853 paid to Director 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 Director/Society within 30 days from the date of this order.

   The school is further directed not to pay any remuneration to the Director. Accordingly, the amount paid by the School to Director during FY 2017-2018 has been adjusted from the expenses of FY 2017-2018 while deriving the fund position of the school (enclosed in the later part of this order).

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 2016-2017, it was noted that the school had incurred capital expenditure on purchase of buses amounting to INR 18,16,500. 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 adequate to cover all the revenue (operating) expenses for providing the transport service to students. Based on the details provided by the school, the calculation of surplus/deficit of two financial years is enclosed below:

Particulars	FY 2016-2017	FY 2015-2016
Income		
Transport Fees (A)	**27,73,295**	**27,30,355**
Expenses		
In respect of vehicles owned by the school^	11,26,964	14,70,805
Salary of driver*	11,53,476	11,33,292
Total Expenses (B)	**22,80,440**	**26,04,097**
Surplus indicated by the school^ (A-B)	4,92,855	1,26,258

* Based on the details of salary of Drivers for a month in each financial year, the annual amount/salary has been derived by multiplying monthly salary by 12.

^ Though the school indicated surplus from operations of the transport facility, it did not include salary of the Conductor/ Helper/ Security staff deployed on the buses. Even if 50% of the amount of salary paid to the drivers is considered as salary to the Conductor/ Helper/ Security staff, the surplus reflected by the school would convert into deficit.

On account of incomplete details submitted by the school for deriving whether in fact there was surplus from operation of the transport facility and non-creation of transport fund, capital expenditure incurred by the school on buses is a charge on the school funds (i.e. fee collected from all students of the school). 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.

Accordingly, the amount spent by the school on purchase bus of INR 18,16,500 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 such as bus 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.

In light of the above, the amount spent by the school on purchase of additional buses for INR 40,96,166 during FY 2017-2018 has been adjusted from the expenses for FY 2017-2018 while deriving the fund position of the school (enclosed in the later part of this order).

4. Clause 14 of DOE's Order No. F.DE. /15 (56)/ Act/2009/778 dated 11 Feb 2009 states "*Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up gradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as 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.*"

   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.*" Further, Para 102 of the aforementioned Guidance Note states "*In respect of funds, schools should disclose the following in the schedules/notes to accounts:*
   (a) In respect of each major fund, opening balance, additions during the period, deductions/utilisation during the period and balance at the end;
   (b) Assets, such as investments, and liabilities belonging to each fund separately;
   (c) Restrictions, if any, on the utilisation of each fund balance;
   (d) Restrictions, if any, on the utilisation of specific assets."

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

   Further, Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/975dated 13 October 2017 issued to the school post evaluation of the fee increase proposal noted that the school has utilised development fund for purposes other than purchase, upgradation and replacement of furniture, fixtures and equipment.

   Basis the presentation made in the audited financial statements of the school for FY 2016-2017, it was noted that the school had reported different amount of development fees received during the year. The school had shown INR 1,15,68,190 as development fees in Balance sheet and INR 1,14,53,645 in Receipt and Payment account. Based on the ledger account of development fee for FY 2016-2017, it appeared that the amount reported in the audited Receipt and Payment Account was not correct. Thus, reliability of the Receipt and Payment Account is questionable. Also, the school did not prepare and submit the Receipt and Payment Account for the financial year 2017-2018 for verification of the amount of receipt of development fee reported in the Balance Sheet as on 31 Mar 2018.

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Further, based on the ledger account of development fund for FY 2017-2018, it was noted that development fund was utilised to the tune of INR 46,553 towards repair & maintenance expenses, INR 21,24,000 towards environment education program and INR 30,20,008 for smart class expenses in addition to its application towards purchase of furniture, fixture and equipment.

From the audited financial statement of FY 2016-2017, it was noticed that the amount of depreciation reported in the Income and Expenditure Account for the FY 2016-2017 and that reported in the fixed asset schedule annexed to the Balance Sheet did not match. On detailed examination, it was noted that the amount of depreciation was reduced from the value of fixed assets and the same were reported at written down value in the Balance Sheet and fixed assets schedule annexed to it. However, the school reported additional depreciation in the Income and Expenditure Account and created depreciation reserve, which was reported in the liability side of the Balance Sheet. This over reporting of depreciation and presentation/ disclosures of fixed assets, depreciation expense and depreciation reserve in the audited financial statements of the school were incorrect and were not in accordance with the presentation and disclosure requirements of the guidance note cited above.

