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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 (628)/ PSB/ 2018/ 30542-30546 Dated: 14.12.2018

ORDER

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

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

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

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(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, **Adarsh Public School (School ID-1618184), Vikas Puri, Delhi-110018** 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 20 July 2018 at 12:00 PM to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted including details and information regarding feeder school (Adarsh Kindergarten, Vikaspuri), financial statements of which were prepared separately by the school and not included with the proposal.

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

A. Financial Discrepancies

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

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

   The financial statements of the school for FY 2015-2016 and FY 2016-2017 revealed that the school has incurred expenditure on construction of building out of school funds and has

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capitalised building totalling to INR 1,70,03,059 in the aforesaid financial years, which is not in accordance with the aforementioned provisions. Further, this expenditure was incurred on the building without complying the requirements prescribed in Rule 177 of DSER, 1973. The school has indicated in its audited financial statements that an amount of INR 1,15,77,818 had been utilised on construction of building out of development fund. Thus, the amount of INR 1,70,03,059 incurred on construction of building 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 of the date of this order.

2. Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 68 dated 23 Dec 2016 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school had made excess payment to manpower agency to the tune of INR 72.46 lakhs during FY 2013-2014 to FY 2015-2016, which was not in accordance with the terms of contract entered with the agency.

   During FY 2016-2017, it was noted that the school entered into a new agreement with the manpower agency with effect from 1 Apr 2016 and made payments in accordance with the agreement except that the agreement mentioned service charge will be charged by the agency as applicable. From the sample of transactions verified for manpower agency during FY 2016-2017, it was noted that the agency was charging service charge @ 5% on the manpower bill. The school explained that the service charge were determined at 5% and the agency has been working at this rate for many years. However, school could not provide reasonable justification for making payments to the manpower agency in excess of the amount payable as per agreement with the manpower agency in the past.

   Accordingly, the school is directed to recover the amount of INR 72.46 lakhs identified as excess amount paid during FY 2013-2014 to FY 2015-2016 from the manpower agency within 30 days of the date of this order. The school is further directed to revise its agreement with the agency and include the exact percentage of service charge to be paid to the agency.

   Thus, the total amount of INR 72.46 lakhs has been added to the fund position of the school (enclosed in the later part of this order).

3. Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 68 dated 23 Dec 2016 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school had incurred expenses on vehicles not owned by the school and the school had not maintained log book for recording use of those vehicles by the school. On account of absence of log book, use of the vehicle could not be verified.

   The school did not provide any further evidence for validating the use of vehicles not owned by the school and the reasons for using such vehicles. Hence, the school is directed to recover the amount of INR 5,71,591 incurred as expenses on vehicle not owned by the school during

FY 2013-2014 to 2015-2016 from the persons to whom it has been paid/ society within 30 days of the date of this order. This amount of INR 5,71,591 has been added to the fund position of the school (enclosed in the later part of this order).

4. 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.*" Thus, the school was instructed by the Directorate through order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 68 dated 23 Dec 2016 to make provision for its liability towards retirement benefits based on actuarial valuation report in accordance with AS-15. The audited financial statements of the school for FY 2016-2017 indicated that the school has been carrying forward provision towards its liability for gratuity and has increased the same from previous year.

   Based on discussion during personal hearing, the school obtained a draft actuarial report dated 4 Aug 2018, which was submitted later by the school. However, the same was not signed by the actuary. While the actuarial report is liable to be rejected, an amount of INR 70 lakhs (approximately 20% of the gratuity liability appearing in the draft actuarial report) has been considered while deriving the fund position of the school for FY 2017-2018 (enclosed in the later part of this order) as this is the first time school obtained actuarial valuation report. The school is hereby directed to obtain the final/signed actuarial report and update the provision of gratuity in its accounts.

   Further, it was noted that the school has not obtained any actuarial valuation of its liability towards leave encashment. Also, the school has not created any provision in books of account regarding its liability towards leave encashment. The school is also directed to obtain actuarial valuation for leave encashment.

