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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(308)/PSB/2019/ 1590-1594 Dated: 05/04/19

ORDER

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

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

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

"27....

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

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

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

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AND WHEREAS, the Hon'ble Supreme Court in the above said Judgment also held that under section 17(3), 18(4) read along with rule 172, 173, 175 and 177 of Delhi School Education Rules, 1973, Directorate of Education has the authority to regulate the fee and other charges to prevent commercialization of education.

AND WHEREAS in response to this directorate's circular dated 23 Oct 2017 referred to above, **Vasant Valley School (School ID-1720124), Sector-C, Vasant Kunj, New Delhi** 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 8 June 2018 at 3 PM, 19 June 2018 at 11 AM, 20 June 2018 at 11 AM and 10 July 2018 at 11 AM 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. The Manager of the school is not entitled to any payment whatsoever from the school funds. However, from the records submitted by the school and taken on record, it was noticed that the school paid approximate salary of INR 20,91,948 during FY 2014-2015 and FY 2015-2016 and INR 21,91,872 during FY 2016-2017 (Based on details available, salary paid to manager derived for the full year on the basis of salary for the month of March 2017) totalling to INR 63,75,768 to the Manager in the three financial years. During personal hearing, the school explained that Mr. A. P. John joined as the Manager of the school with effect from 1 April 2013. He joined the school on 1 July 1992 and before appointment as the Manager of the school, he was the Administrative Officer.

   Considering that the school has paid salary for the honorary position of Manager, the amount of INR 63,75,768 paid to the Manager during FY 2014-2015 to 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

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from the Manager/ Society within 30 days from the date of this order. The school is further directed not to pay any amount to the Manager subsequently.

According to Rule 125 of Delhi School Education Rules, 1973 *"Every employee of a recognised private school, not being an unaided minority school, shall be entitled to ... travelling allowance and daily allowance according to the rules made by the Delhi Administration."*

On examination of the documents submitted by the school and placed on record, it was noted that the Manager of the School was being paid 'Travelling allowance' totalling to INR 2,15,430 during FY 2016-2017, which was paid over and above the conveyance amount paid along with salary. The school failed to provide any supporting documents in relation to the same. During personal hearing, it was explained that Travelling allowance was paid as fixed amount every month to the Manager as part of the CTC on production of bills.

Accordingly, based on the explanation provided by the school and facts noted regarding the amount of 'Travelling Allowance' paid to the Manager takes the form of monthly allowance, which being paid over and above the salary paid to the Manager is not allowed. Thus, the amount of INR 65,91,198 (salary of INR 63,75,768 together with INR 2,15,430 additionally paid as Travelling Allowance) paid to the Manager 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 Manager/Society within 30 days from the date of this order. The school is further directed not to pay any travelling allowance to the Manager subsequently.

Further, amount of INR 24,07,302 (salary of INR 21,91,872 and travelling allowance of INR 2,15,430), equivalent to the amount of salary and travelling allowance paid to the Manager during FY 2016-2017 has been adjusted from the budgeted salary expense for FY 2017-2018 while deriving the fund position of the school (enclosed in the later part of this order).

2. The school is paying salary to a member of the school managing committee. It was noticed that the school paid approximate salary of INR 43,00,000 during FY 2014-2015, INR 48,00,000 during FY 2015-2016 and INR 60,00,000 during FY 2016-2017 (Based on details available, salary paid to member of the managing committee derived for the full year on the basis of salary for the month of March 2017) totalling to INR 1,51,00,000 to Mr. Arun Kapur, member of the managing committee of the school,

   During personal hearing, the school mentioned that Mr. Arun Kapur is getting the remuneration due to his experience and knowledge and working with school at the designation of Director Academic and Administration.

   The position of 'Director Academic and Administration' is not a prescribed post in the Recruitment Rules. Thus, the amount of remuneration of INR 1,51,00,000 paid to Director Academic and Administration and member of Managing Committee is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as

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funds available with the school and with the direction to the school to recover this amount from the members of the managing committee/Society within 30 days from the date of this order.

