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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 (633)/PSB/2018/30487- 30491 Dated: 14/12/2018

Order

WHEREAS, this Directorate vide its order No. DE.15 (318)/PSB/2016/19786 dated 17.10.2017 issued 'Guidelines for implementation of 7th Central Pay Commission's recommendations in private unaided recognized Schools in Delhi' and directed that the 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, needs to submit their online fee increase proposal for the academic session 2017-18. Accordingly, vide circular no. 19849-19857 dated 23.10.2017, the fee increase proposals were invited from all aforesaid Schools till 30.11.2017 and this date was further extended to 14.12.2017 vide Directorate's order No. DE.15 (318)/PSB/2016/20535 dated 20.11.2017 in compliance of directions of Hon'ble High Court of Delhi vide its order dated 14.11.2017 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 19.01.2016 in writ petition No. 4109/2013 in the matter of Justice for All versus GNCTD and others wherein it has been directed by the Hon'ble Delhi High Court that the Director of Education will ensure the compliance of conditions, if any, in the letter of allotment regarding prior approval of Director of education for the increase of fee by all the recognized unaided Schools which are allotted land by DDA.

AND WHEREAS, the Hon'ble High Court of Delhi 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 27.04.2004 passed in Civil Appeal No. 2699 of 2001 titled Modern School V. 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) of Delhi School Education Act, 1973 read 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 pursuance to order dated 23.10.2017 of this Directorate, **Ramakrishna Senior Sec. School M-Block Vikas Puri New Delhi-110018 (School Id: 1618237)** had submitted the proposal for increase in fee for the academic session 2017-18 including the impact on account of implementation of recommendations of 7th CPC with effect from 01.01.2016.

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 expert Chartered Accountants at HQ level who have evaluated the fee 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 vide email dated March 24, 2018. Further, School was also provided opportunity of being heard on June 20, 2018 to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussions, School was further asked to submit necessary documents and clarifications 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 evaluated thoroughly by the team of Chartered Accountants. The key findings noted are as under:

Financial Irregularities:

I. Para 67 of the GN-21 "Accounting by School" the financial statements of the School should disclose, inter alia, the historical cost of the assets. But it has been observed that Fixed Assets purchased by the school out of the development fund was neither reflecting on the face of the financial statements nor in the fixed assets register maintained and provide by the school for the FY 2014-15 to 2016-17. This clearly implies that school has diverted its fund in the form of assets purchased out of the development fund amounting to Rs.6,56,915, Rs.10,85,980 and Rs.6,96,188 in FY 2014-15, 2015-16 and 2016-17 respectively. Therefore, the school is directed to recover Rs.24,39,083 from the society and make necessary adjustments in the Development Fund Account.

II. As per Para 99 of Guidance note on "Accounting By school" issued by ICAI, relating to restricted fund, "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".

Taking cognisance from the above para, it has been observed that school neither prepared the Development Fund Utilisation account nor treated it as a deferred income to the extent of cost of assets purchased out of Development Fund Account as required by GN 21 "Accounting by School. Therefore, The School is directed to follow Guidance Note-21.

III. In respect of earmarked levies, school is required to comply with:
- Clause 22 of order dated 11.02.2009, which specifies that earmarked levies shall be charged from user students on 'no profit no loss' basis;
- Rule 176 of DSER, 1973, which provides that 'income derived from collections for specific purpose shall be spent only for such purpose';
- Judgement of Hon'ble Supreme Court of India in the case of Modern School Vs Union of Others, which specifies that schools, being run as non-profit organizations, are supposed to follow fund-based accounting.

On review of audited financial statements of the FY 2014-15, 2015-16 and 2016-17, it has been observed that the school is charging earmarked levies namely practical fee, annual function charges, eco club receipts, transport fee and activity fee from the students but these fees are not charged on 'no profit no loss' basis. As the School is either earned surplus or incurred deficit from these levies. During the period under evaluation, school has incurred deficit from annual function charges and eco club receipts and has earned surplus from other earmarked levies. Further, the school is also not following fund based accounting. Therefore, the school is directed to follow fund based accounting for earmarked levies and to adhere the abovementioned provisions. Also, make necessary adjustments in the General Reserve balance.

