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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(626)/PSB/2018/ 30552 - 30556 Dated: 14.12.2018

ORDER

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

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

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

"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 **Gyan Mandir Public School (School ID-1720150), E-Block Naraina Vihar, New Delhi -110028** 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 January 2016.

AND WHEREAS, in order to ensure that the proposals submitted by the schools for fee increase in academic session 2017-2018 are justified or not, this Directorate has deployed teams of Chartered Accountants at HQ level who has evaluated the fee increase proposals of the school very carefully in accordance with the provisions of the DSEA, 1973, the DSER, 1973 and other orders/ circulars issued from time to time by this Directorate for fee regulation.

AND WHEREAS, necessary records and explanations were also called from the school through email. Further, school was also provided an opportunity of being heard on 20 July 2018 at 03.30 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. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/71 dated 23 Dec 2016 issued to the school post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 highlighted a discrepancy relating to consultancy charges paid to M/s Cosmopolitan Enterprises, which prima facia appeared as part of the society (Khosla Education Foundation) and resulted in diversion of funds. The total amount paid by the school during FY 2013-2014 to FY 2015-2016 was INR 30,12,791.

   Further, the financial statement of school for FY 2016-2017 reflected that that school has paid consultancy charges of INR 9,60,000 to M/s Cosmopolitan Enterprises against which no supporting documents such as contract, invoice, evidence of delivery, etc. were provided by the school. Accordingly, the nature of service provided and its relevance to the school could not be validated. During personal hearing, school explained that the consultancy charges were paid to M/s Cosmopolitan Enterprises for providing education consultancy services to the society on managing the schools effectively, however, the contract with this agency has concluded on 31 Mar 2017.

   Based on the explanation provided by the school, the consultancy payments relates to the cost allocable to society and should have been borne by it instead of the school. Accordingly, the total amount of consultancy payments of INR 39,72,791 has been adjusted while deriving the fund position of the school for FY 2017-2018 (enclosed in the later part of this order) with the direction to the school to recover this amount paid on behalf of the society from the society within 30 days from the date of this order.

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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 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 audited financial statements of the school for FY 2016-2017 reflected cost of land carried over from previous years. During personal hearing, school explained that a land in Nooh District of Haryana was purchased for INR 24,00,000 during FY 2011-2012. From review of documents in relation to the land, it was noted that the land is registered in the name of the Society (Khosla Education Foundation). Thus, this resulted in diversion of school fund for creating properties of the society. Further, this capital expenditure was incurred on the building without complying the requirements prescribed in Rule 177 of DSER, 1973. Accordingly, the cost of land of INR 24,00,000 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 the Society.

3. 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 review of documents submitted by the school and placed on record, it was noted that the Principal of the School was being paid 'Conveyance Charges' (@ INR 21,000 per month during Apr to Jun 2016 and @ INR 24,000 per month during July 2016 to March 2017 totalling to INR 2,79,000 during FY 2016-2017) over and above the travelling allowance paid along with salary. The school failed to provide any supporting documents in relation to the same. During personal hearing, it was explained the Conveyance Charges were paid as fixed amounts every month to the principal for incurring expenditure in relation to conveyance expense incurred by her for attending external meetings, but without obtaining any supporting documents. Further, it was noted that the audited financial statements of the school for FY 2016-2017 reflected 'Cars' totalling to INR 54 lakhs approx. along with expenses incurred on running and maintenance of cars during FY 2016-2017. No log books are prepared by the school with details of usage of cars and persons using the same.

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Accordingly, based on the explanation provided by the school and facts noted regarding cars, the amount of 'Conveyance Charges' paid to the principal takes the form of monthly allowance, which being paid over and above the entitlement of travelling allowance to the Principal has been disallowed. Thus, the amount of INR 2,79,000 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 the Principal within 30 days from the date of this order. The school is further directed not to pay any conveyance charges to the Principal subsequently.

