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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(284)/PSB/2019 /1515-1519

Dated: 04/04/19

ORDER

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

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

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

"27....

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

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

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



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

AND WHEREAS in response to this directorate's circular dated 23 Oct 2017 referred to above, Deep Public School (School ID-1720146), Vasant Kunj, Delhi-110070 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 11 July 2018 at 5:00 PM to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted.

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

A. Financial Discrepancies

1. As per the Directorate's Order No. DE 15/Act/Duggal.com/203/ 99/23033/23980 dated 15 Dec 1999, the management is restrained from transferring any amount from the recognized unaided school fund to society or trust or any other institution. The Supreme Court also through its judgement on a review petition in 2009 restricted transfer of funds to the society. DOE's order no. F. DE-15/ACT-I/WPC-4109/PART/13/356-360 dated 27 December 2016 also reiterated the legal provision with the direction to the school to restrain from transferring funds to the society or any other institution.

The audited financial statements of the school for FY 2016-2017 reflected a receivable balance of INR 4,07,97,233 (INR 3,81,03,756 from Gyan Deep Public School plus INR 11,450 from Deep International College of Education (schools/institutes under the management of same society) plus INR 26,82,027 from Shri Kundan Lal Memorial Education Society). It was mentioned in the Directorate's order no. F. DE-15/ACT-I/WPC-4109/PART/13/356-360 dated 27 December 2016 that school had taken a loan and transferred the funds to the society and other institution. The entire interest on loan for FY 2013-2014 and 2014-2015 totalling to 1.17 crores was borne by the school. Further, from the financial statements for FY 2016-2017 submitted by the school, it was observed that interest of INR 16,21,130 has been expensed off during FY 2016-2017. This amount of interest along with the balance receivable and carried

over from previous year totalling to INR 5,41,18,363 (INR 16,21,130 plus 4,07,97,233 plus INR 11,700,000) 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 respective school and society within 30 days from the date of this order. Further, the school is directed to ensure compliance with the provisions of DSEA&R, 1973, orders and directions of the Hon'ble Court in this regard.

2. 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 Hon'ble 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 2014-2015 revealed that the school has incurred expenditure on construction of building out of school funds and has capitalised building totalling to INR 32,13,104 in the aforementioned financial year, which was not in accordance with the aforementioned provisions. Further, this capital expenditure was incurred on the building without complying the requirements prescribed in Rule 177 of DSER, 1973. Though the financial statements of the school reflect opening block of building, adjustment in the fund position of the school has been done to the extent of additions made in the past three financial years (based of financial statements obtained for evaluation of the fee increase proposal for FY 2017-2018).

Accordingly, this amount of INR 32,13,104 is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the Society within 30 days from the date of this order.

3. Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/ 883-1982 dated 10 Feb 2005 issued by this Directorate states *"Capital expenditure cannot constitute a component of the financial fee structure."*

It was noted from the financial statement for the FY 2016-2017 that the school had incurred an expenditure on purchase of cars (Honda City and Innova VX Diesel costing INR 11,98,361

and INR 21,17,835 respectively) totalling to INR 33,16,196. During the personal hearing, the school explained that the same was purchased to meet the needs of the school. Thus, it has been observed that the school is purchasing costly vehicles and submitting proposal for increase of fee from students that translates to constituting capital expenditure as component of the fee structure and hence non-compliance of the above direction. Further, the school had taken loan of INR 29,50,000 during FY 2016-2017 having closing balance as on 31 Mar 2017 of INR 27,15,907 on which interest of INR 161,466 was paid during FY 2016-2017.

Accordingly, this net cost incurred on purchase of vehicles during FY 2016-2017 of INR 7,61,755 (i.e. Purchase cost of INR 33,16,196 minus outstanding loan balance of INR 27,15,907 plus interest on loan of INR 161,466) is hereby added to the fund position of the school (enclosed in the later part of this order) and with the direction to the school to recover this amount from the Society within 30 days from the date of this order. Further, the school is directed to ensure compliance relating to directions issued by the Directorate regarding capital expenditure and not to incur such costs from school funds.

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." 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.

