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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(142)/PSB/2019/1857-1861 Dated: 22/2/2019

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, **Lalit Mahajan SVM Sr. Sec School (School ID-1720172), Vasant Vihar, Delhi-110057** 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 6 June 2018 at 12:00 PM to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted.

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. 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, according to para 7.14 of Accounting Standard 15, "*Plan assets comprise:*

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

   Also, the school was directed by DoE through its Order no. F. DE-15/ACT-I/WPC-4109/PART/13/825 dated 18 July 2017 to obtain an actuarial valuation of its gratuity and leave encashment liabilities and record provision for the same in its financial statements. Further, the school was directed to make earmarked equivalent investments against provision for retirement benefits with LIC (or any other agency) within 90 days of the receipt of order, so as to protect the statutory liabilities.

In its submission, the school mentioned that the cost of getting actuarial valuation is high and therefore it is not been done. Further, the school mentioned that there are 26 schools under the society and the jobs of the employees are transferable. Thus, the society is maintaining group gratuity scheme with LIC in its name covering all employees of 26 schools.

The school submitted copies of some of payment receipts of amounts deposited towards the group gratuity scheme in the name of the society along with the three letters relating to three policies of group gratuity scheme (all having annual renewal date of 1st Sep) as under:

Policy No.	No. of members	Fund Value as on 1 Sep 2017 (A)	Contribution Payable as on 1 Sep 2017 (B)	Total Liability determined by LIC as on 1 Sep 2017 (A+B)
312942	335	4,33,27,509	10,50,64,114	14,83,91,623
103003801	103	48,91,962	44,61,692	93,53,654
103003802	127	55,21,383	36,18,208	91,39,591
Total	**565**	**5,37,40,854**	**11,31,14,014**	**16,68,54,868**

Accordingly, based on above submissions by the school, the total liability towards staff gratuity of all 26 schools under the management of the Society determined by LIC on actuarial assumptions is INR 16,68,54,868 against which the society has deposited funds valuing INR 11,31,14,014 as on 1 Sep 2017. However, separate actuarial valuation of the liability of the school towards staff retirement benefits has not been obtained. Further, the school did not provide any evidence/details that the staff of the school is actually covered under the three group gratuity scheme policies in the society tabulated above. Though the school has created a provision for leave encashment in its books of account for INR 8,65,980, the same is not based on actuarial valuation and no investment has been made against the same in 'plan assets' in accordance with AS-15.

Also, from the audited financial statements of the school for FY 2016-2017, it was noted that the school has made payment of INR 84,19,700 towards its liability for gratuity of staff during FY 2016-2017. Though the school did not provide details of persons/entities to whom this payment was made, it appears that the school has been transferring funds to the society (which is not routed through the ledger account of the Society maintained in the books of account of the school).

The school should prepare a reconciliation statement of funds transferred by it to the society towards gratuity, interest earned thereon and payments, if any made to the staff of the school to derive the balance of funds available with the Society. The school is directed to get the valuation of its liability towards staff retirement benefits (for both gratuity and leave encashment) from an actuary at the earliest and ensure that the liability and corresponding investments are disclosed appropriately in its financial statements for FY 2018-2019. The school should segregate its funds towards gratuity available with the Society and invest the amount of funds available with Society towards retirement benefits of the staff of the school in the investments that qualify as 'Plan Assets' within 30 days from the date of this order.

In absence of actuarial valuation for the school and details of funds transferred to the Society and balance thereof, the provision towards retirement benefits reflected in the financial statements of the school and expenditure towards gratuity and leave encashment budgeted by the school during FY 2017-2018 have not been considered while deriving the fund position of the school (enclosed in the later part of this order).

2. Directorate's order no. F.DE-15/WPC-4109/Part/13/7914-7923 dated 16 Apr 2016 regarding fee increase proposals for FY 2016-2017 states "*In case, the schools have already charged any increased fee prior to issue of this order, the same shall be liable to be adjusted by the schools in terms of the sanction of the Director of Education on the proposal.*" Further, Directorate, through its Order no. F. DE-15/ACT-I/WPC-4109/PART/13/825 dated 18 July 2017, noted that the school has been charging increased fees during FY 2016-2017 and the school was directed to refund or adjust the excess fees collected from students.