4. 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 an amount of INR 22,000 per month during Apr to Jun 2016 and INR 26,000 per month during July 2016 to March 2017 to the Manager and termed the same as 'Conveyance Charges'. Thus, the school paid an amount of INR 3,00,000 during FY 2016-2017. During personal hearing, the school explained that it has paid lump sum amount every month to the Manager for arranging transport for meeting with external parties, but without obtaining any supporting documents.

   Accordingly, based on the explanation provided by the school, the amount of 'Conveyance Charges' paid to the Manager takes the form of monthly allowance, which is not allowed as per the provisions of DSEA,1973 and DSER, 1973. Accordingly, the amount of INR 3,00,000 paid to the Manager during 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 Manager within 30 days from the date of this order. The school is further directed not to pay any amount to the Manager subsequently.

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 Computer fee, Science fees, CCE & Multimedia charges, etc. from students. However, the school has not maintained separate fund accounts for these earmarked levies and the school has been generating surplus from earmarked levies, which has been utilised for meeting other expenses of the school, which was also mentioned in DOE's order No. F. DE-15/ACT-I/WPC-4109/PART/13/71 dated 23 Dec 2016. 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)
Computer Fees (including CCE & Multimedia Fee)*	19,47,345	10,31,675	9,15,670
Science Fees	10,47,524	628,917	4,18,607

* The school does not maintain separate details regarding CCE & Multimedia Fee and has clubbed the same with Computer Fee.

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 CCE & Multimedia fees 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 CCE & Multimedia fees and details provided by the school in relation to expenses incurred against the same, the school should not charge such fee as earmarked fee and should incur the expenses relating to these from annual charges collected from the students. The school explained that tuition fee collected from students is not sufficient to meet the establishment cost and annual charges are also not sufficient to meet other revenue expenses of the school. Thus, the surplus generated from earmarked levies has been applied towards meeting establishment cost/revenue

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expenditure on account of which fund balance of earmarked levies could not separate from the total funds maintained by the school. Accordingly, total fees (including earmarked fee) have been included in the budgeted income and budgeted expenses (included those for earmarked purposes) while deriving the fund position of the school (enclosed in the later part of this order).

The school is 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 is directed to evaluate costs against each earmarked levy and propose the fee structure for earmarked levies during subsequent proposal for enhancement of fee ensuring that the proposed levies have been 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.

It was noted that the school is collecting a one-time fee at the time of admission from students under the aegis of "Activity Fee" amounting to INR 15,150. Further, the school also collects the same from the students promoted to Class 11. While the amount collected from students during the financial year is reflected as income of the same financial year in its audited financial statements; however, the school explained that this amount is collected at the time of admission to take care of all co-curricular activities till the time student completes class 10 and it's collected again at the time of admission in class 11. Based on the audited financial statements of FY 2016-2017, details of collection and utilization of activity fees is included hereunder:

Particulars	Nature	Amount (INR)
Activity Fees	Income	28,50,800
Student Activity Exp.	Expense	21,63,034
Net Surplus reflected by school		**6,87,766**

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One-time collection of Activity Fee on lump sum basis from students and incurring the expenditure on existing students from the amount collected from fresh admissions is not in accordance with the provisions of DSER, 1973 and orders issued by the Directorate. Based on the explanation provided by the school, the purposes for which the school has utilised the same is covered under 'Annual Charges' collected by the school from students, the school is directed not to collect Activity Charges from students with immediate effect. For the purpose of evaluation of the fee hike proposal for FY 2017-2018, the above-mentioned fee has been included in budgeted income while deriving the fund position of the school (enclosed in the later part of this order).

3. 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.*" Directorate, through its Order no. F. DE-15/ACT-I/WPC-4109/PART/13/71 dated 23 Dec 2016 issued to the school post evaluation of the proposal for fee enhancement for FY 2016-2017, identified that the school was recording liability towards gratuity without any actuarial valuation. From the audited financial statements of FY 2016-2017, it was noticed that the school has continued its practice of recording liability towards gratuity on arbitrary basis without obtaining actuarial measurement of its gratuity liabilities. Further, the school has not created any liability towards leave encashment. During personal hearing, the school mentioned that it has not identified any actuary as of now and would get it done in FY 2018-2019.