   Also, the school has indicated fixed deposits amounting to INR 26,78,512 as corresponding investments against gratuity as on 31 March 2017. However, according to para 7.14 of the Accounting Standard 15 – 'Employee Benefits' issued by the Institute of Chartered Accountants of India, "*Plan assets comprise:*

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

   Accordingly, the investment in the form of FDR maintained by school in respect of the liability towards retirement benefits of the school does not qualify as 'Plan Assets' within the meaning of Accounting Standard 15 (AS-15). Thus, the school is also not complying with this requirement of the Accounting Standard 15 applicable to it.

   Accordingly, the school is directed to deposit INR 70 lakhs in the investments that qualify as 'Plan Assets' within 30 days from the date of this order and the remaining liability as determined by the actuary spread over a period of 4 succeeding years.

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5. Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 68 dated 23 Dec 2016 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the payment/ receipts of amounts had been made with Mr. Prashant Sahgal (Son of Chairman of School) without any specific reason related to the school. The school submitted ledger account comprising details of transactions entered with Mr. Prashant Sahgal (Son of Chairman).

   From the information submitted by the school and placed on record, it was noted that the school had made payments to Mr. Prashant Sahgal (Son of Chairman) totalling to INR 27,844 towards purchase of mobile phone & music system and repairs & maintenance of camera, table lamp etc. during FY 2016-2017. These are expenditures of personal nature. Thus, this amount of INR 27,844 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 Mr. Prashant Sahgal (Son of Chairman) within 30 days of the date of this order.

B. Other Discrepancies

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

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

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

2. Clause 19 of Order No. F.DE./15(56)/Act/2009/778 dated 11 Feb 2009 states "*The tuition fee shall be so determined as to cover the standard cost of establishment including provisions for*

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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).

The school explained that it has been following fund based accounting for the major category of earmarked incomes i.e. Examination Fee, Transport Fee, Computer Fee and Laboratory Fee. Based on the audited financial statements of the school for FY 2016-2017, it was noted that the school charges earmarked levies in the form of Digital Teaching Fee, New Letters Charges, and Activity Fee from students. However, the school has not maintain 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)
	A	B	C=A-B
Digital Teaching Fee/ Smart Class Fee	35,89,235	9,41,082	26,48,153
New Letter Charges	4,59,400	4,53,600	(5,800)
Activity Fee^	9,51,400	-	9,51,400

* includes figures of feeder school also.

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

In relation to earmarked levies against which the school is maintaining fund based accounts, the following were observed:

i) While the school is reflecting purchase of computer and equipment as utilization of development fund, the school has charged depreciation on computers and other equipment in the computer fund account, which has led to creation of deficit in computer fund. Accordingly, the school should ensure compliance with the directions issued with regard to development fund.
ii) While the school is charging laboratory fee from students of class 11 and 12, the laboratory is utilised by students of other classes also. Hence, allocation of 100% of expenses against fee charged from 2 classes under laboratory fund account is inappropriate. The school has to identify the expenses incurred against the students from whom the earmarked levy is collected and ensure that expenditure in relation to other students are not allocated.
iii) The school has created an examination fund under which it has merged examination fee & web login fee collected from students. The school explained that it is not maintaining records in a way that could help identify expenditures against each of the two items separately. The school has to segregate and separate the fund for each earmarked levy collected from students and allocate expenditure incurred in relation to same. Further, it was noted that examination fund reflected a huge surplus of INR 1.35 cr. as on 31 March 2017, which indicates that earmarked fee has been charged more than actual expenditure.

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 Smart Class, Activity fee, etc. from the students of all classes. Thus, the fee charged from all students loses its character of earmarked levy, being a non-user based fee. Thus, based on the nature of the Smart Class fees, Web Login Fee, News Letter Charges etc. 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. Further, activity fee charged one-time from students at the time of admission was not included in the proposal for enhancement of fee for FY 2017-2018. The school should not charge any earmarked levy from students, which has not been reported/disclosed in its fee structure submitted by the school to the Directorate under its Statement of fee under section 17(3) of DSEA, 1973, as the same remains unapproved.

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. The school is also directed to disclose all the earmarked levies collected by the school in proposal submitted by the school in subsequent years.

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

   Basis the presentation made in the audited financial statements for FY 2016-2017 submitted by the school, it was noted that the school has not followed the accounting treatment of recognition of income equivalent to the amount of depreciation charged as indicated in the guidance note cited above.