It was noted that the school has created provision for Gratuity and Leave encashment amounting to INR 16,32,124 and INR 5,25,920 respectively and reported the same in its financial statements for FY 2016-2017. Based on the information submitted by the school and taken on record, it was noted that while the school had obtained actuarial valuation of its liability towards gratuity as on 31 Mar 2017, it has not obtained the same for leave encashment, but has recorded the provision for leave encashment in its financial statements for FY 2016-2017 without actuarial valuation. Further, it was noted that the as per the actuarial valuation as on 31 March 2017, the liability towards gratuity was determined as INR 1,09,86,008 against which the school reported INR 16,32,124 as provision for gratuity in its financial statement for FY 2016-2017.

Further, the school has not invested any amount towards retirement benefits of the staff in the investments that qualify as 'Plan Assets' as per Accounting Standards 15.

The entire liability towards retirement benefits (gratuity) has been considered based on the actuarial valuation obtained by the school of INR 1,09,86,008 while deriving the fund position of the school (enclosed in the later part of this order). Since, the school has not obtained actuarial valuation of its liability towards leave encashment, no amount has been considered against the same.

Accordingly, the school is directed to obtain actuarial valuation for liability towards leave encashment and ensure that the liability towards gratuity and leave encashment is recorded on the basis of actuarial valuation in its financial statements from FY 2017-2018. As the amount of liability determined by the actuary has been considered, no further expenditure has been considered against the amount budgeted by the school in its Budgeted Estimate for FY 2017-2018.

Further, the school should invest the amount equivalent to the amount of liability towards gratuity determined by the actuary mentioned above and deposit the same in investments that qualify as 'Plan Assets' within 30 days from the date of this order.

B. Other Discrepancies

1. Clause 19 of Order No. F.DE./15(56)/Act/2009/778 dated 11 Feb 2009 states "*The tuition fee shall be so determined as to cover the standard cost of establishment including provisions for DA, bonus, etc., and all terminal, benefits as also the expenditure of revenue nature concerning the curricular activities.*"

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

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

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

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

Also, earmarked levies collected from students are a form of restricted funds, which, according to Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India, are required to be credited to a separate fund account when the amount is received and reflected separately in the Balance Sheet.

Further, the aforementioned Guidance Note lays down the concept of fund based accounting for restricted funds, whereby upon incurrence of expenditure, the same is charged to the

Income and Expenditure Account ('Restricted Funds' column) and a corresponding amount is transferred from the concerned restricted fund account to the credit of the Income and Expenditure Account ('Restricted Funds' column).

From the information provided by the school and taken on record, it has been noted that the school charges earmarked levies in the form of Transport Fees, Tour and excursion, ID Card, School Diary, Science fee and Computer fee from students. However, the school has not maintained separate fund accounts for these earmarked levies and the school has been generating surplus from earmarked levies, which has been utilised for meeting other expenses of the school, which was also mentioned in Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/356-360 dated 27 December 2016 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 (INR)
	A	B	C=A-B
Transportation Charges [^]	59,25,700	33,97,390	25,28,310
Tour and excursion	3,31,020	1,12,200	2,18,820
Computer Fee	2,98,500	2,24,400	74,100
Science fee	2,49,500	193,365	56,135
ID Card*	1,21,650	0*	1,21,650
School diary*	1,61,400	0*	1,61,400

[^] The school has not apportioned salary of drivers and helpers engaged in the transport facility and depreciation on vehicles used for transportation of students in the expenses stated in table above for creating fund for replacement of vehicles, which should have been done to ensure that the cost of vehicles is apportioned to the students using the transport facility during the life of the vehicles.

* Details of expenses incurred in respect of these earmarked levies were not provided by the school.