During personal hearing, the school mentioned that the school has started utilising development fees for purchase, up gradation and replacement of furniture, fixtures and equipment from the F.Y 2017-2018 onwards.

Accordingly, the school is directed to follow DOE instruction regarding development fund and depreciation reserve and ensure that development fund is utilised only towards purchase of furniture, fixture and equipment and maintain depreciation reserve, equivalent to the amount of accumulated depreciation on fixed assets. Further, the school is directed to ensure compliance with guidance note and make the presentation and disclosures of development fund, depreciation reserve, etc. in its audited financial statements as per requirements mentioned in the guidance note. Also, the school should present separately the fixed assets purchased from development fund and those purchased from general fund, which should be quoted at historic (purchase) cost in its financial statements to ensure that its financial statements give a true and fair view of all assets and liabilities of the school. The school is directed not to collect development fee from students till the time it ensures compliance with the above directions.

Based on the above discrepancies, no amount towards development fund has been considered while deriving the fund position of the school (enclosed in the later part of this order).

5. On examination of the ledger account and supporting documents submitted by the school towards Building Repair and Maintenance for FY 2016-2017, it was noted that the school had reported high amount of expenses on purchase of paints and related items totalling to INR 57,37,697. On detailed examination of the supporting documents towards painting work, it was noted that the school had purchased various items like paints, brush, roller, Ghodi, Oil

bound distemper, enamel paint, plastic paint, texture paint, apex paint, etc. which were primarily purchased from two specific vendors - Vardhman Traders and Renu Nagar.

On examination of the invoice of Renu Nagar, It was noted that a single invoice (no. 001 dated 26 August 2017) was issued by the vendor for INR 43,50,850 towards painting work. It appears unusual that the vendor issued the first invoice of the financial year to the school in end of August. Further, the invoice did not mention whether it related to labour charges or complete work including material, which was paid on the basis of per square feet of painting oil bound distemper, enamel paint, plastic paint texture paint and apex paint. It was also noted that the school purchased different paint materials including the ones that were mentioned in the invoice of Renu Nagar from another vendor (Vardhman Traders) and paid INR 13,86,847 over and above the amount of INR 43,50,850 paid to Renu Nagar. No reasonable justification/ explanation for purchase of excessive paint related items was provided by the school. Thus, the genuineness of the invoice of Renu Nagar is questionable.

Thus, based on the facts and grounds above including reasonability of the items procured by the school from the vendor could not be justified on account which genuineness of the invoice of the vendor is questionable and there is a possible diversion of funds. Thus, the amount of INR 43,50,850 diverted by the school in FY 2016-2017 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.

6. From the audited financial statements of the school for FY 2017-2018, it was noted that the school had spent INR 82,68,022 on Children activity & Annual function expenses during FY 2017-2018 against which supporting documents were called from the school and taken on record. On examination of the supporting documents submitted by the school towards Children activity & Annual function expenses on sample basis, it was noted that the school had incurred major expense towards Behavioural workshop, Transport charges, Choreography charges, fancy dress charges, purchase of mementos, security charges, etc. Following were noted in respect of Children activity & Annual function expenses:

   a. Based on the invoices submitted by the school, it was noted that Behavioural workshop were conducted for the students of class 4th & 5th on monthly basis. However, no evidence of what was done in these workshops, exact dates of workshops, on how many days and for how many hours in a months such workshops were conducted was provided by the school. On review of the documents, it was noted that out of total 12 invoices 6 invoices from April 2017 to September 2017 were raised by Mr. Alok Sharma and next 6 invoices from October 2017 to March 2018 were raised by Mrs. Shikha Sharma for the same workshop "Behavioural workshop provided for class 4th to 5th". It was noted that the address mentioned on the invoices of both Alok Sharma and Shikha Sharma was the same. Also, the format of the invoices was same. Thus, it appeared that husband and wife raised 6 invoices each during the year in their personal names. Further, based on the description on all the 12 invoices, it was noted that all the workshops were conducted for the students of class 4th and 5th, which appears unusual as the school is collecting Children Activity fee from students of all classes. During FY 2017-2018, the school has spent INR 20,89,989 on workshops for the students of class 4th & 5th. Based on student enrolment, there were around 351 students in class 4th & 5th and the per student cost of the workshop is derived as INR 5,954, which appears quite high. Also, the school did not collect Children Activity fee commensurate to the expense incurred by it under the same head. It was also noted that service tax/ GST was not charged by Mr. Alok Sharma in his invoices for the months of April 2017 to June 2017, while he included GST over and above the cost in the invoices for the months of July 2017 to Sep 2017. Further, no GST was charged by Mrs. Shikha Sharma in any of the invoices raised on the school from October 2017 to March 2018. Also, the school did not provide any documents/ details for procurement or selection of the vendors. Thus, on account of above discrepancies, genuineness and reasonability of the invoices of Alok Sarma & Shikha Sharma totalling to INR 20,89,989 is questionable.