   Further, according to para 7.14 of the Accounting Standard 15 – 'Employee Benefits' issued by the Institute of Chartered Accountants of India, "*Plan assets comprise:*

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

   The audited financial statements of FY 2016-2017 reflected investment in an Employee Group Gratuity Scheme, however, the school did not provide any documentation regarding the same. Accordingly, whether the investment reflected in the audited financial statement for FY 2016-2017 qualify as 'Plan Assets' within the meaning of Accounting Standard 15 (AS-15) could not be ascertained. Compliance regarding the same will be verified at the time of evaluation of subsequent fee hike proposal.

   The school is directed to ensure that the provision for retirement benefits is based on actuarial valuation and corresponding investments are made in instruments that qualify as 'Plan Assets' within the meaning of Accounting Standard 15 (AS-15).

   Based on above, in absence of actuarial valuation and inadequate details regarding amount deposited in qualifying 'plan assets' only the amount reflected as deposited in the financial statements of FY 2016-2017 in Group Gratuity Scheme of INR 24,82,358 has been considered while deriving the fund position of the school for FY 2017-2018 (enclosed in the later part of the order) and no additional amount has been considered for FY 2017-2018.

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4. As per 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, up gradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt 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 was directed to treat development fees as capital receipt in the directorate's order no. F. DE-15/ACT-I/WPC-4109/PART/13/71 dated 23 Dec 2016 issued post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 submitted by the school.

   On review of the financial statements of school for FY 2016-2017, it was noted that the school was not treating development fees as capital receipt instead treated it as revenue receipts for meeting revenue expenses of the school. Further, the school has not opened a separate bank nor has it earmarked any fixed deposits against development fund to ensure availability of funds at the time of incurring capital expenditure on furniture, fixture and equipment.

   The school is directed to follow DOE instruction in this regard and ensure that development fee is treated as capital receipt by creating development fund and transferring depreciation charged in revenue account to depreciation reserve. Development fund so created should be utilised only towards purchase of furniture, fixture and equipment. The school is directed not to charge development fee from students till the time school complies with above directions.

5. 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 is not refunding interest along with caution money to students. Also, the school had not treated un-claimed caution money as income after the expiry of 30 days from the date the students were informed to collect their caution money from school.

   During the personal hearing, the school mentioned that it has decided to refund/ adjust the caution money collected from students in past during FY 2018-2019 and not to charge the same in future. Thus, based on the explanation provided by the school, the school should refund total caution money within FY 2018-2019 and should not collect it subsequently. The amount to be refunded to students after adjusting the income to be recorded by the school towards unclaimed caution money, as declared by the school, has been considered while deriving the fund position of the school (enclosed in the later part of this order).

6. According to Rule 172 – 'Trust or society not to collect fees, etc. schools to grant receipts for fees, etc., collected by it' of DSER, 1973 "*(1) No fee, contribution or other charge shall be collected from any student by the trust or society running any recognised school; whether aided or not.*

   (2) Every fee, contribution or other charge collected from any student by a recognised school, whether aided or not, shall be collected in its own name and a proper receipt shall be granted by the school for every collection made by it."

   Further, according to Rule 175 of DSER, 1973 "*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*".

   Also, details of documents to be enclosed along with the proposal for fee hike mentioned in Directorate's Order No. F.DE-15/PSB(PMU)/Fee Hike/2017-18/14073-82 dated 7 Apr 2017 included final accounts of the school.

   Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/71 dated 23 Dec 2016 issued to the school post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 included an observation relating to fees from pre-school classes (Nursery and KG) being collected by the Society (Khosla Education Foundation).

   Further, the fee collection register for FY 2016-2017 and sample of fee receipts issued to students submitted by the school and taken on record also reflected that the fee from pre-school (Nursery & KG classes) during FY 2016-2017 were collected by Khosla Education Foundation and receipts were issued in its name, which is a non-compliance of Rule 172. However, fee collected from students of classes 1 to 12 were reflected in the fee collection register of Gyan Mandir Public School and receipts were also issued in the name of the school.

