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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 (187)/PSB/2019/1065-1069

Dated: 14/3/2019

Order

WHEREAS, this Directorate vide its order No. DE.15 (318)/PSB/2016/19786 dated 17.10.2017 issued 'Guidelines for implementation of 7th Central Pay Commission's recommendations in private unaided recognized schools in Delhi and directed that the private unaided schools, which are running on land allotted by DDA/other govt. agencies with the condition in their allotment letter to seek prior approval of Director (Education) before any fee increase, needs to submit their online fee increase proposal for the academic session 2017-18. Accordingly, vide circular no. 19849-19857 dated 23.10.2017, the fee increase proposals were invited from all aforesaid schools till 30.11.2017 and this date was further extended to 14.12.2017 vide Directorate's order No. DE.15 (318)/PSB/2016/20535 dated 20.11.2017 in compliance of directions of Hon'ble High Court of Delhi vide its order dated 14.11.2017 in CM No. 40939/2017 in WPC 10023/2017.

AND WHEREAS, attention is also invited towards order of Hon'ble High Court of Delhi dated 19.01.2016 in writ petition No. 4109/2013 in the matter of Justice for All versus GNCTD and others wherein it has been directed by the Hon'ble Delhi High Court that the Director of Education will ensure the compliance of conditions, if any, in the letter of allotment regarding prior approval of Director of education for the increase of fee by all the recognized unaided schools which are allotted land by DDA.

AND WHEREAS, the Hon'ble High Court of Delhi while issuing the aforesaid direction has observed that the issue regarding the liability of private unaided schools situated on the land allotted by DDA at concessional rates has been conclusively decided by the Hon'ble Supreme Court in the judgment dated 27.04.2004 passed in Civil Appeal No. 2699 of 2001 titled Modern School V. Union of India and others wherein Hon'ble Supreme Court in Para 27 and 28 has held as under:



"27....

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

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

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

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

AND WHEREAS, in pursuance to order dated 23.10.2017 of this Directorate, **Venkateshwar international school, Sector - 10, Dwarka, New Delhi - 110075 (School Id: 1821189)** had submitted the proposal for increase in fee for the academic session 2017-18 including the impact on account of implementation of recommendations of 7<sup>th</sup> CPC with effect from 01.01.2016.

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

AND WHEREAS necessary records and explanations were also called from the school vide email dated March 27, 2018. Further, school was also provided opportunity of being heard on May 03, 2018 to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussions, school was further asked to submit necessary documents and clarifications on various issues noted.



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

**Financial Irregularities:**

i. As per clause 14 of order no. F.DE. /15(56)/Act/2009/778 dated 11.02.2009, development fee, not exceeding 15% of the total annual tuition fees may be charged for supplementing the resources for purchase, upgradation 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 depreciation reserve fund, equivalent to the depreciation charged in the revenue accounts and the collections under this head along with income generated from the investment made out of this fund, will be kept separately maintained development fund account". On review of the financial statement for the FY 2014-15, 2015-16 and 2016-17 the following has e been observed:

a. The school has utilised development fee for purchase of library books and construction of building in FY 2014-15 and 2016-17 in contravention of clause 14 of the order dated 11.02.2009. Accordingly, school is directed to make necessary adjustments in the Development Fund. The details of mis-utilisation of development funds are as follows:

(Figures in Rs.)

S. No.	Particulars	2014-15	2016-17
1	Building (road construction, furnishing & fixture of auditorium and wash room	1,39,58,156	20,63,251
2	Library Books	-	38,849
	<b>Total</b>	<b>1,39,58,156</b>	<b>21,02,100</b>


b. The closing balance of development fund was negative as on 31.03.15, 31.03.2016 by Rs. 3,51,17,767, Rs. 3,43,06,137 and Rs. 3,51,93,062 respectively due to incorrect and excess utilisation of development funds in the preceding financial years. Therefore, accounting policy applied by the school for collection and utilisation of development fund is not as per clause 14 of the order dated 11.02.2009 and GN-21 "Accounting by School" issued by the ICAI.

c. The school has not maintained a separate bank account for collection of development fee as required by clause 14 of the order dated 11.02.2209.