Moreover, as per the Duggal Committee report, there are four categories of fee that can be charged by a school. The first category of fee comprise of "registration fee and all One Time Charges" which is levied at the time of admission such as Admission and Caution Money. The second category of fee comprise of "Tuition Fee" which is to be fixed to cover the standard cost of the establishment and also to cover expenditure of revenue nature for the improvement of curricular facilities like Library, Laboratories, Science and Computer fee up to class X and examination fee. The third category of the fee should consist of "Annual Charges" to cover all expenditure not included in the second category and the forth category should consist of all "Earmarked Levies" for the services rendered by the school and to be recovered only from the 'User' students'. These charges are Transport Fee, Swimming Pool Charges, Horse Riding, Tennis, Midday Meals etc.

Based on the aforesaid provisions, earmarked are to be collected only from the user students availing the services. And if, the services is extended to other Students of the school, a separate charge should not be levied by the school as it would get covered either form the Tuition Fee or from Annual Charges. Therefore, the school is directed to stop collecting separate charges in the name of the "Activity Fee".

IV. The school has made provision for statutory salary reserve equivalent to 3 month salary but the investment made by the school is not in the joint name of manager of the school and DY. Director of Education and therefore, the same has not been considered for evaluation of fee increase proposal. Accordingly, the school is directed to make earmarked investment in the joint name of manager of the school and DY. Director of Education.

Other Irregularities

I. The school is not complying with the DOE Order No.F.DE.15/Act-I/08155/2013/5506-5518 dated 04-06-2012 as well as s.no. 18 of allotment letter which provides for 25% reservation to children belonging to EWS category. The admission allowed under EWS category in FY 2014-15, FY 2015-16 and FY 2016-17 was as under.

Particulars	FY 2014-15	FY 2015-16	FY 2016-17
Total Students	1700	1790	1770
EWS Students	206	214	227
% of EWS students	12.12%	11.96%	12.82%

Hence, the school is directed to follow the provisions of order No.F.DE.15/Act-I/08155/2013/5506-5518 dated 04.06.2012 along with the conditions specified in the land allotment letter.

II. As per Clause 18 of Order No. F.DE. /15 (56) /Act /2009 / 778 dated 11.02.2009, no caution money/ security deposit of more than Rs.500 per student shall be charged. The caution Money, thus collected shall be kept deposited in a schedule bank in the name of 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 request for a refund. However, on review of audited financial statement for the FY 2014-15 to 2016-17, it has been observed that the school is being refunding only principal amount of caution money without interest thereon, which is a contravention of clause 18 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009. Therefore, School is directed to refund principal amount of caution money along with the interest amount to the students at the time of his/her leaving and shall refund interest amount to those whom only principal amount had been refunded so far.

III. As per Clause 4 of Order No.DE./15/150/ACT/2010/4854-69 dated 09.09.2010, after the expiry of 30 days, the un-refunded caution money belonging to ex-students shall be reflected as income for the next financial year and it shall not be shown as liability. Further, this income shall also be taken into account while projecting fee structure for ensuing academic year. However, on review of 'Budget estimates of receipts and payments of ensuing year' submitted with return filled under rule 180(1) of DSER, 1973, for the FY 2017-18 it was noted that school has not considered the un-refunded caution money as receipts. In the absence of availability of information of un-refundable caution money belonging to ex-students which can be treated as income, correct/ actual liability of the school cannot be ascertained. Therefore, School is directed to comply with the provisions of Clause 4 of Order No.DE./15/150/ACT/2010/4854-69 dated 09.09.2010.

IV. On review of audited financial statement for the FY 2016-17, it has been observed that, caution money received by the school as per receipt and payment account and as per schedule of caution money do not match. The differential amount has not been appearing as receivable in the balance sheet. Details are as under:-

Particulars	FY 2016-17
As per Receipts and Payments Account	46,500
As per Schedule	1,33,000
Difference	**86,500**

Therefore, the School management is directed to look into this matter and rectify the irregularity appearing in the financial statement.

V. As per AS-15 'Employee Benefit' issued by ICAI. "An entity should determine the present value of defined benefit obligations and their fair value of any plan asset so that the amounts recognised in the financial statement do not differ materially from the amounts that would be determine at the balance sheet date. However, the school has made provisions for Gratuity and Leave Encashment on the basis of management estimate and not on the basis of actuarial valuation, as required by Accounting Standard (AS) 15. So, there could be an impact on the financials of the school, had the provision been done on the basis of actuarial valuation. In the absence of the actuarial valuation report, the same could not be quantified. Therefore, the school is directed to determine and provide for statutory liability towards Gratuity and Leave encashment as per the actuarial valuation report as required by AS-15.