b. Further, the expenses include multiple invoices for transportation charges with description of "Rohini to Sirifort Auditorium & Return". From the records submitted by the school, it was noted that Silver Jubilee celebration of the school was held on 24 Dec 2017 whereas the school used transport services of 5 different vendors, who raised 12 invoices between 1 Dec 2017 to 24 Dec 2017 totalling to INR 3,05,100. Except one invoice of INR 15,000, all other invoices were dated prior to 24 Dec 2017. Further, the booking charges paid by the school for hire of Siri Fort Auditorium indicated date of booking as 23 Dec 2017. In view of the same, multiple invoices for transport from Rohini to Siri fort could not be justified when compared to booking of auditorium for one day. Further, on examination of invoices, it was noted that all the transport vendors (i.e. Sushila Garg, HM Bus Service, Khem chand, Rajesh Garg, and Harpreet Singh) have same address as "Extn L-355, Mohan Garden Uttam Nagar, Delhi-11059". Further, same phone number was mentioned on the invoices of Sushila Garg, HM Bus Service, Khem chand as "9810383638", whereas phone number was not mentioned on the invoices of Rajesh Garg and Harpreet Singh. Also, the format of invoices of all but one vendor (Sushila Garg) was same. Further, the invoices of all the vendors did not mention the rate, no. of vehicles used , no of student transported, etc. Only lumpsum amounts in the range of INR 15,000 to INR 47,700 were mentioned in the invoices of all the vendors. Further, the school did not provide any document in relation to procurement or contracting with the vendors. Thus, based on above, genuineness of the transportation charges in relation to the Silver Jubilee celebration totalling to INR 3,05,100 is questionable.

c. Also, it was noted that the school has paid INR 4,50,000 towards choreography of students to two choreographers (Rahul Khanna and Pravasini Das) for Silver Jubilee celebration. The format of invoices of both the choreographers was same, which was also similar to invoices issued by 4 transporters (HM Bus Service, Khem chand, Ragesh Garg and Harpreet Singh) whose services were taken during Silver Jubilee celebration. Further, the school did not provide any document in relation to procurement or contracting with the vendors. Thus, based on above, genuineness of the choreography charges in relation to the Silver Jubilee celebration totalling to INR 4,50,000 is questionable.

d. The expenses for Silver Jubilee celebration of the school also include an invoice for hiring of LED screen on 24 Dev 2017 issued by a vendor (Shama Wadhawan) for INR 1,25,000, which but did not appear reasonable considering the amount paid for one day of hiring of LED screen. Further, the invoice number printed on the invoice was 002 and was dated 20 Feb 2018. Thus, the invoice was raised after around 2 months of actual provision of service and the vendor issued its 2nd invoice in near the end of the financial year appears quite unusual. Also, certain alterations were noted on the invoice on account of which genuineness of the invoice of the vendor of INR 1,25,000 could not be established.

Thus, based on the facts and grounds above including reasonability of the services procured by the school from the aforementioned vendors could not be justified on account of which genuineness of the invoices of the vendors are questionable and there is a possible diversion of funds. From the examination of invoices for Children activity & Annual function expense, it was derived that the expenses of INR 29,70,089 (INR 20,89,989 plus INR 3,05,100 plus INR 4,50,000 plus INR 1,25,000) were inappropriately recorded by the school during FY 2017-2018 based on questionable invoices above. Thus, the amount of INR 29,70,089 diverted by the school during FY 2017-2018 is adjusted from the expenses for FY 2017-2018 while deriving 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.