II. As per clause 2 of public notice dated May 4, 1997, school not to charge Building Fund and Development Charges when the building is complete or otherwise as it is the responsibility of society who has established the school to raise such funds from their own resources or donations from other associations because immovable property of the school becomes the property of the society. Therefore, the students should not be burdened by the way of collecting the Building Fund or Development Charges. Accordingly, the costs relating to construction of building should have been borne by the society and not by the school. Further, as per Rule 177 of DSER, 1973 capital expenditure can be made out of the savings if the school has per the Rule 177. However as per the audited financial statements it has been observed that the school has incurred Rs. 1,39,58,156 and Rs. 20, 63,251 on construction of road, auditorium and washroom in FY 2014-15 and 2016-17 in contravention of the clause 2 of the public notice dated 04.0.5. 1997. Therefore, the same is recoverable from the society.

Further, as explained by the school it has availed overdraft facility from Yes Bank for meeting the shortage of funds both revenue and capital expenditure. Therefore, interest portion which has been utilised for capital should not be considered. However, in the absence of detailed information the amount which was utilised for capital expenditure out of the overdraft facility cannot be ascertained.

III. As per Para 99 of Guidance note on "Accounting by school" issued by ICAI, relating to restricted fund, "Where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year".



Taking cognizance from the above para, it has been observed that school has not created the development fund utilisation account as designated fund account (i.e. deferred income) to the extent of cost of assets purchased out of development fund and has not transferred any amount to the credit of Income & Expenditure account in proportion to the depreciation charged. Therefore, school is required to follow the Guidance Note – 21.

The school has not created development utilisation account while purchasing fixed assets out of development fee. Any assets purchase out of development fee was transferred from development fund to general reserve resulting overstatement of general fund balance as on 31.03.2017 with the notional amount. Accordingly, school is directed to make necessary adjustments in general reserve fund and to reflect the correct amount of General Fund in the financial statement. The details of amount transferred from development fund account to general fund are as under:

(Figures in Rs.)

Particulars	FY 2014-15	FY 2015-16	FY 2016-17	Total
Transferred from Development fund to General Reserve account	3,43,07,453	1,80,97,290	2,01,23,498	7,25,28,241

IV. As per the staff statement submitted by the school, it is noted that in FY 2014-15, 2015-16 and 2016-17 the school has paid remuneration to Director, Academics amounting to Rs. 24,06,147, Rs. 26,69,406 and Rs. 30,89,534 respectively. It is pertinent to note here that there is no post in the name of Director, Academics in the schools run by the Government. Thus, this post seems to be an honorary post and therefore, the remuneration paid to Director has been disallowed. Therefore, this amount is recoverable from the society and has been included in the fund availability of the school. Further, the school is also directed to make necessary adjustments in its General Reserve Fund account.

V. In respect of earmarked levies, school is required to comply with:

- ▶ Clause 22 of order dated 11.02.2009, which specifies that earmarked levies shall be charged from user students on 'no profit no loss' basis;

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- ▶ Rule 176 of DSER, 1973, which provides that 'income derived from collections for specific purpose shall be spent only for such purpose';
- ▶ Judgement of Hon'ble Supreme Court of India in the case of Modern School Vs Union of India and Others, which specifies that schools, being run as non-profit organizations, are supposed to follow fund-based accounting.

However, on review of audited financial statements for FY 2014-15, 2015-16 and 2016-17, it is observed that school is charging earmarked levies in the name of transport fee, mid-day meal fee, pupil fund, medical & insurance charges, sports fee, science fee, computer fee and communication skill development fee from the students but these levies are not charged on 'no profit no loss' basis as school is either earning surplus or incurring deficit from these levies. During the period under evaluation, school has earned surplus on account of transport fee, pupil fund, medical & insurance charges, sports fee, science fee, computer fee and incurred deficit against all other earmarked levies. Further, the school is not following fund-based accounting in respect of these earmarked levies. School is directed to follow fund based accounting and ascertain the correct position of its general reserve.