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 ID card and School Diary from the students of all classes. Thus, the fee charged from all students loses its character of earmarked levy, being a non-user based fees. Thus, based on the nature of the ID card and School Diary 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 the school is accounting for its receipts/income from tuition fee and earmarked levies in consolidated manner. Thus, the surplus generated from earmarked levies has been

applied towards meeting establishment cost on account of which fund balance of earmarked levies could not be separated from the total funds maintained by the school. Accordingly, total fees (including earmarked fee) have been included in the budgeted income and budgeted expenses (including those for earmarked purposes) have been considered 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 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. The Directorate of Education, in its Order No. DE.15/Act/Duggal.Com/ 203/99/23033-23980 dated 15 Dec 1999, indicated the heads of fee/ fund that recognised private unaided school can collect from the students/ parents, which include:

- Registration Fee
- Admission Fee
- Caution Money
- Tuition Fee
- Annual Charges
- Earmarked Levies
- Development Fee

Further, clause no. 9 of the aforementioned order states "*No fee, fund or any other charge by whatever name called, shall be levied or realised unless it is determined by the Managing Committee in accordance with the directions contained in this order*"

The aforementioned order was also upheld by the Hon'ble Supreme Court in the case of *Modern School vs Union of India & Others*.

The school has been collecting one time charges (under the aegis of Health/Hygiene/Safety, Life skills/festival/function and Assignment/Newsletter /technology education) from students at the time of admission, in the range of INR 18,040 to INR 31,460 depending on the class in which the student has been admitted. The school explained that this fee has been collected for meeting expenditure incurred towards various activities for the benefit of the students. Accordingly, as per school, this income is in the nature of earmarked levies and cannot be collected as one-time charges.

The explanation provided by the school is not in line with the provisions of DSEA&R, 1973 and directions of the Hon'ble court. Thus, the school should stop collecting one-time fee, by whatever name called from the students admitted to the school.

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3. During the personal hearing, the school confirmed that it was not preparing a Fixed Asset Register (FAR). The school should ensure that FAR capturing details such as Asset Description, Quantity, Supplier name, invoice number, purchase date, manufacturer's serial number, location, purchase cost, other costs incurred, depreciation, identification number, etc. is prepared to facilitate identification of asset and documenting complete details of assets at one place.

The school confirmed that it will prepare the FAR as per the recommendations of the Directorate in FY 2018-2019. Accordingly, the school is directed to prepare 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.

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

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

The school was directed through Directorate's order no. F. DE-15/ACT-I/WPC-4109/PART/13/356-360 dated 27 December 2016 to refund the excess caution money or to treat the unclaimed caution money as income.

During the personal hearing, the school mentioned that it has treated unclaimed caution money of INR 5,77,000 as income during FY 2016-2017 and will treat the remaining unclaimed caution money as income in FY 2018-2019. Accordingly, based on explanation of the school, caution money balance as on 31 Mar 2017 has been considered while deriving the fund position of the school (enclosed in the later part of this order).

Also, the school has not segregated the fund balance pertaining to caution money (i.e. no separate bank account or fixed deposits) and has not credited interest to the caution money ledger account for refund to students at the time of their leaving. Caution money was refunded to the students @ INR 500 i.e. without including any interest. School should comply with the directions issued by the Directorate in this regard.

Further, from the audited financial statements for FY 2016-2017, it was noted that the caution money collected from students admitted during FY 2016-2017 was credited as Income in the Income and Expenditure Account, which is incorrect as caution money received is a liability and not income. During the personal hearing, the school mentioned that rectification entry for

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the same would be posted. Based on the explanation given by the school, compliance of the same shall be examined at the time of evaluation of proposal for enhancement of fee for subsequent academic session.

5. 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, difference of INR 62,03,191 was noted in the tuition fee collection reported by the school during FY 2016-2017 in its audited Income & Expenditure Account of INR 3,52,43,683 and amount of fee arrived/computed as per details provided by the school of INR 2,90,40,492.

During personal hearing, the school explained that other heads of fee have also been merged with tuition fee while reporting in the audited Income and Expenditure Account for the FY 2016-2017. However, the school did not provide the break-up of the fee constituted under the head "tuition and other fee" reported in the audited Income and Expenditure Account for the FY 2016-2017 for reconciling the difference noted above.