VI. Admission fee fund of Rs.9,25,800 has been created by the school before financial year 2014-15 erroneously which has not yet been corrected by the school. Therefore, the school is directed to treat it as income of the school of the ensuing years. FY 2017-18.

VII. The school is charging depreciation at the rates prescribed by the Income Tax Act, 1961 and not as per the Guidance note on "Accounting by Schools" issued by ICAI. Therefore, the school is directed to follow the Guidance Note.

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 FY 2017-18 amounting to Rs.**16,31,32,406** out of which cash outflow in the FY 2017-18 is estimated to be Rs.**6,25,18,986.** This results in net balance of Surplus amounting to Rs.**10,06,13,420** for FY 2017-18 after all payments. The details are as follows:

Particulars	Amount	Remarks
Cash and Bank balances as on 31.03.17 as per Audited Financial Statements	29,48,633	
Investments as on 31.03.17 as per Audited Financial Statements	9,54,34,804	

Add: Amount diverted by the school is recoverable from the Society	24,39,083	"Refer Observation 1 of Financial Irregularities"
Less: Fixed Deposit against Caution Money	21,46,334	
Less: FDR against Endowment Fund in the joint name of Ramakrishna School and DY. Director of education	10,66,187	
Less: Development Fund received in FY 2017-18	64,11,340	"Refer Note-1"
Less: FDR against Playground Development	-	
Less: FDR against Construction of Labs/ Art Rooms/ Gymnasium	-	
Total	9,11,98,659	
Add: Fees for FY 2016-17 as per Audited Financial Statements (we have assumed that the amount received in FY 2016-17 will at least accrue in FY 2017-18)	6,56,04,614	
Add: Other income for FY 2016-17 as per audited Financial Statements	63,29,133	
Estimated availability of funds for FY 2017-18	**16,31,32,406**	
Less: Budgeted expenses for the session 2017-18 (after making adjustment)	6,25,18,986	"Refer Note- 2 to 6"
Net Surplus	**10,06,13,420**	

Adjustment:-

Note- 1: 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 Rs.3,97,00,937 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 FY 2016-2017 amounting Rs.64,11,340 from students has not been considered as fund available with the school.

Note- 2: The school has provided for gratuity and leave encashment as at 31.03.2017 amounting to Rs.45,34,726 in its financial statements and has not earmarked/ blocked its investments against that. Therefore, the same has not considered in the above calculation and the school is hereby directed to make earmarked equivalent

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investments against provisions for gratuity and leave encashment with LIC (or any other agency) within 90 days of the receipts of this order, so as to protect the statutory liabilities. Further, the provision for gratuity and leave encashment should be based on actuarial valuation from the next year onwards.

Note- 3: The school has made provision for statutory salary reserve equivalent to 3 month salary but the investment made by the school is not in the joint name of manager of the school and DY. Director of Education and therefore has not been considered while calculating fund availability.

Note- 4: The school has budgeted salaries for FY 2017-18 amounting to Rs.5,70,00,000 and arrear salary amounting to Rs.1,90,50,000 against actual salaries of Rs.2,98,34,221. Therefore, the school has proposed 91% increase in regular salary expenditure and 64% increase in arrear salary. As per school's submission, this increase in proposed salary is due to regularise/appointment of new teachers on the posts which were lying vacant. However, on review of staff statement, proportionate increase in the number of staff has not been appeared. Therefore, the claim of school about the increase of salaries on account of increase in number of staff is not justifiable and hence not considered in excess of 10% in case of regular salary and 30% in case of arrear salary, for evaluation of fee increase proposal. Details of Teaching and Non-Teaching staff of the school are as under:-

S. No.	Particulars	As on 01.04.2016	As on 01.04.2017	As on 31.03.2018
1.	Teaching Staff	65	66	65
2.	Non- Teaching Staff	5	6	6
Total		**70**	**72**	**71**

Further, the proposed expenditure towards Gratuity and Leave encashment amounting to Rs.17,00,000 and Rs.7,00,000 has not been considered in the evaluation of fee increase proposal because the school has not provided the actuarial valuation report for the FY 2017-18. Details of amount disallowed are as under:

Particular	FY 2016-17	FY 2017-18	Increase/ Decrease	% Change	Amount Disallowed
Salaries	2,98,34,221	5,70,00,000	2,71,65,779	91%	2,41,82,357
Arrear	-	1,90,50,000	1,90,50,000	64%	1,00,99,734
Provision for Gratuity and Leave Encashment	-	24,00,000	24,00,000	100%	24,00,000
Total	**2,98,34,221**	**7,84,50,000**	**4,86,15,779**		**3,66,82,091**