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

   This being a procedural finding, the school is instructed to make necessary rectification entries relating to development fund to comply with the accounting treatment indicated in the Guidance Note. Further, the school should prepare separate fixed assets schedule for assets purchased against development fund and other assets purchased against general reserve/ fund.

4. Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 68 dated 23 Dec 2016 noted that the school had not maintained Fixed Assets Register. During FY 2016-2017, the school prepared a Fixed Assets Register (FAR), but it captured only the asset name and amount of assets purchased. The FAR prepared by school did not include details such as supplier name, invoice number,

manufacturer's serial number, location, purchase cost, other costs incurred, depreciation, asset identification number, etc. to facilitate identification of asset and documenting complete details of assets at one place.

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

5. Para 18 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states that *"schools should follow recognition and measurement principles, within the framework of accrual basis of accounting, for the purpose of preparation of their financial statements."* During review of the audited financial statements of the school for FY 2016-2017, it was noted that the school is following hybrid system of accounting whereby incomes are accounted on cash basis and expenses are accounted on accrual basis.

Additionally, incomes (fee collected from students) reported in the audited Income and Expenditure Account/ Receipt and Payment Account for FY 2016-2017 were recomputed to evaluate the accuracy of incomes reported based on the approved fee structure of the school and details of number of students enrolled (non-EWS) provided by the school. Basis the computation prepared, differences were noted in the fee collection reported by the school during FY 2016-2017 in its audited Income & Expenditure Account/ Receipt and Payment and amount of fee arrived/computed as per details provided by the school. The derived difference could not be reconciled by the school on the grounds that the incomes are accounted on cash basis and one to one reconciliation of number of students with income could not be done on account of fee collectible from students and advance fee received at year end. Following differences were derived based on the computation of FY 2016-2017:

Particulars	Income reported in Audited Income & Expenditure Account (A)	Fee computed on the basis of details no. of students provided by the school (B)	Derived Difference (A-B)
Tuition fee	6,18,37,760	6,84,57,600	(66,19,840)
Development fee	89,88,435	1,01,08,380	(11,19,945)
Annual fee	60,27,850	53,80,750	6,47,100
Smart class charges	30,84,160	34,84,800	(4,00,640)
Lab/Computer charges	13,61,020	19,65,600	(6,04,580)

Note: Feeder school numbers are not included above.

The school is directed to follow accrual basis of accounting. Also, the school should perform a detailed reconciliation of the amount collected from students and income to be recognised based on the fee structure and number of students enrolled by the school. Based on the explanation of the school regarding cash basis of accounting for income, no adjustment has been made in the fund position of the school (enclosed is the later part of the order).

6. In accordance with Clause 14 of this Directorate's Order No. F.DE./15 (56) /Act/ 2009/778 dated 11 Feb 2009 states "*Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixtures and equipment ..... 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.*" However, it was noted that the school had incurred expenditure on additions to building of INR 1,15,77,818 during FY 2016-2017 and reflected the same as utilisation of development fund in the audited financial statements for FY 2016-2017, which is not in accordance with the direction included in above order. The school is directed to follow DOE instruction in this regard and ensure that development fund is utilised only towards purchase of furniture, fixture and equipment.

   Further, on review of the financial statements for FY 2016-2017, it was noted that no separate bank account has been opened by the school for deposit of development fee/ fund. This is not in accordance with the direction included in above-mentioned order. Hence, the school is directed to maintain development fund in a separate bank account. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

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

   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.*"

   However, the school had not maintained separate bank account for deposit of caution money collected. Also, the school had not refunded interest on caution money along with the refund of caution money.

   During the personal hearing, school mentioned that it has stopped collecting caution money from students from FY 2010-2011 onwards and the caution money balance in the books belongs to students who are still studying in the school and will be refunded to students at the time of leaving the school.

The school is directed to ensure that caution money kept deposited in separate bank account and the same is refunded to students with interest at the time of leaving the school.

The amount to be refunded to students towards caution money, as per the audited financial statements for FY 2016-2017, has been considered while deriving the fund position of the school (enclosed in the later part of this order).