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.*"

   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, Science fees, Computer fees, etc. from students. However, the school has not maintained separate fund accounts for these earmarked levies and the school has been generating surplus from earmarked levies, which has been utilised for meeting other expenses of the school, which was also mentioned in Directorate's order no. F. DE-15/ACT-I/WPC-4109/PART/13/975 dated 13 Oct 2017 issued to the school post evaluation of the fee increase proposal for FY 2016-2017. Details of calculation of surplus/deficit, based on breakup of expenditure provided by the school for FY 2016-2017 is given below:

Earmarked Fee	Income (INR)	Expenses (INR)	(Deficit)/Surplus (INR)
	A	B	C=A-B
Transport Fee^	27,73,295	22,80,440	4,92,855
Computer Fees	1,97,085	0*	1,97,085
Science Fees	11,32,785	0*	11,32,785
Children Activity Fees#	4,94,348	13,38,349	(8,44,001)
Exam Fees#	6,93,780	0*	6,93,780
I Card Receipts#	3,86,200	3,77,550	8,650
Syllabus Receipts#	2,38,370	0*	2,38,370
Sale of Diaries#	6,45,000	7,87,500	(1,42,500)

^ The school has not included salary of conductor/ helper/ security staff involved in transport service in the expense amount mentioned in table above. Refer Financial Finding No. 3. Also, the school has not apportioned depreciation on vehicles used for transportation of students in the expenses stated in table above for creating fund for replacement of vehicles, which should have been done to ensure that the cost of vehicles is apportioned to the students using the transport facility during the life of the vehicles.

* Details of expenses incurred against earmarked levies collected from students was not provided by the school

Audited financial statements of the school for FY 2016-2017 reflected that the school has collected children Activity Fees, exam fees, I card Receipts, Syllabus Receipts and sale of diaries from students, whereas, no such earmarked levies were included in the proposal for enhancement of fee for FY 2017-2018. Also, the same were not disclosed in the fee structure enclosed by the school along with its Return under Rule 180 submitted to the Directorate.

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, syllabus and diary 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, syllabus and diary, 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/or annual charges, as applicable collected from the students.

The school explained that annual charges collected from students are not sufficient to meet revenue expenses of the school. Thus, the surplus generated from earmarked levies has been applied towards meeting revenue expenditure on account of which fund balance of earmarked levies could not separate 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 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.

The school is also directed to disclose all the earmarked levies collected by the school in proposal submitted by the school in subsequent years. Further, the school should not charge any earmarked levy from students, which has not been reported/disclosed by the school to the Directorate, as the same remains unapproved.

2. *Rule 174 of DSER, 1973 states "Withdrawals from the School Fund or Recognised Unaided School Fund, as the case may be, shall be made jointly by the head of school and the manager*

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of such school, or jointly by the head of the school and by any duly authorised member of the managing committee, where the head of the school is also the manager of the school"

Based on the details submitted by the school, the school has given signing authority only to the manager of the school in respect of the bank accounts held in the name of the school. The school does not have joint signatories to the bank accounts, which is not in compliance with the rule mentioned above.

The school is directed to change the mode of operation of the bank accounts of the school from single signatory to joint signatories in compliance with Rule 174 quoted above within 30 days from the date of this order. Compliance of the same shall be verified at the time of evaluation of subsequent fee increase proposal of the school.

3. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/975 dated 13 Oct 2017 issued to the school post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 noted that there were various expenses such as repairs and maintenance of building, computer repairs, and garden expenses etc. which were on the higher side. In one such instance in which the school has paid INR 56,93,072 to Mr. Mukesh for whitewash and painting work in the school during the period of three years. The bills of vendor were not convincingly genuine and the vendor was neither registered under VAT nor under service tax. In reply to the observation, the school has commented that it is deducting and depositing works contract tax under DVAT against the said party. The same also submitted Vat Return and other documents.

   With respect to the above observation, DDE (district) was directed to check the veracity of these expenditures and submit the report, which is yet to be done. Thus, DD (district) is directed to check the veracity of these expenditures and submit the report within 30 days from the date of the order. Therefore, compliance of the above shall be verified at the time of evaluation of subsequent fee increase proposal of the school.

4. The school submitted documents in relation to 57 procurements carried out by it during FY 2016-2017. On examination of the documents submitted by the school and taken on record, the following were noted:

   - In 33 out of 57 procurements, the school had obtained single quotation for procuring goods/services during FY 2016-2017. However, no justification for obtaining single quote and purchasing goods/services on the basis of single quote was recorded in the supporting documents submitted by the school.