VI. As per the Duggal Committee report, there are four categories of fee that can be charged by a school. The first category of fee comprises of "registration fee and all One Time Charges" levied at the time of admission such as admission and caution money. The second category of fee comprise of "Tuition Fee" which is to be fixed to cover the standard cost of the establishment and also to cover expenditure of revenue nature for the improvement of curricular facilities like library, laboratories, science and computer fee up to class X and examination fee. The third category of the fee should consist of "Annual Charges" to cover all expenditure not included in the second category and the forth category should consist of all "Earmarked Levies" for the services rendered by the school and to be recovered only from the 'User' students. These charges are transport fee, swimming pool charges, Horse riding, tennis, midday meals etc. This recommendation has been considered by the Directorate while issuing order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and order No. F.DE./15(56)/Act/2009/778 dated 11.02.2009.

However, it is noticed that pupil fund, medical and insurance charges, sports fee, computer fee have been charged from each students of the school and thus,

school has contravened the aforesaid recommendation and orders. Thus, school is directed to stop the collection of pupil fund, medical and insurance charges and sports fee from each student and computer fee from the students of Class Pre-primary to X.

- VII. The inspection of the school was carried out by a team constituted under the directions of Director, Education. As per the report of the inspection, school was asked to recover following amounts from the society:

		(Figures in Rs.)
S. No.	Particulars	Amount
1.	Additions to Buildings (from FY 2009-10 to FY 2017-18)	4,78,05,522
2.	School funds utilised for payment of Bus loans (from FY 2010-11 to 2016-17)	2,08,82,460
3.	School funds utilised for payment of loan taken (from FY 2010-11 to 2016-17)	2,91,82,647
4.	School funds utilised for purchase of luxury car (FY 2011-12)	12,57,614
5.	School funds utilised for repairs of luxury car (paid to Galaxy Automobiles Pvt. Ltd.)	1,57,222
6.	School funds utilised for repairs of luxury car (paid to T & T Motors Ltd)	3,31,405
Total		9,96,16,870
Less: Recovery already considered (Refer Observation II of Financial Irregularities)		1,60,21,407
Balance amount to be recovered from School		8,35,95,463

The aforesaid amounts are recoverable by the school and accordingly, has been considered as funds available with the school.

**Other Irregularities:**

- i. On review of financial statements for the FY 2014-15, 2015-16 and 2016-17, it is observed that the school has incurred unusual expenditure on purchase of computer and software which does not seems to be reasonable according to the strength of the student in these years. It appears that the school is not able to maintain or safeguard its fixed assets in proper manner. Therefore, school management is required to give immediate attention to safeguard its fixed assets form wear and tear and to monitor its expenditure. Following are the detail of

expenditure incurred for purchase of computer and software during the period under review:

(Figures in Rs.)

Particulars	FY 2014-15	FY 2015-16	FY 2016-17
<b>Computer and Software</b>			
Opening Balance	67,00,515	1,13,44,311	1,29,23,183
Add: Additions made during the year	46,43,796	15,78,872	58,37,053
Less: Deletion made during the year	-	-	-
<b>Closing Balance</b>	<b>1,13,44,311</b>	<b>1,29,23,183</b>	<b>1,87,60,236</b>
% of capital expenditure on opening balance	69.31%	13.92%	45.17%
<b>Number of students</b>	<b>2,414</b>	<b>2,416</b>	<b>2,473</b>

II. Section 18 (5) DSEA,1973 read with Rule 180 of DSER, 1973, The managing committee of every recognised private school shall file every year with the Director such duly Audited Financial and other returns as may be prescribed, and every such return shall be audited by such authority as may be prescribed. However, the financial statements submitted by the school for the purpose of fee increase proposal was signed by the auditor by putting note as "Compiled from Books of Accounts Produced before us". Therefore, the financial statement submitted by the school is not compliance with the aforesaid provisions.