   Further, during personal hearing, the school explained that it is not preparing separate financial statements for the society and the school, as this is the only school which is managed by the society. Also, some of the bank accounts in the name of the society are also included in the consolidated financial statements of the school. In absence of separate financial statements of the school, transactions between the society and the school could not be ascertained.

   The school is directed to ensure compliance with the above provisions of DSEA & R, 1973, prepare separate set of accounts for the school and collect fee from all school in its own name.

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7. Observation relating to no procurement process followed by the school was noted in order no. F. DE-15/ACT-I/WPC-4109/PART/13/71 dated 23 Dec 2016 issued to the school post evaluation of the proposal for enhancement of fee for the academic year 2016-2017. It was noted that the school has not taken any measure to define its procurement process and has continued to award contracts on discretionary basis to the particular contractors without inviting quotations/bids from other parties.

   During personal hearing, school explained that it is following the procurement process laid down by Khosla Education Foundation, however, no such policy/procedure was submitted by the school. Also, no documents regarding the procurement process carried out for awarding the contracts during FY 2016-2017 was submitted by the school.

   The school is directed to implement proper internal control system in relation to procurement of goods and services so as to ensure that contracts are awarded on Arms' length and competitive prices only.

8. According to sub rule (4) of Rule 173 – 'School fund how to be maintained' of DSER, 1973 "*Every Recognised Unaided School Fund shall be kept deposited in a nationalised bank or a scheduled bank or in a post office in the name of the school, and such part of the said Fund as may be specified by the Administrator or any officer authorised by him in this behalf shall be kept in the form of Government securities and as cash in hand respectively.*"

   On review of audited financial statements of the school for FY 2016-2017, it was noticed that the school had invested INR 23,07,367 in mutual funds, which is in contravention of the above rule as schools are not permitted to invest Recognised Unaided School Fund in mutual funds. Further, same value of mutual fund was reported in the financial statements of the school as at 31 March 2016 and 31 March 2017, which did not appear accurate. No details were provided by the school regarding mutual funds.

   The school explained that for getting good returns and for providing great infrastructure to students, the amount has invested the surplus funds in Mutual funds.

   The school is directed to follow the provisions laid down under DSER, 1973 and not to invest school funds in volatile investments, which are subject to market risks.

After detailed examination of all the material on record and considering the clarification submitted by the school it was finally evaluated/ concluded that:

i. The total funds available for the year 2017-18 amounting to INR 9,21,75,473 out of which cash outflow in the year 2017-18 is estimated to be INR 4,82,94,530. This results in net surplus of INR 4,38,80,943. 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)	87,14,789

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Particulars	Amount (INR)
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	3,46,73,861
Total Liquid Funds Available with the School as on 31 Mar 2017	**4,33,88,649**
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]	4,64,07,670
Add: Recovery of Consultancy Charges paid by the school on behalf of the society from FY 2013-2014 to FY 2016-2017 [Refer Financial Observation No. 1]	39,72,791
Add: Recovery of cost of land purchased in the name of Society [Refer Financial Observation No. 2]	24,00,000
Add: Recovery of additional allowance against conveyance paid to the Principal during FY 2016-2017 [Refer Financial finding No. 3]	2,79,000
Add: Recovery of amount paid to the Manager during FY 2016-2017 [Refer Financial finding No. 4]	3,00,000
Gross Estimated Available Funds for FY 2017-2018	**9,67,48,110**
Less: Investment against CBSE deposit as on 31 Mar 2017 (as per audited financial statements of FY 2016-2017)	5,26,334
Less: Retirement benefit (Invested in Group Gratuity Scheme) balance as on 31 Mar 2017 (as per audited financial statements of FY 2016-2017)	24,82,358
Less: Increased fees collected in FY 2016-2017 to be refunded to students during FY 2017-2018 [Refer Note 2]	9,63,945
Less: Caution Money (Net of transfer to income in FY 2017-2018) [Refer Note 3]	6,00,000
Net Estimated Available Funds for FY 2017-2018	**9,21,75,473**
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 4]	4,49,02,403
Less: Arrears of salary from January 2016 to March 2017 on account of implementation of 7th CPC with effect from 1 Jan 2016	33,92,127
Estimated Surplus as on 31 Mar 2018	**4,38,80,943**