The school is further directed not to pay any remuneration to the members of the managing committee. Accordingly, amount equal to the salary paid to the managing committee member of INR 60 lakhs during FY 2016-2017 has been adjusted from the budgeted expenses for FY 2017-2018 while deriving the fund position of the school (enclosed in the later part of this order).

3. As per Rule 107 of Delhi School Education Rules, 1973, Fixation of pay:
   "(1) The initial pay of an employee, on first appointment, shall be fixed ordinarily at the minimum of the scale of pay:
   Provided that a higher initial pay, in the specified scale of pay, may be given to a person by the appointing authority:
   Provided further that no higher initial pay shall be granted in the case of an aided school except with the previous approval of the Director.
   (2) The pay of an employee on promotion to a higher grade or post shall be determined by the same rules as are applicable to the employee of Government school."

   Further as per Rule 125 of Delhi School Education Rules, 1973, *"Every employee of a recognised private school, not being an unaided minority school, shall be entitled to ...... allowances according to the rules made by the Delhi Administration."*

   Based on the rules cited above, basic salary of a staff at the time appointment of appointment may be decided at a higher level from the specified scale of grade pay notified and the staff of the school are entitled to other benefits and allowances as mentioned in Rule 125. It was noted that the school was paying other, special and HOD allowances to staff over and above the notified pay scales and benefits. From the working of 7th CPC submitted by the school, it was noted that other, special and HOD allowances were paid to staff, which resulted in additional burden on the school finances of around 15 lakhs per month. These allowances paid over and above the prescribed pay scales are not allowable and thus, the approximate amount of INR 5.4 crores paid to staff during FY 2014-2015 to 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 teachers/ Society within 30 days from the date of this order.

   Further, from the documents submitted by the school and taken on record, it was noted that during FY 2016-2017, the school has made additional payment to teachers on account of monthly books reimbursement of INR 22,35,766, which is not a prescribed benefits for the staff. In this regard, it was noted that the school has a library with a total value of books (reflected as per financial statements of the school for FY 2016-2017) of INR 1,33,88,092. Further, the school also incur expenditure on Books and Periodicals, which is charged as an expense to the Income & Expenditure Account every year (for FY 2016-2017, the school reported an expense of INR 6,06,122 on books and periodicals). Thus, the school has

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maintained a large library of books, incurring expenses on books & periodical, and at the same time is also making additional payments to teachers towards books reimbursement, which does not seem justified and the same is not a prescribed benefit for teachers.

During personal hearing, the school explained that this amount is given by the school to the confirmed teachers on the submission of bills. This amount has been paid over and above the salary as the part of their CTC.

On the basis of explanation given by the school, the school has not complied with Rule 125 of Delhi School Education Rules, 1973. Thus, this amount of INR 22,35,766 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 teachers/ Society within 30 days from the date of this order.

Further, the amount budgeted by the school towards book reimbursement of INR 29.19 lakhs for FY 2017-2018 has not been considered as part of the budgeted expenditure for FY 2017-2018 for deriving fund position of the school (enclosed in the later part of this order). Similarly, the estimated amount of INR 1.8 crores of other, special and HOD allowances included in the budgeted expenses has not been considered as part of the budgeted expenditure for FY 2017-2018 for deriving fund position of the school (enclosed in the later part of this order).

Additionally, the school the directed to ensure compliance to prescribed rules for fixation of salary and payment of benefits to staff.

4. Para 57 of Accounting Standard 15 – 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "*An enterprise should determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.*" Further, according to para 7.14 of the Accounting Standard 15, "*Plan assets comprise:*
   (a) assets held by a long-term employee benefit fund; and
   (b) qualifying insurance policies."

   On review of the audited financial statements for FY 2016-2017 and submissions of the school, it was noted that the school has created the provision for liability towards gratuity in its financial statements for FY 2016-2017 in accordance with the actuarial valuation of its liability towards Gratuity as on 31 Mar 2017 of INR 4,93,59,700. However, the school has neither made any provision for leave encashment in its books of account nor the school had obtained actuarial valuation towards its liability for leave encashment as on 31 Mar 2017.