Further, Part IV of Appendix III - 'Instructions for preparing Income and Expenditure Account' of Guidance Note 21 issued by the Institute of Chartered Accountants of India specifies that *"Any item under which income or expense exceeds 1 per cent of the total fee receipts of the School or INR 5,000, whichever is higher, should be shown as a separate and distinct item against an appropriate account head in the Income and Expenditure Account. These items, therefore, should not be shown under the head 'miscellaneous income' or 'miscellaneous expenses'."*

As per explanation given the school, it is noted that income under the head 'tuition and other fee' has not been segregated and the same includes other heads of income exceeding 1% of the total fee receipts. The school is directed to ensure that all subsequent financial statements are prepared in accordance with the requirements of Guidance Note No. 21 issued by ICAI.

6. Clause 14 of DoE's Order No. F.DE./15 (56) /Act /2009 / 778 dated 11 Feb 2009 states *"Development fee, not exceeding 15% 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."*

On review of the financial statements for FY 2016-2017, it was noted that no separate bank account has been opened for deposit of development fee/ fund. Accordingly, no interest has been credited to development fund. This is not in accordance with the direction included in above mentioned order. School is directed to keep the development fee collected from students in a separate account.

7. Rule 175 of DSER, 1973 states *"The accounts with regard to the School Fund or the Recognised Unaided School Fund, as the case may be, shall be so maintained as to exhibit, clearly the income accruing to the school by way of fees, fines, income from building rent, interest, development fees, collections for specific purposes, endowments, gifts, donations, contributions to Pupils' Fund and other miscellaneous receipts, and also, in the case of aided schools, the aid received from the Administrator"*.

Directorate order no. F. DE-15/ACT-IWPC-4109/PART/13/356-360 dated 27 December 2016 noted that the school has not recognised the receipt of INR 15,918, which is earned per month from leasing out a part of the premises of the school to Union Bank of India.

During the personal hearing, the school explained that since land was allotted to Shri Kundal Lal Memorial Educational Society and it was the requirement of Union Bank of India, which leased part of the building, to execute the agreement between the society and Union Bank of India. Accordingly, rental income was credited to the society's bank account. The school further mentioned that the bank has also vacated the premises. However, the school did not submit any documents in respect of the same. Compliance of the above will be examined at the time of evaluation of proposal for enhancement of fee for subsequent academic session.

Further, Concerned DDE (District) is directed to verify the premises of the school to validate the claim of the school that the bank has vacated the school premises and submit the report within 30 days from the date of this order.

8. Directorate's order No. F.DE-15/ACT-IWPC-4109/Part/13/7905-7913 dated 16 April 2016 states *"The Director hereby specify that the format of return and documents to be submitted by schools under rule 180 read with Appendix-II of the Delhi School Education Rules, 1973 shall be as per format specified by the Institute of Chartered Accountants of India, established under Chartered Accountants Act, 1949 (38 of 1949) in Guidance Note on Accounting by Schools (2005) or as amended from time to time by this Institute."*

Further, para 58(i) of the Guidance Note states *"A school should charge depreciation according to the written down value method at rates recommended in Appendix I to the Guidance Note."*

Directorate's order no. F.DE-15/ACT-IWPC-4109/PART/13/356-360 dated 27 Dec 2016 issued to the school post evaluation of the fee increase proposal for FY 2016-2017 noted that the school was not charging depreciation at the rates specified in the Guidance Note. From the financial statements of FY 2016-2017, it was noted that the school did not charge depreciation at the rates specified in Appendix I to the Guidance Note, which was a contravention of the directions issued by the Directorate. Thus, the school is directed to ensure compliance to the directions included in the afore cited order and use the rates of depreciation specified in Appendix I to the Guidance Note for depreciating fixed assets of the school.