   From the audited financial statements of the school for FY 2016-2017, it was noted that the fees collected during FY 2016-2017 has increased substantially as compared to fees collected in FY 2015-2016 as detailed below:

Fees Heads	**Amount (FY 2015-2016)**	**Amount (FY 2016-2017)**	**Increase in Fees (%)**
Tuition & other fees	1,50,44,854	1,91,43,018	27%
Annual Charges	31,03,854	36,86,450	19%
Computer fee	12,74,025	15,06,800	18%
IT & Assignment fees	12,76,080	14,71,491	15%
Medical Fee	1,29,700	1,51,800	17%

   Though the fee structure for FY 2016-2017 submitted by the school along with its submission matched with the fee structure for FY 2015-2016; however, the details fee for FY 2016-2017 mentioned by the school in its proposal for enhancement of fee for FY 2017-2018 reflected more fee than the fee structure for FY 2015-2016. Further, the school did not submit details of increased fee collected during FY 2016-2017 and details of adjustment/refund to students of increased collected by it.

   In absence of details of increased fee collected, fee adjusted/refunded and remaining amount of increase fee, if any, the income reported by the school as per its audited financial statements for FY 2016-2017 has been considered while deriving the fund position of the school for FY 2017-2018 (enclosed in the later part of the order).

   The school is hereby directed to prepare detailed reconciliation of fee collected during FY 2016-2017 and submit evidence of adjustment/refund of increased fee within 30 days from the date of this order. Furthe, the school is directed not to increase any fee of any class without prior approval of the Directorate.

3. 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."* However, it was noted that the school has utilized development fees collected from students towards revenue expense on computer education of INR 10,81,184 and remuneration to auditors of INR 5,900 during FY 2016-2017 and reflected the same as utilisation of development fund in the audited financial statements for FY 2016-2017, which was not in accordance with the direction included in above order. Further, the school transferred an amount totalling to INR 52,16,302 from development fund and reflected the same in its financial statements prepared for School Funds. Thus, the school has utilised this amount for revenue/capital expenses reported in its financial statements of School Funds, which is also not in accordance with the direction included in above order.

   The school is directed to follow DOE instruction in this regard and ensure that development fund is utilised only towards purchase, upgradation and replacement of furniture, fixture and equipment. Since the school has utilised development fund for payment of expenses other than purchase of furniture, fixture and equipment, and the Balance Sheet prepared separately for development fund for FY 2016-2017 reflected no balance with bank/investments, no adjustment has been made for development fund while deriving the fund position of the school (enclosed in the later part 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, Computer fee, medical fee, etc. from students. However, the school has not maintained separate fund accounts for these earmarked levies and has been generating surplus from all the earmarked levies, which has been utilised for meeting other expenses of the school. Details of calculation of surplus derived based on income and expenses reported in the audited financial statements of the school for FY 2016-2017 is given below:

Earmarked Fee	**Income (INR)**	**Expenses (INR)**	**Surplus (INR)**
	A	**B**	**C=A-B**
Transport fee^	36,17,511	26,80,509	9,37,002
Computer fee#	15,06,800	3,60,267	11,46,533
Medical fee	1,51,800	0*	1,51,800
IT & Assignment fee/ Technological fee	14,71,491	0*	14,71,491
Magazine fee	1,47,563	0*	1,47,563

^ The school did not apportion 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.

Though this fee is collected from students as part of the fee structure submitted by the school, it was not reflected in the proposal for fee enhancement of FY 2017-2018.

* Details of expenses incurred against earmarked levies collected from students was 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 Computer fee, IT and Assignment fee/Technological fee, Medical fee and Magazine 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 Computer fee, IT and Assignment fee/Technological fee, Medical fee and Magazine fee, the school should not charge such fee as earmarked fee 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 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 expenditure 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 (included 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 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. Also, the school should report all earmarked levies collected from students in its fee increase proposal submitted to the Directorate.

2. Directorate, vide order no. DE-15/ ACT-I/WPC-4109/PART/13/825 dated 18 July 2017 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017, noted that the school had capitalised building amounting to INR 4.10 crores by crediting society's ledger in its books of account. Thus, the school included a fixed asset and created a corresponding liability in the name of the Society (Samarth Siksha Samiti (Regd.)) during FY 2014-2015. Directorate, through the aforementioned order, directed to school that the responsibility of construction of building lies with the society only and cannot be transferred to the school. Accordingly, transferring building to school by crediting society account is unacceptable. Further, the school was also directed that it should not charge depreciation on the building.