   Further, the school was directed by the Directorate through order No. F. DE-15/ACT-I/WPC-4109/PART/13/869 dated 8 August 2017 to make earmarked equivalent investments against provision for Gratuity with LIC (or any other agency) within 90 days of the receipt of this order, so as to protect the statutory liabilities. However, it was noted that the school has not deposited any amount in investment that qualifies as 'Plan Assets' as per Accounting

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Standard 15. Thus, the school has not complied with the directions included in the aforesaid order.

The school is directed to obtain actuarial valuation and record provision for the leave encashment liability in its books of account as per actuarial valuation. Also, the school should start making investments in plan-assets (as defined in AS-15) so as to create a fund equivalent to the amount of liability determined by the actuary towards gratuity and leave encashment to protect against its statutory liabilities towards staff.

On account of non-compliance of directions by the school regarding deposit of amount equivalent to the provision of gratuity in investment with LIC or other insurer, no amount has been considered while deriving the fund position of the school for FY 2017-2018 (enclosed in the later part of the order).

Further, based on discussion with the school during personal hearing, the school has not deposited any amount in group gratuity scheme of LIC or other insurer during FY 2017-2018 and subsequently. Accordingly, the amount budgeted by the school towards gratuity and leave encashment has not been considered while deriving the fund position of the school for FY 2017-2018 (enclosed in the later part of the order).

5. 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.*"

   Also, as per the Directorate's Order No. DE 15/Act/Duggal.com/203/ 99/23033/23980 dated 15 Dec 1999, the management is restrained from transferring any amount from the recognized unaided school fund to society or trust or any other institution. The Supreme Court also through its judgement on a review petition in 2009 restricted transfer of funds to the society.

   On review of the financial statements of the school for FY 2014-2015, 2015-2016 and 2016-2017 and as per details submitted by school, it was observed that the school has charged depreciation in its Income and Expenditure Accounts on the assets owned by the society, which have been indicated as used by the school. On further discussion during the personal hearing with the school, the school submitted a statement of assets belonging to the Society that are being used by the School, which comprise of land, building, fittings, etc. which were created by the Society at the time of set-up of the school. The School has been charging depreciation on such assets (which has been reflected as an expense of the school for years) and credited Society's ledger with the corresponding amount.

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The Society's ledger in the books of account of the school was analysed based on information provided by the school and expenses that were not allocable to School, but against which debit notes were raised by the Society and recorded by the School in its books of account were identified below.

Particulars	Amount (INR)
Closing balance of Society as on 31 Mar 2017 as per the audited financial statements of the School	4,51,75,588
Less: Depreciation on Society's assets recorded by the School	4,26,19,821
Less: Assets transferred by Society*	30,91,616
Less: General Administration Expenses transferred by Society^	13,59,897
Net Amount Recoverable by the School from the Society	**18,95,746**

* Assets contributed at the time of set-up of the school were part of responsibility of the Society. Thus, this book entry has been removed from the closing balance of Society.

^ The society apportioned its general administration expenses to the school by way of a debit note till FY 2012-2013, which have been adjusted from the society's cumulative balance as on 31 Mar 2017, as expenses of the society cannot be apportioned to the school.

During personal hearing, the school mentioned that after add back the amount of depreciation to the Trust account, there is negligible amount recoverable from the society.

This amount of INR 18,95,746 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. Further, the school should not account for depreciation (on fixed assets not owned by it) and make the necessary rectification in the books of accounts to reverse the transactions mentioned in table above in respect of amount payable to the society in the next financial year. Compliance will be verified at the time of evaluation of next proposal for enhancement of fee.

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.*"

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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 Bus Fees, Aeromodelling Fee, Class Photo Fee, Students Group Insurance Fee, Identity Card Fee, Lunch Fee, Robotics Fee, Educational Trip Fee, 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 or has been incurring losses (deficit) that has been met from other fees/income, which was also mentioned in Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/869 dated 8 August 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)	Surplus/(Deficit) (INR)
	A	B	C=A-B
Adventure Trip Fee	77,79,900	75,48,086	2,31,814
Aeromodelling Fee	40,000	44,139	(4,139)
Agra Trip Fee	2,28,149	2,05,199	22,950
Art Camp Fee	20,01,046	20,01,046	-
Bhutan Trip Fee	18,09,000	18,62,383	(53,383)
Bus Fee	61,70,170	61,57,585	12,585
Career Counselling Fee	18,66,120	18,66,120	-