Notes:

1. Fee and 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 with an adjustment of INR 9,63,945 excess fees collected by the school during FY 2016-2017, which has been adjusted during FY 2017-2018 based on the details of adjustment provided by the school and thus would not accrue as income during FY 2017-2018.

2. Based on Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/71 dated 23 Dec 2016, the increased fee collected from the students in FY 2016-2017 by the school has been adjusted/refunded to the tune of INR 9,63,945 (based on computation provided by the school) during FY 2017-2018. Thus, this amount has been considered for deriving the net estimated available funds with the school for FY 2017-2018.

3. Unclaimed caution money of INR 1,71,607, 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 7,71,607 (as per audited financial statements of FY 2016-2017) and the net balance

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of INR 6,00,000 refundable to students has been considered for deriving the net estimated available funds with the school for FY 2017-2018. Also, refer other finding no. 5.

4. 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 as INR 5,04,94,530 (Including arrears of 7th CPC), which in some instances was found to be unreasonable/ excessive. Based on the explanations and details provided by the school during personal hearing, most of the expense heads as budgeted were considered even though certain expenditures were increased substantially by the school as compared to FY 2016-2017. However, during review of budgeted expenses, discrepancies were noted in some of the expense heads, which were adjusted from the budgeted expenses. The same were discussed during personal hearing with the school. Therefore, the following expenses have been adjusted while considering the budgeted expenses for FY 2017-2018:

Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Depreciation	16,49,440	10,00,000	-	10,00,000	Depreciation being non-cash expenditure has been disallowed.
Employees welfare including retirement benefit	35,00,000	12,00,000	-	12,00,000	Refer Other Observation no. 3
Total	**51,49,440**	**22,00,000**	-	**22,00,000**	

In view of the above examination it is evident that the school does have sufficient funds for meeting 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 even after considering existing funds/reserves.

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. However, the school paid Consultancy charges to Cosmopolitan Enterprises on behalf of the Society during FY 2013-2014 to FY 2016-2017 totalling to INR 39,72,791. Thus, the school is directed to recover this amount from the Society.

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 purchase of land and 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 land purchased in Haryana in the name of

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the society should not have been 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. The school has continued to charge earmarked fee higher than the expenses incurred against science and computer fees (including CCE & Multimedia fee). The school has utilised the surplus earned for meeting the establishment and other revenue expenses of the school. Accordingly, the school is advised to maintain separate fund in respect of each earmarked levy charged from the students in accordance with the DSEA & R, 1973 and orders, circulars, etc. issued thereunder. Surpluses/deficit under each earmarked levy collected from the students should be adjusted for determining the earmarked levy to be charged in the academic session 2018-2019.

And 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 treating development fee as capital receipt and utilisation of development fund only towards purchase of furniture, fixtures and equipment.

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

(a) assets held by a long-term employee benefit fund; and

(b) qualifying insurance policies.

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

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

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for 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 of enhancement of fee for session 2017-2018 of **Gyan Mandir Public School (School ID-1720150), E-Block Naraina Vihar, New Delhi -110028** has been rejected by the Director of Education. Further, the management of said school is hereby directed under section 24(3) of DSEAR 1973 to comply with the following directions:

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

Non-compliance of this order or any direction herein shall be viewed seriously and will be dealt with in accordance with the provisions of section 24(4) of Delhi School Education Act 1973 and Delhi School Education Rules 1973.

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

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

To:
The Manager/ HoS
Gyan Mandir Public School
School ID-1720150
E-Block Naraina Vihar
New Delhi -110028

No.F.DE.15(626)/PSB/2018/ 30552-30556 Dated: 14.12.2018

Copy to:

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

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