   - Only in 24 instances, the school obtained 3 quotations from different vendors. However, comparatives statements were not prepared/submitted by the school.

- In certain instances where the quotations were obtained, similar format of quotations and similar handwriting in the quotations of different vendors were noted. Thus, transparency of the procurement process and genuineness of the parties from whom quotations were obtained is questionable.

Thus, the school is directed to enhance its procurement process and ensure that competitive bids/quotations are invited for procurement of goods and services by the school to ensure that contracts are awarded at arm's length and competitive prices. Compliance to the above shall be examined at the time of evaluation of subsequent fee increase proposal of the school.

5. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/975 dated 13 Oct 2017 issued to the school post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 noted that there is a mismatch in the quantity appearing in the Fixed Asset Register as compared to the Fixed Assets Schedule given in the Financial Statements. The school has started to maintain its fixed assets register from 1 Apr 2016. Any details for earlier periods are not available.

   During the personal hearing, the school mentioned that it has prepared the fixed assets register (FAR) in proper format. However, the school did not submit the same to substantiate its claim that the FAR is prepared in the proper format and the same reconciles with the Fixed asset schedule annexed to the financial statements. Thus, compliance of the above shall be verified at the time of evaluation of subsequent fee increase proposal of the school.

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 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.*"

   From the financial statements of the school for FY 2016-2017, it was noted that the school did not prepare its Receipt and Payment Account properly and was not able to reconcile figure relating to development fund as a different figure was reported in the Balance Sheet. Refer Financial Finding No. 4. Thus, the same could not relied upon. Further, the school submitted audited financial statements for FY 2017-2018. However, Receipt and Payment Account for FY 2017-2018 was missing in the set of audited financial statements submitted by the school.

   Also, the school did not submit budgeted Receipt and Payment Account for FY 2017-2018 along with its proposal.

   The school is directed to follow DOE instructions and ensure that it submit complete and accurate set of documents to the Directorate. Compliance of the same shall be validated at the time of evaluation of subsequent fee increase proposal of the school.

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7. 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 "*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 FY 2016-2017, did not segregate all items of income and expenses that exceeded 1% of the total fee receipts and had not provided the break-up of 'Other Income' grouped in 'Fee from students', 'Others' grouped in 'fees from students for activities' and reported consolidated expenses under the head 'Others', 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.

8. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/975 dated 13 Oct 2017 issued to the school post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 noted that it was informed by some teachers that they have dispute over payment of salary with the school and the school has initiated disciplinary action against them. The teachers further informed that a court case was filed by the teachers and the parents against financial irregularities of the school and the matter is sub-judice.

   The school has not provided the details of the court cases filed against the school. Also, the school did not provide appropriate documents to evaluate whether the salaries are paid as per DSEA&R, 1973 or not.

   The school is directed to ensure compliance with section 10 of DSEA, 1973 and make sure that the salaries are paid to teachers in accordance with the same. Compliance of the same shall be verified at the time of evaluation of subsequent fee increase proposal of the school.

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 15,54,82,774 out of which cash outflow in the year 2017-2018 is estimated to be INR 13,55,81,287. This results in net surplus of INR 1,99,01,487. 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)	84,89,059
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	75,62,361

Particulars	Amount (INR)
Total Liquid Funds Available with the School as on 31 Mar 2017	**1,60,51,420**
Add: Fees and other incomes for FY 2017-2018 based on audited financial statements of FY 2017-2018 of the school [Refer Note 1]	12,96,48,151
Add: Salary Paid to Director of the school to be recovered [Refer Financial Finding No. 2]	40,38,853
Add: Recovery of cost of purchase of Bus during FY 2016-2017 [Refer Financial Finding No. 3]	18,16,500
Add: Recovery against painting expenses, genuineness of which is questionable [Refer Financial Finding No. 5]	43,50,850
Gross Estimated Available Funds for FY 2017-2018	**15,59,05,774**
Less: Caution Money balance as on 31 Mar 2017 (as per audited financial statements of FY 2016-2017)	4,23,000
Less: Staff retirement benefits [Refer Financial Finding No. 1]	-
Less: Development fund [Refer Financial Finding No. 4]	-
Less: Depreciation Reserve [Refer Note 2]	-
Net Estimated Available Funds for FY 2017-2018	**15,54,82,774**
Less: Expenses for FY 2017-2018 based on audited financial statements of FY 2017-2018 of the school [Refer Note 1]	12,08,36,680
Less: Arrears of salary as per 7th CPC from January 2016 to March 2018 (as per separate details provided by the school)	1,47,44,607
Estimated Surplus	**1,99,01,487**