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Earmarked Fee	Income (INR)	Expenses (INR)	Surplus/(Deficit) (INR)
	A	B	C=A-B
Creative Art Fee	32,52,401	32,53,001	(600)
CBSE Evaluation Fee	5,68,435	5,68,435	-
Class Photo Fee	1,28,000	1,14,046	13,954
Finland Trip Fee	19,52,000	19,56,207	(4,207)
Founder Expenses Fee	61,33,275	61,13,807	19,468
Identity Card Fee	53,414	43,152	10,262
Lunch Fee	2,28,15,759	2,26,26,259	1,89,500
Math Programme Fee	14,53,283	15,29,427	(76,144)
Medical Supervision Fee	14,31,755	15,42,825	(1,11,070)
PSAT Exam Fee	60,000	23,788	36,212
Robotics Fee	1,45,125	1,45,125	-
Rugby Championship Fee	50,170	77,671	(27,501)
Singapore Trip Fee	1,41,600	1,79,601	(38,001)
Special Section Fee	2,10,55,140	2,10,67,926	(12,786)
Sports Camp Fee	37,75,012	37,47,511	27,501
Students Group Insurance Fee	4,82,050	3,70,980	1,11,070
Varanasi Trip Fee	1,62,000	2,09,228	(47,228)
Yamuna Yatra Fee	21,41,528	21,42,238	(710)

^ 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.

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 Class Photo fee, Identity Card fee, Students Group Insurance fee 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 Class Photo fee, Identity Card fee, Students Group Insurance fee and details provided by the school in relation to expenses incurred against the same, the school should not charge such fee as earmarked fee with immediate effect and should incur the expenses relating to these from tuition fee and/or annual charges, as applicable collected from the students. The school explained that annual fee collected from students is not sufficient to meet the revenue expenses of the school. Thus, the surplus generated from earmarked levies has been applied towards meeting establishment cost/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 (including 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, if any, generated from earmarked levies has to be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies during subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on no-profit no-loss basis and not to include fee collected from all students as earmarked levies.

2. 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. 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.*"

On review of the financial statements for FY 2016-2017, it was noted that the school has fixed deposits with bank amounting to INR 6,26,26,356. However, the school has not earmarked any fixed deposits against development fund to ensure availability of funds at the time of incurring capital expenditure on furniture, fixture and equipment. Further, no separate bank account has been opened for deposit of development fee/ fund. Accordingly, no interest has been credited to development fund. The school has earmarked fixed deposit against depreciation reserve fund instead of development fund and the interest has been credited to the depreciation reserve fund. The school also utilised the depreciation reserve fund investment for purchase of assets in excess of development fee.

Further, the school has used development fund for purchase of library books of INR 7,61,883 during FY 2016-2017, which was a non-compliance of the directions included in above order.

During the personal hearing, the school mentioned that the school has utilised complete development fund and the depreciation reserve fund investment has been used for assets purchase in excess of development fees. Further in the notes to account annexed to the audited financial statements of the school for FY 2016-2017, it is mentioned that "As per Duggal Committee Report, school is allowed to charges development fee from financial year 1999-2000 and accordingly a sum of INR 11,49,99,389 as on 31 March 2017 relates to development fee charged by the school as per the recommendation of the Duggal Committee Report. Out of INR 11,49,99,389 the amount utilized against acquisition of fixed assets aggregates to INR 17,74,85,249 (includes all assets acquired after 1st April 1999) starting from FY 1999-2000. Accordingly, the entire development fee fund as of 31 March 2017 stand fully

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utilized for purchase of fixed assets and the purchase over and above development fee fund amounting INR 6,24,85,860 have been met out of depreciation reserve fund".

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. However, depreciation reserve reported in the financial statements was not equal to the amount of cumulative depreciation reflected by the school in the fixed assets schedule annexed with the financial statements of FY 2016-2017.

Based on the above comment included in the Notes to Account of the school, the balance of development fund recorded in the balance sheet as on 31 March 2017 has not been considered while deriving the fund position of the school (enclosed in the later part of this order). The school is directed to ensure that the development fund is utilized only towards purchase, upgradation and replacement of furniture, fixture and equipment. Further, the school is directed not to utilize depreciation reserve fund for the purchase of assets.