9. Directorate's order no. F.DE-15/ACT-I/WPC-4109/PART/13/356-360 dated 27 Dec 2016 issued to the school post evaluation of the fee increase proposal for FY 2016-2017 noted that few instances of late payment of PF were noted. Further, on examination of the PF deposit challan submitted by the school for FY 2016-2017, it was noted that in 5 out of 12 months, PF dues were not cleared within the prescribed timelines. School is directed to ensure compliance by timely depositing PF and other statutory dues.
10. Directorate's order no. F.DE-15/ACT-I/WPC-4109/PART/13/356-360 dated 27 Dec 2016 issued to the school post evaluation of the fee increase proposal for FY 2016-2017 noted that school has maintained high cash balance. During personal hearing, the school explained that high cash balance was maintained for the day to day operations of the school and for any unforeseen contingencies that may arise and has tried to curtail down the cash balance in hand in the range of INR 15,00,000 in subsequent years. However, the revised cash balance of INR 15 lakhs as mentioned by the school also appear to be high. The school is directed to reduce its cash transactions and cash balance in hand.
11. School was directed through Directorate's order no. F.DE-15/ACT-I/WPC-4109/PART/13/356-360 dated 27 Dec 2016 to invite bids for contracts and to follow proper procurement process. During personal hearing, the school explained that it is now obtaining quotations from various vendors and the most feasible vendors is being chosen for the provision of services/ supply of goods. However, the school did not submit any supporting documents to validate the process followed by the school. Accordingly, compliance of the same will be examined at the time of evaluation of proposal for enhancement of fee for subsequent academic session.
12. Directorate's order no. F.DE-15/ACT-I/WPC-4109/PART/13/356-360 dated 27 Dec 2016 issued to the school post evaluation of the fee increase proposal for FY 2016-2017 that receipts were not issued for money paid by the students in case of trips and excursions. During personal hearing, the school explained that the amount charged was petty in nature and was in the range of INR 50 to INR 100 per student. Further, the school explained that this amount was charged for incurred expenses towards refreshments purchased for the students during the trips and excursions, which was directly incurred by the incharge of the students and balance amount was given back to the students; accordingly, no receipt were generated by the school.

Based on the explanation provided by the school, the amount charged from students on account of trip and excursions is in the nature of earmarked levies, which should be routed through income and expenditure account and receipt to be issued to students. Thus, compliance of the same will be examined at the time of evaluation of proposal for enhancement of fee for subsequent academic session.

13. Directorate's order no. F.DE-15/ACT-I/WPC-4109/PART/13/356-360 dated 27 Dec 2016 issued to the school post evaluation of the fee increase proposal for FY 2016-2017 that no receipts were given to the parents for the books and uniforms purchased by the students from the book shop and uniform shop in the school premises. During personal hearing, the school submitted that the uniform and book shops within the school premises are only for the convenience of the parents and are being operated by private owners/vendors towards which the school does not earn any revenue and the school cannot be held responsible if receipts not issued by the vendors. The school is directed to formalize the agreement with vendor with clear instruction to the vendor to issue receipt to the parents. Further, the school did not provide adequate explanation regarding not collecting any amount from the vendors using school premises, utilities, etc.

Further, Concerned DDE (District) is directed to verify the submission of the school of non-collection of any amount from the vendors operating in school premises and submit the report within 30 days from the date of this order.

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 9,42,00,851 out of which cash outflow in the year 2017-2018 is estimated to be INR 6,34,56,822. This results in net surplus of INR 3,07,44,029. 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)	3,72,675
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	21,85,458
Total Liquid Funds Available with the School as on 31 Mar 2017	25,58,133
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]	5,44,59,767
Add: Amount recoverable from Society and School/institutes under the management of Society [Refer Financial Finding No. 1]	5,41,18,363
Add: Recovery from society of additions to building reflected in financial statement [Refer Financial Finding No. 2]	32,13,104
Add: Recovery of amount spent on purchase of car [Refer Financial Finding No. 3]	7,61,755
Gross Estimated Available Funds for FY 2017-2018	11,51,11,123
Less: FDR with DOE (as per audited financial statements of FY 2016-2017)	3,94,055
Less: Caution Money balance as on 31 March 2017 (as per audited financial statements of FY 2016-2017) [Refer Other Finding No. 4]	6,39,500
Less: Staff Retirement Benefits - Gratuity [Refer Financial Finding No. 4]	1,09,86,008

Particulars	Amount (INR)
Less: Development fund as on 31 March 2018 (as per audited financial statements of FY 2016-2017)	88,90,709
Net Estimated Available Funds for FY 2017-2018	9,42,00,851
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 2]	5,36,81,000
Less: Arrears of salary as per 7th CPC from Jan 2016 to Mar 2018 (as per separate computation submitted by the school)	97,75,822
Estimated Surplus	3,07,44,029