Note- 5: Under the following heads the School has proposed expenditure in excess of 10% as compared to the actual expenditure incurred in FY 2016-17, for which the school has not provided any explanation for such unusual increase. Since, the FY 2017-18 is the year of implementation of 7th CPC where the parents/students are already overburdened. Therefore, the expenditures in excess of 10% have not been considered in the evaluation of fee increase proposal. Details are as under:-

Other Revenue Expenditures Disallowed

Particular	FY 2016-17	FY 2017-18	Increase/ Decrease	% Change	Amount Disallowed in excess of 10%
Advertisement & Publicity Expenses	2,54,272	10,00,000	7,45,728	293%	7,20,301
Annual Function Expenses	10,61,062	18,00,000	7,38,938	70%	6,32,832
Examination Expenses	2,90,190	8,00,000	5,09,810	176%	4,80,791
Total	**16,05,524**	**36,00,000**	**19,94,476**		**18,33,924**

Note- 6: The school has proposed a Capital Expenditure of Rs.20,00,000 for Replacement of Old Bus, which is not considered for evaluation of fee increase proposal, since the FY 2017-18 is the year of implementation of 7th CPC where the parents/students are already overburdened.

ii. The School has sufficient funds to carry on the operation of the School for the academic session 2017-18 on the existing fees structure. In this regard, Directorate of Education has already issued directions to the Schools vide order dated 16/04/2010 that,

"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."

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 expert Chartered Accountants that prima facie there are financial and other irregularities and also, sufficient funds are available with the School to meet its budgeted expenditure for the academic session 2017-18 including the impact of implementation of recommendations of 7th CPC, the fee increase proposal of the School may not be accepted.

AND WHEREAS, recommendations of the team of expert Chartered Accountants along with relevant material were put before the Director of Education for consideration and who after considering all the material on the record, found that sufficient funds are available with the School to meet its budgeted expenditure for the academic session 2017-18 including the impact of implementation of recommendations of 7th CPC. Therefore, Director (Education) has rejected the proposal of fee increase submitted by the said School.

AND WHEREAS, it is also noticed that the school has diverted Rs.24,39,083 out of Development Fund. Therefore, the school is directed to recover Rs.24,39,083 from the society. The amount of receipts along with copy of bank statements showing receipt of above mentioned amount should be submitted with DoE, in compliance of the same, within sixty days from the date of order. Non-compliance of this shall be taken up as per DSEA&R, 1973.

Accordingly, it is hereby conveyed that the proposal of fee increase of **Ramakrishna Senior Sec. School M-Block Vikas Puri New Delhi-110018 (School Id: 1618237)** is 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 in pursuance to the proposal submitted by School on any account including implementation of 7th CPC for the academic session 2017-18 and if the fee is already increased and charged for the academic session 2017-18, the same shall be refunded to the parents or adjusted in the fee of subsequent months.

2. To communicate 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 all the financial and other irregularities as listed above and submit the compliance report within 30 days to the 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 utilize 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. In case of submission of any proposal for increase in fee for the next academic session, the compliance of the above listed financial and other irregularities/violations will also be attached.

Non-compliance of this order or any direction herein shall be viewed seriously and will be dealt with the provision of section 24(4) of DSEA, 1973 and DSER, 1973.

This is issued with the prior approval of the Competent Authority.

(YOGESH PRATAP)
Deputy Director of Education-1
(Private School Branch)
Directorate of Education, GNCT of Delhi

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To
The Manager/ HoS
Ramakrishna Senior Sec. School
M-Block Vikas Puri New Delhi-110018 (School Id: 1618237)
No. F. DE-15/ACT-I/WPC-4109/PART/13/
Dated:

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 Addl. Director of Education (Private School Branch), Directorate of Education, GNCT of Delhi.
4. DDE concerned
5. Guard file.

(YOGESH PRATAP)
Deputy Director of Education-1
(Private School Branch)
Directorate of Education, GNCT of Delhi

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To
The Manager/ HoS
Ramakrishna Senior Sec. School
M-Block Vikas Puri New Delhi-110018 (School Id: 1618237)

No. F.DE.15 (633)/PSB/2018/ ~~14~~ 30487-491 Dated: 14.12.2018

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(YOGESH PRATAP)
Deputy Director of Education-1
(Private School Branch)
Directorate of Education, GNCT of Delhi