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 transferred an amount equivalent to the purchase cost of the assets from development fund to general reserve instead of accounting treatment 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.

   Further, the fixed assets were not properly classified in the fixed asset schedule prepared by the school, like, 'Smart Boards' were clubbed with 'Computers', 'library books' were clubbed with 'Temporary Fixtures'.

   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/

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fund and should report fixed assets separately based on their description instead of clubbing unrelated heads.

4. Recruitment Rules prescribed for various posts for schools does not include any position for Estate Manager, Manager IT, System Administrator, etc., which have been hired by the school as its staff. Accordingly, the appointment of the staff beyond the prescribed position is not in accordance with the prescribed rules. The School is directed to ensure it follow the posts prescribed under the Recruitment Rules and not hire staff that are included in the same. Accordingly, salary of additional staff should not be charged from the school fund.

5. As per Accounting Standard -18 (AS-18) issued by the Institute of Chartered Accountants of India *"Name of the related party and nature of the related party relationship where control exists should be disclosed irrespective of whether or not there have been transactions between the related parties"*. AS -18 also states *"If there have been transactions between related parties, during the existence of a related party relationship, the reporting enterprise should disclose the following:*

   (i) The name of the transacting related party;
   (ii) A description of the relationship between the parties;
   (iii) A description of the nature of transactions;
   (iv) Volume of the transactions either as an amount or as an appropriate proportion;
   (v) Any other elements of the related party transactions necessary for an understanding of the financial statements;
   (vi) The amounts or appropriate proportions of outstanding items pertaining to related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date; and
   (vii)Amounts written off or written back in the period in respect of debts due from or to related parties."

   On examination of the documents submitted by the school, it was observed that the school has entered into transaction with a company named "Universal Learn Today Private Limited" for purchase of books and workbooks for EWS students for INR 2,73,874, which is a related party as the chairperson of the managing committee Mrs. Rekha Purie and member of the managing committee Mr. Aroon Purie are the directors of Universal Learn Today Private Limited.

   The school has not maintained/disclosed any record in respect of the names of persons/firms/companies etc. in whom the school management/Board members are interested as partner, Director or Shareholders etc. Further, the school has not provide any document, which substantiate that the transaction was made with the related at arms' length price.

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The school should make proper disclosure in the 'Notes to accounts' regarding related parties in accordance with ICAI pronouncement. Also, the school is directed to ensure that the transactions entered with Universal Learn Today Private Limited and other related parties, if any should be made at Arms' Length Price, which should be substantiated from the records and documents maintained by the school. Also, the school is directed to maintain proper internal control systems in relation to procurement of goods and services, especially from related parties. The school is required to provide a detailed clarification in regard to the transactions with Universal Learn Today Private Limited, compliance of which will be validated at the time of evaluation of subsequent fee increase proposal.

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

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

   The observation were noted under DoE's order No. F. DE-15/ACT-I/WPC-4109/PART/13/869 dated 8 August 2017 that the School had not refunded interest on caution money along with refund of caution money to exiting students and was instructed to include interest earned on caution money in the refund amount.

   During the personal hearing, the school mentioned that letters have already been sent to ex-students of the school to confirm their bank account details and if no reply is received from them, the school will treat the amount of unclaimed caution money as income of the school, which will be utilised for the development of the school. Further, the school mentioned that it has transferred INR 1,29,500 to donation for school development fund on the request of parents, who did not wish to collect caution money.

   Thus, based on the explanation provided by the school, the school should refund caution money within FY 2018-2019 and treat the unclaimed caution money as income. Thus, the amount to be refunded to students after adjusting the income recorded by the school during FY 2017-2018 towards unclaimed caution money, as per the details provided by the school, has been considered while deriving the fund position of the school (enclosed in the later part of this order).