8. Review of the proposal for enhancement of fee for FY 2017-2018 submitted by the school indicated that the school has filed incorrect details of existing tuition fee for FY 2016-2017. Refer table below for details of difference noted:

Class	**Monthly fee for FY 2016-2017 reported in the proposal (INR)**	**Actual monthly fee (INR)**
2nd	2,700	2,610
3rd	2,700	2,360

The school explained that it was done erroneously. The school should be cautious while submitting details to the Directorate and ensure that such errors are not repeated.

9. Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 68 dated 23 Dec 2016 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school had incurred capital expenditure on purchase of fixed assets (water tanks, chandelier, water purifier and refrigerator), which were treated as revenue expenditure. The school explained that these relate to replacement of assets on account of which the cost was transferred to income and expenditure account.

   The school is directed to follow accounting principles and accounting standards for proper accounting treatment of fixed assets purchased and asset sold/discarded. School should ensure that all fixed assets purchased are capitalised and properly shown in the fixed assets register and profit/loss on sale of old asset should be taken to income and expenditure account for assets purchased from general fund or follow accounting treatment for development fund for assets purchased from development fund, as applicable.

10. Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 68 dated 23 Dec 2016 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school had not defined process for procurement/ entering into major contracts. Further, in relation to contracts awarded during FY 2016-2017, the school only provided copies of contracts/agreements/invoices and did not submit documents relating to process followed for procurement such as quotations. The school should enhance its procurement process and

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ensure that competitive bids/quotations are invited for procurement of goods and services by 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 2017-18 amounting to INR 16,33,85,094 out of which cash outflow in the year 2017-18 is estimated to be INR 13,73,11,239. This results in net surplus of INR 3,75,78,513. The details are as follows:

Particulars	**Amount (INR)**
Cash and Bank Balance as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	2,11,62,320
Investments (Fixed Deposits) as on 31 March 2017 (including accrued interest) (as per audited financial statements of FY 2016-2017)	1,62,59,998
Total Liquid Funds Available with the School as on 31 Mar 2017	**3,74,22,318**
Add: Estimated Fees and other incomes for FY 2017-2018 based on audited financial statements of FY 2016-2017 [Refer Note 1]	12,05,94,617
Add: Recovery of cost incurred on building reflected in financial statement for FY 2015-2016 & 2016-2017 from the Society [Refer Financial Finding No. 1]	1,70,03,059
Add: Recovery of excess payment made to manpower agency during FY 2013-2014 to FY 2015-2016 from the manpower agency [Refer Financial Finding No. 2]	72,46,000
Add: Recovery of expenses incurred on vehicles not owned by the school during FY 2013-2014 to FY 2015-2016 from the Society [Refer Financial Finding No. 3]	5,71,591
Add: Recovery of personal expenses during FY 2016-2017 from the Son of Chairman [Refer Financial Finding No. 5]	27,844
Gross Estimated Available Funds for FY 2017-2018	**18,28,65,429**
Less: Specific Investments (with DOE and CBSE)	5,87,269
Less: Retirement Benefits - Gratuity Fund [Refer Financial Finding No. 4]	70,00,000
Less: Development Fund [Refer Note 2]	1,13,70,615
Less: Caution Money Liability (as per the audited financial statements of FY 2016-2017	5,22,450
Net Estimated Available Funds for FY 2017-2018	**16,33,85,094**
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 3]	12,58,06,581
Less: Arrears of salary from January 2016 to June 2017 on account of implementation of 7th CPC with effect from 1 Jan 2016 [Refer Note 3]	1,15,04,658
Estimated Surplus as on 31 Mar 2018	**3,75,78,513**

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Notes:

1. Fee and income as per audited financial statements of FY 2016-2017 of the school has been considered with the assumption that the amount of income during FY 2016-2017 will at least accrue during FY 2017-2018. However, in respect of the feeder school of Adarsh Public School, the school provided trial balance from its books of account as on 31 Mar 2018. Thus, the incomes recorded in the books of account of the feeder school during FY 2017-2018 have also been considered.
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 2,65,25,273 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. Per the Budgeted Receipt and Payment Account for FY 2017-2018 submitted by the school along with proposal for fee increase, the school (Adarsh Public School) had estimated the total expenditure during FY 2017-2018 of INR 12,75,49,061 (including arrears of salary as per 7th CPC amounting to INR 1,15,04,658 that has been dealt with separately), which in some instances was found to be unreasonable/ excessive. Based on the explanations and details provided by the school during personal hearing, most of the expense heads as budgeted were considered even though certain expenditures were increased substantially by the school as compared to FY 2016-2017. However, during review of budgeted expenses for FY 2017-2018, adjustments were made in respect of two items detailed below. Therefore, the following adjustments have been made while considering the budgeted expenses for FY 2017-2018:

Particulars	**FY 2016-2017**	**FY 2017-2018**	**Amount allowed**	**Amount Disallowed**	**Remarks**
Gratuity Fund contribution	34,27,812	35,00,000	-	35,00,000	Refer Financial Finding No. 2
Deficit	-	(2,00,75,541)	-	(2,00,75,541)	Surplus of expenditure over income included in the budget estimate has been adjusted to arrive at the actual budgeted expenses for FY 2017-2018.
Total	**34,27,812**	**(1,65,75,541)**	**-**	**(1,65,75,541)**	

However, in respect of the feeder school of Adarsh Public School, the school provided trial balance from its books of account as on 31 Mar 2018. Thus, the expenses recorded in the books of account of the feeder school during FY 2017-2018 totalling to INR 1,32,62,178 have also been considered.

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.

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

Whereas per point no. 22 of Order No. F.DE./15 (56)/Act/2009/778 dated 11 Feb 2009, user charges should be collected at 'no profit and no loss' basis and should be used only for the purpose for which these are collected. The school has continued to charge earmarked fee higher than the expenses incurred against computer and science fee whereas the expenses incurred are more than transport charges collected from students. The school has utilised the surplus earned for meeting the establishment expenses and deficit on transport charges. Accordingly, the school is advised to maintain separate fund in respect of each earmarked levy charged from the 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. Also, school should not charge earmarked fee collected from all students.

Whereas per point no. 14 of Order No. F.DE./15(56)/ACT/2009/778 dated 11 Feb 2009, Development Fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up-gradation and replacement of furniture, fixture and equipment. Development Fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a depreciation reserve fund, equivalent to the deprecation charged in the revenue accounts and the collection under this head along with income generated from the investment made out of this fund, will be kept in a separately maintained development fund account. The school is advised to comply with the directions with regard to deposit of development fund in separate bank account, 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 over a period of 5 years.

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 **Adarsh Public School (School ID-1618184), Vikas Puri, Delhi-110018** 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 2016-2017 or FY 2017-2018, the school should make necessary adjustments from future fee/refund the amount of excess fee collected, if any, as per the convenience of the parents.
2. To communicate with the parents through its website notice board and circular about rejection of fee increase proposal of the school by the Directorate of Education.
3. To rectify the financial and other irregularities/violations as listed above and submit the compliance report within 30 days from the date of this order to D.D.E.(PSB).
4. To ensure that the salaries and allowances shall come out from the fees whereas capital expenditure will be a charge on the savings in accordance with the principles laid down by Hon'ble Supreme Court of Delhi in its Judgment of Modern School vs Union of India. Therefore, school not to include capital expenditure as a component of fee structure to be submitted by the school under section 17(3) of DSEA 1973.
5. To utilise the fee collected from students in accordance with the provisions of Rule 177 of the DSER 1973 and orders and directions issued by this Directorate from time to time.
6. The Compliance Report detailing rectification of the above listed deficiencies/ violations must also be attached with the proposal for enhancement of fee of subsequent academic session, as may be submitted by the school. Compliance of all the directions mentioned above will be examined before evaluation of proposal for enhancement of fee for subsequent academic session.

Non-compliance of this order or any direction herein shall be viewed seriously and will be dealt with in accordance with the provisions of section 24(4) 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
Adarsh Public School
School ID-1618184
Vikas Puri, Delhi-110018

No.F.DE.15 (628)/ PSB/ 2018/ 30542 - 30546 Dated: 14.12.2018

Copy to:

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

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