Notes:

1. Fee and income (excluding non-recurring refund of property tax return and incorrect recognition of caution money as income) as per audited financial statements of FY 2016-2017 has been considered with the assumption that the amount of income during FY 2016-2017 will at least accrue during FY 2017-2018.
2. Per the Budgeted Receipt and Payment Account for FY 2017-2018 submitted by the school along with proposal for fee increase, the school had estimated the total expenditure during FY 2017-2018 of INR 6,74,81,000. The school did not submit any details regarding budgeted capital expenditure, hence, it has been assumed that school has no requirement towards capital expenditure to be incurred during FY 2017-2018 against development fund collected by it. Based on the explanations and details provided by the school during personal hearing, all the expense heads as budgeted were considered even though certain expenditures were increased substantially by the school as compared to FY 2016-2017 except for the following:

Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Depreciation	87,40,702	22,00,000	-	22,00,000	Being a non-cash expense, it would not result in cash outflow. Thus, it has not been considered.
Interest on loan	16,21,130	16,00,000	-	16,00,000	Refer Financial Finding no. 1
Gratuity	8,78,374	1,00,00,000	-	1,00,00,000	Refer Financial Finding No. 4
Total	1,12,40,206	1,38,00,000	-	1,38,00,000	

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

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

operation of the school for the academic session 2017-2018 on the basis of existing fees structure and after considering existing funds/reserves.

Whereas per Order No. DE 15/Act/Duggal.com/203/ 99/23033/23980 dated 15 Dec 1999 the management of the School is restrained from transferring any amount from the recognized unaided school fund to society or trust or any other institution. Hon'ble Supreme Court also through its judgement on a review petition in 2009 restricted transfer of funds to the society. However, the school has transferred funds to the society and other school/institute with the balance recoverable from the society and other school/institute, which is a non-compliance of the aforementioned order and Hon'ble Supreme Court judgement. Accordingly, the school is directed to recover the amount from Society and school/institute under the management of the society and utilize the same for expenditure of the school.

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.

And whereas per point no. 22 of Order No. F.DE./15 (56)/Act/2009/778 dated 11 Feb 2009, user charges should be collected at 'no profit and no loss' basis and should be used only for the purpose for which these are collected. Accordingly, the school is directed to maintain separate fund in respect of each earmarked levy charged from the students in accordance with the DSEA & R, 1973 and orders, circulars, etc. issued thereunder. Surpluses/deficit under each earmarked levy collected from the students should be adjusted for determining the earmarked levy to be charged in the academic session 2018-2019.

And whereas Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "Accounting for defined benefit plans is complex because actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses." Further, the Accounting Standard defines Plan Assets (the form of investments to be made against liability towards retirement benefits) as:

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

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

And whereas, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that along with certain financial irregularities that exist (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings which were 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 **Deep Public School (School ID-1720146), Vasant Kunj, Delhi-110070** 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:

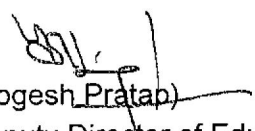
1. Not to increase any fee/charges during FY 2017-2018. In case, the school has already charged increased fee during FY 2017-2018, the school should make necessary adjustments from future fee/refund the amount of excess fee collected, if any, as per the convenience of the parents.
2. To communicate with 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.

Non-compliance of this order or any direction herein shall be viewed seriously and will be dealt with in accordance with the provisions 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

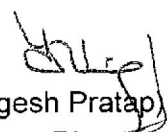
To:
The Manager/ HoS
Deep Public School
School ID 1720146
Vasant Kunj, Delhi-110070

No. F.DE.15(284)/PSB/2019 / 1515 - 1519

Dated: 04/04/19

Copy to:

1. P.S. to Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. P.A. to Spl. Director of Education (Private School Branch), Directorate of Education, GNCT of Delhi.
4. DDE concerned with the directions to verify school premises leased to Bank and income collected from book and uniform shop in the school premises and submit report within 30 days.
5. Guard file.


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