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7. As per the affiliation bye-laws prescribed by Central Board of Secondary Education (CBSE), there should be 1.5 teacher per section to teach various subjects. Information relating to teaching staff, students enrolled and sections were obtained from the school, which is tabulated below:

Particulars	Number
No. of Section (all classes) [A]	42
Teaching staff during FY 2016-2017^ [B]	106
No. of teachers as prescribed by CBSE (No. of sections X 1.5) [C=A*1.5]	63
Derived overstaffing at school (basis CBSE norms) [D=B-C]	43
Derived Teacher-Section Ratio [E=B/A]	2.52

^ The above figure does not include around 40 staff hired on contractual basis for various co-curricular activities and additional coaching on curricular subjects.

As salary expense is the major component of the total cost of the school, the school is required to make an assessment of the staff to ensure effective utilisation of the same in accordance with the norms specified by CBSE.

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 47,97,17,466 out of which cash outflow in the year 2017-2018 is estimated to be INR 34,04,51,924. This results in net surplus of INR 13,92,65,542. 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)	2,44,80,308
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	6,41,25358
Total Liquid Funds Available with the School as on 31 Mar 2017	8,86,05,666
Add: Estimated Fees and other incomes for FY 2017-2018 based on audited financial statements of FY 2016-2017 of the school [Refer Note 1]	31,69,58,905
Add: Amount recoverable from Manager for salary and travelling allowance paid to him [Refer Financial Finding No. 1]	65,91,198
Add: Amount recoverable from member of the managing committee towards salary paid to him [Refer Financial Finding No. 2]	1,51,00,000
Add: Amount recoverable from staff/ Society on account of excessive allowances paid to staff [Refer Financial Finding No. 3]	5,40,00,000
Add: Amount recoverable from teachers/ Society on account of book reimbursements paid to teachers [Refer Financial Finding No. 3]	22,35,766
Add: Account Recoverable from Education Today Trust [Refer Financial Finding No. 5]	18,95,745

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Particulars	Amount (INR)
Gross Estimated Available Funds for FY 2017-2018	48,53,87,280
Less: FDR submitted with DoE (as per audited financial statements of FY 2016-2017)	8,38,789
Less: FDR against lien with Sun Source Energy (as per audited financial statements of FY 2016-2017)	13,50,000
Less: Caution Money balance (Net of transfer to income in FY 2017-2018) [Refer Note 2]	34,81,025
Less: Staff retirement benefits [Refer Financial Finding No. 4]	-
Less: Development fund as on 31 March 2017('Nil' as per audited financial statements of FY 2016-2017)	-
Less: Depreciation Reserve [Refer Note 3]	-
Net Estimated Available Funds for FY 2017-2018	47,97,17,466
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 4]	29,86,77,569
Less: Arrears of salary as per 7th CPC since January 16 (as included in the Budget Estimate for FY 2017-2018 by the school) [Refer Note 4]	4,17,74,355
Estimated Surplus as on 31 Mar 2018	13,92,65,542

Notes:

1. Fee and income as per audited financial statements of FY 2016-2017 has been considered with Fee and income as per audited financial statements of FY 2016-2017 (excluding non-recurring income such as Surplus on sale of assets) has been considered with the assumption that the amount of income during FY 2016-2017 will at least accrue during FY 2017-2018.
2. Unclaimed caution money of INR 2,92,473, as declared by the school to be treated as income during FY 2017-2018 has been adjusted from the liability towards caution money as on 31 Mar 2017 of INR 37,73,498 (as per audited financial statements of FY 2016-2017) and net balance of INR 34,81,025 refundable to students has been considered for deriving the net estimated available funds with the school for FY 2017-2018.
3. 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. Though development fund maintained by the school has been adjusted for deriving the fund position of the school as per audited financial statements of FY 2016-2017, 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.
4. Per the Budgeted Estimate for FY 2017-2018 submitted by the school along with proposal for fee increase, the school had estimated the total expenditure during FY 2017-2018 of INR 30,74,05,114 (including 7th CPC arrears of INR 4,17,74,355) which in some instances was found to be

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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, discrepancies were noted in some of the expense heads, which were adjusted/allowed from the budgeted expenses. Therefore, the following expenses have been adjusted/allowed while considering the budgeted expenses for FY 2017-2018:

Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Salary and Wages and Contribution to PF	12,37,56,166	14,26,28,710	11,62,21,408	2,64,07,302	Refer Financial Finding No. 1, 2 and 3.
Book Allowance-Teachers	22,35,766	29,19,000	-	29,19,000	Refer Financial Finding No. 3
Gratuity	93,27,148	95,00,000	-	95,00,000	Refer Financial Finding No. 4
Depreciation on Own Assets	1,29,63,870	1,00,73,527	-	1,00,73,527	Depreciation being a non-cash expense does not result in cash outflow. Hence, it has not been considered.
Basket Ball Court	-	14,00,000	-	14,00,000	Cannot be purchased/ constructed from Development Fund. Also, the school has not complied with all requirements of Rule 177. Thus, the same has not been considered.
Porta Hut (For Storage)	-	13,00,000	-	13,00,000	
Other Capital Assets budgeted by school	65,51,390	73,00,000	65,50,854	7,49,146	The school has budgeted capital expenditure more than the expected development fee receipts. Thus, the capital expenditure has been allowed only to the extent of development fee collection.
Adventure Trip	75,48,086	-	75,48,086	(75,48,086)	The school did not consider earmarked levies
Aeromodelling	44,139	-	44,139	(44,139)	
Agra Trip	2,05,199	-	2,05,199	(2,05,199)	

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Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Art Camp	20,01,046	-	20,01,046	(20,01,046)	in the budget estimate, therefore expenses incurred against earmarked levies during FY 2016-2017 have been allowed.
Bhutan Trip	18,62,383	-	18,62,383	(18,62,383)	
Bus	61,57,585	-	61,57,585	(61,57,585)	
Career Counselling	18,66,120	-	18,66,120	(18,66,120)	
CBSE Evaluation	5,68,435	-	5,68,435	(5,68,435)	
Creative Art	32,53,001	-	32,53,001	(32,53,001)	
Finland Trip expenses	19,56,207	-	19,56,207	(19,56,207)	
Founder Expenses	61,13,807	-	61,13,807	(61,13,807)	
Identity Card	43,152	-	43,152	(43,152)	
Lunch	2,26,26,259	-	2,26,26,259	(2,26,26,259)	
Math Programme.	15,29,427	-	15,29,427	(15,29,427)	
Medical Supervision	15,42,825	-	15,42,825	(15,42,825)	
Class Photo	1,14,046	-	1,14,046	(1,14,046)	
PSAT Exam	23,788	-	23,788	(23,788)	
Robotics	1,45,125	-	1,45,125	(1,45,125)	
Rugby Championship	77,671	-	77,671	(77,671)	
Singapore Trip	1,79,601	-	1,79,601	(179,601)	
Special Section	2,10,67,926	-	2,10,67,926	(2,10,67,926)	
Sports Camp	37,47,511	-	37,47,511	(37,47,511)	
Students Group Insurance	3,70,980	-	3,70,980	(3,70,980)	
Varanasi Trip	2,09,228	-	2,09,228	(2,09,228)	
Yamuna Yatra	21,42,238	-	21,42,238	(21,42,238)	
Total	**24,02,30,125**	**17,51,21,237**	**20,81,68,047**	**(3,30,46,810)**	

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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As per the Directorate's Order No. DE 15/Act/Duggal.com/203/ 99/23033/23980 dated 15 Dec 1999, the management is restrained from transferring any amount from the recognized unaided school fund to society or trust or any other institution. Though the school has reflected a payable balance of INR 4,51,75,588 towards Society, the school has to recover INR 18,95,745 from the Society. Thus, the school is directed to recover INR 18,95,745 from Society within 30 from the date of this order.

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.

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 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 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 make the equivalent investment towards the liability determined by the actuary 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

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implementation of recommendations of 7th CPC and to carry out its operations for the academic session 2017-2018 are sufficient. Accordingly, the fee increase proposal of the school may be rejected.

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

Accordingly, it is hereby conveyed that the proposal for enhancement of fee for session 2017-2018 of **Vasant Valley School (School ID-1720124), Sector-C, Vasant Kunj, New Delhi** 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. 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.

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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
Vasant Valley School
School ID 1720124
Sector-C, Vasant Kunj,
New Delhi-110070

No. F.DE.15(308)/PSB/2019/ 1590-1594 Dated: 05/04/19

Copy to:

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

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