From the audited financial statements for FY 2016-2017, it was noted that though the school did not charge depreciation on building during the year, the school has not removed building and corresponding liability towards society from its books of account.

During the personal hearing, it was mentioned by the school management that necessary rectification entry would be posted in the books of account during FY 2017-2018. Accordingly, the compliance to the direction would be validated at the time of evaluation of subsequent fee increase proposal. The above being a presentation issue in the financial statements, no adjustment is warranted in the fund position of the school.

3. 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's fee structure include pupil fund, which is collected from all students and based on the separate financial statements prepared by the school for pupil fund, it was noticed that pupil fund had been utilised by the school on co-curricular expenses, activities, function, prizes, etc. Details of collection and utilization of pupil fund provided by the school for FY 2016-2017 is included hereunder:

Particulars	**Nature**	**Amount (INR)**
Income		
Pupil fund receipts	Income	13,15,700
Interest on Fixed Deposit	Income	94,572
Interest on savings account	Income	23,031
Miscellaneous Income	Income	63,755
Expenses		
Science Expenses	Expense	66,840
Games & sports expenses	Expense	75,901
Activities expenses	Expense	1,84,146
Function expenses	Expense	2,30,581
Prize distribution & rewards	Expense	1,23,426
Administrative & general expenses	Expense	1,44,758

Particulars	Nature	Amount (INR)
Depreciation	Expense	22,044
Bank Charges	Expense	604
Miscellaneous Expenses	Expense	93,936
Net surplus reflected by school		**5,54,822**

Based on the fact that the fee head of 'Pupil Fund' has not been defined for recognised private unaided school and 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 pupil fund 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).

4. 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 had maintained separate set of financial statements for development fund and did not account for deferred income as required per the accounting treatment indicated in the guidance note cited above.

   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 is directed to maintain consolidated financial statements recording all transactions of the school including development and other funds and comply with the accounting and reporting requirements indicated in the guidance note.

5. The school has not prepared Fixed Assets Register (FAR) for keeping track of fixed assets purchased by it. The school should prepare a FAR, which should include details such as asset description, purchase date, supplier name, invoice number, manufacturer's serial number, location, purchase cost, other costs incurred, depreciation, asset identification number, etc. to facilitate identification of asset and documenting complete details of assets at one place.

   The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

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6. 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.*"

   Further Clause 4 Order no .DE/15(150)/Act/2010/4854-69 dated 9 Sep 2010 states "*After the expiry of thirty days, the un-refunded caution money belonging to the ex-students shall be reflected as income for the next financial year & it shall not be shown as liability. Further the income shall also be taken into account while projecting fee structure for ensuing academic year*"

   It was pointed out in Directorate's Order No. F.DE-15/ACT-I/WPC-4109/PART/13/825 dated 18 July 2017 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017 that the school is not refunding interest earned on caution money along with the refund of caution money. Also, the school has not recognised unclaimed caution money as income.

   On review of the submissions made by the school for FY 2016-2017, it was noted that the school has not complied with the directions included in orders above and has not refunded interest along with caution money to students. Further, the school has not recognised unclaimed caution money as income after expiry of 30 days from the date of sending communication to the ex-students to collect their caution money. Also, the school had not maintained separate bank account for deposit of caution money collected from students.

   Though the school has not complied with above directions, the amount to be refunded to students on account of caution money, as per the audited financial statements for FY 2016-2017 has been considered while deriving the fund position of the school (enclosed in the later part of this order) with the direction to the school to ensure compliance with the directions mentioned above including deposit of caution money in separate account/fixed deposit, refund of caution money together with interest to students at the time of them leaving the school and recognising unclaimed caution money as income after expiry of 30 days of sending communications at the last known address of the students.

7. Directorate, vide order no. DE-15/ ACT-I/WPC-4109/PART/13/825 dated 18 July 2017 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017, noted that most of the contracts were in the name of the society, the contracts were not available for inspection and transport contracts entered by the school do not have any standard procedure for appointment and renewal.