Notes:

1. Instead of Budgeted Receipt and Payment Account for FY 2017-2018, the school submitted its audited financial statements for FY 2017-2018. Based on the audited financial statements for FY 2017-2018, all the incomes and expenses during the FY 2017-2018 have been considered after adjustment of the following expenses from the total expenses of INR 14,50,87,156 (revenue expenses of INR 13,40,03,026 and capital expenditure of INR 1,10,84,130) reported by the school for FY 2017-2018 in its audited financial statements:

Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Salaries and wages including allowances	4,78,56,400	5,13,57,918	4,96,61,518	16,96,400	Salary of Director not considered. Refer Financial Finding no 2
Employee Welfare including retirement benefits	36,15,438	39,44,845	7,71,419	31,73,426	Amount of provision not considered. Refer Financial Finding no. 1
Depreciation	58,02,357	81,18,727	-	81,18,727	Depreciation, being non-cash expense does not entail outflow.

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Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
					of cash. Thus, it has not been considered.
Purchase of Bus	18,16,500	40,96,166	-	40,96,166	Refer Financial Finding No 3
Library Expenses	43,000	20,83,470	47,300	20,36,170	The school did not provide any details with justification/ explanation for such increase in expenses as compared with FY 2016-2017. Accordingly, expenditure is allowed to the extent of 110% of the expense incurred during FY 2016-2017.
Student and Staff Management charge	2,97,756	24,87,030	3,27,532	21,59,498	
Children Activity Expenses	13,38,349	45,69,323	52,97,933	29,70,089	Refer Financial Finding No. 6
Annual Day	-	3,698,699			
Total	**6,07,69,800**	**8,03,56,178**	**5,61,05,702**	**2,42,50,476**	

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

In view of the above examination, it is evident that the school has sufficient funds for meeting all the budgeted expenditures for the financial year 2017-2018.

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

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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 directed 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 not to collect earmarked levies from all students and those not reported to the Directorate.

Whereas per point no. 14 of Order No. F.DE./15(56)/ACT/2009/778 dated 11 Feb 2009, Development Fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up-gradation and replacement of furniture, fixture and equipment. Development Fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a depreciation reserve fund, equivalent to the deprecation charged in the revenue accounts and the collection under this head along with income generated from the investment made out of this fund, will be kept in a separately maintained development fund account. The school is directed to comply with the directions with regard to proper accounting and presentation of Development Fund, Depreciation Reserve and Fixed Assets in the School's financial statements and utilisation of development fund only towards purchase of furniture, fixtures and equipment.

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

And whereas, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that along with certain financial irregularities that were identified (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings which were also noted (appropriate instructions against which have been given in this order), the funds available with the school for implementation of recommendations of 7th CPC and to carry out its operations for the academic session 2017-18 are sufficient. Accordingly, the fee increase proposal of the school may be rejected.

And whereas, recommendations of the team of Chartered Accountants along with relevant materials were put before Director of Education for consideration and who after considering all material on record has found that the school has sufficient funds for meeting the financial implications of 7th CPC salary and other expenses for the financial year 2017-2018. Therefore, Director (Education) rejects the proposal submitted by the school for enhancement of fee for the academic session 2017-2018.

Accordingly, it is hereby conveyed that the proposal for enhancement of fee for session 2017-2018 of **St. Angel's School (School ID - 1413243), A-Block, Sector-15, Rohini, Delhi - 110089** 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. 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. 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.

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.

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.

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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
St. Angel's School
School ID - 1413243
Rohini, Delhi-110089

No. F.DE.15(127)/PSB/2019 | 1620-1624 Dated: 24/04/19

Copy to:

1. P.S. to Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. P.A. to Spl. Director of Education (Private School Branch), Directorate of Education, GNCT of Delhi.
4. DDE concerned with the direction to check the veracity of expenditure recorded on the basis of invoice of Mr. Mukesh and submit report within 30 days from the date of the order.
5. Guard file.

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