   The school did not provide any documents to substantiate whether the school had valid contracts with the vendors or not. In absence of the requisite documents, it could not be evaluated if the school has complied with the directions included in the aforementioned order.

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Accordingly, compliance for the same will be verified at the time of evaluation of next fee increase proposal of the school.

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

i. The total funds available for the year 2017-18 amounting to INR 5,37,43,544 out of which cash outflow in the year 2017-18 is estimated to be INR 3,33,22,853. This results in net surplus of INR 2,04,20,692. 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)	93,28,382
Investments (Fixed Deposits) including accrued interest as on 31 March 2017 as per audited financial statements of FY 2016-2017)	88,72,173
Total Liquid Funds Available with the School as on 31 Mar 2017	**1,82,00,555**
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]	35,749,489
Gross Estimated Available Funds for FY 2017-2018	**5,39,50,044**
Less: Caution Money balance as on 31 Mar 2017 (as per audited financial statements of FY 2016-2017) [Refer Other Finding No. 6]	2,06,500
Less: Staff Retirement Benefits [Refer Financial Finding No. 1]	-
Less: Development Fund [Refer Financial Finding No.3]	-
Net Estimated Available Funds for FY 2017-2018	**5,37,43,544**
Less: Budgeted Expenses for FY 2017-2018 (including arrears of salary as per 7th CPC from Jan 2016 till Mar 2018) [Refer Note 2]	3,33,22,853
Estimated Surplus as on 31 Mar 2018	**2,04,20,692**

Notes:

1. Fees and incomes as per audited financial statements (prepared separately by the school for school fund, development fund and pupil fund) of FY 2016-2017 have 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 4,82,14,200 (including arrears of salary as per 7th CPC for the period January 2016 to March 2017), 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:

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Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Salary and Wages	1,31,79,235	1,47,60,200	1,97,68,853	(50,08,653)	Salary budgeted by the school for FY 2017-2018 was inaccurate. The school explained that it has hired additional staff during FY 2017-2018, but did not submit any details regarding the same. Accordingly, an increase of 50% over the salary expense reported in audited financial statements of the school for FY 2016-2017 has been considered to cover additional salaries and impact of 7th CPC.
Gratuity	58,42,805	27,00,000	-	27,00,000	Refer Financial Finding No. 1
Bus	-	22,00,000	-	22,00,000	The school purchased a bus during FY 2016-2017 for INR 16 lakhs approx. utilising the surplus derived from transport fee. However, the school has not created any fund account for accumulation of amount equivalent to the depreciation on vehicles for subsequent purchase of buses. This capital expenditure budgeted for purchase of additional bus cannot be done from fee collected from students. Accordingly, the same has not been considered.
Building	16,26,100	1,25,00,000	-	1,25,00,000	Capital expenditure on construction of building is the responsibility of the society. Also, the school has not ensured compliance with Rule 177 of DSER, 1973. Accordingly, this expenditure has not been considered.

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Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Solar Cell	-	25,00,000	-	25,00,000	Based on the explanation of the school that no expenditure has been incurred on solar cell during FY 2017-2018, this has not been considered.
Total	**2,06,48,140**	**3,46,60,200**	**1,97,68,853**	**1,48,91,348**	

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.

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 ccounting Standard.

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 earmarked levies collected from students. 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. Surplus against each earmarked levy collected from the students should be adjusted for determining the earmarked levy to be charged in the academic session 2018-2019. Also, school should discontinue charging compulsory earmarked levies from all students.

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. The school is directed to comply with the directions with regard to proper utilisation of development fund only towards purchase of furniture, fixtures and equipment.

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 also noted (appropriate instructions against which have been given in this order), the funds available with the school for implementation of recommendations of 7th CPC and to carry out its operations for the academic session 2017-18 are sufficient. Accordingly, the fee increase proposal of the school may be rejected.

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

Accordingly, it is hereby conveyed that the proposal for enhancement of fee for session 2017-2018 of **Lalit Mahajan SVM Sr. Sec School (School ID-1720172), Vasant Vihar, Delhi-110057** 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.

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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
Lalit Mahajan SVM School
School ID 1720172
Vasant Vihar, Delhi-110057

No. F.DE.15(142)/PSB/2019/1857-1861 Dated: 22/2/2019

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