III. The School has not complied with the DOE Order No.F.DE.15/Act-I/08155/2013/5506-5518 dated 04-06-2012 and s.no. 18 of the land allotment letter, which provides for 25% reservation to children belonging to EWS and DG category at the entry level. The details of the admission allowed by the school under EWS category is given below:

S. No.	Particulars	FY 2014-15	FY 2015-16	FY 2016-17
1	Total Students	2414	2416	2473
2	EWS Students	211	219	271

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3	% of EWS students	8.74%	9.06%	10.96%
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In view of the aforesaid irregularity, the DDE, District is required to look into this matter.

- IV. As per audited financial statements for FY 2014-15, FY 2015-16 and FY 2016-17, the provisions for gratuity and leave encashment have not been maintained by the School. The expenses for gratuity and leave encashment are accounted for on actual payment basis. As per Rule 177 of DSER, income derived by an unaided schools by way of fees shall be utilised in the first instance, for meeting the pay, allowances and other benefits admissible to the employees of the school. However, school has failed to comply the requirements of aforesaid rule. Further, AS – 15 on Employee Benefits and Guidance Note -21 on "Accounting by School" issued by ICAI requires that school should maintain provisions for employee benefits on actuarial valuation basis.

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

- i. The total funds available for the year 2017-18 amounting to Rs. 35,09,00,183 out of which cash outflow in the year 2017-18 is estimated to be Rs. 25,41,28,983. This results in surplus of funds amounting to Rs. 9,67,71,200. The details are as follows:

(Figures in Rs)

Particulars	Amount
Cash and Bank balances as on 31.03.17 as per audited Financial Statements	1,09,28,356
Investments as on 31.03.17 as per audited Financial Statements	27,08,163
Add: Amount recoverable from the society for construction of building	1,60,21,407
Add: Remuneration paid to Director, Academics recoverable from Society	81,65,087
Add: Amount recoverable by school (based on inspection carried out)	8,35,95,463
Less: Development fee received during the year FY 2016-17	1,92,36,573
Less: FD with IOB in the joint name of DDE and School(VIS)	17,73,569

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Particulars	Amount
Less: FD with Yes Bank pledged against loan	8,04,594
<b>Total</b>	<b>9,96,03,740</b>
Fees for FY 2016-17 as per audited Financial Statements (we have assumed that the amount received in FY 2016-17 will at least accrue in FY 2017-18)	24,84,35,994
Other income for FY 2016-17 as per audited Financial Statements	28,60,449
<b>Estimated availability of funds for FY 2017-18</b>	<b>35,09,00,183</b>
Less: Budgeted expenses for the session FY 2017-18 (after making adjustment) (Note 1,2 and 3)	25,41,28,983
<b>Net Surplus</b>	<b>9,67,71,200</b>

**Adjustment:**

**Note- 1:** School has proposed for remuneration for FY 2017-18 and arrears of salary for the period 01.01.2016 to 31.03.2018 to be paid to Director, Academics' has not been considered for evaluation of fee increase proposal as there is no post exist in the Schools run by Government. The details of amount proposed by school are as follows:

(Figures in Rs.)

Particulars	Amount proposed for FY 2017-18	Amount Disallowed
Salary of Director, Academics	32,69,799	32,69,799
Arrears - Salary of Director, Academics	11,87,170	11,87,170
<b>Total</b>	<b>44,56,969</b>	<b>44,56,969</b>

**Note - 2:** Since FY 2017-18 is the year of implementation of recommendations of 7<sup>th</sup> CPC where parents/ students are already overburdened. Thus, the Contingency Fund amounting Rs.15,00,000 proposed by the school has not been considered for evaluation of fee increase proposal.

**Note - 3:** The school has proposed for the premise rent amounting Rs. 48,30,000 whereas the actual rent paid by the school for the FY 2017-18 was Rs. 29,56,893.

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Therefore, excess amount of Rs. 18,73,107 has not been considered for evaluation of fee increase proposal.

**Note – 4:** School has proposed for the capital expenditures of Rs. 3,57,00,000, whereas, development fee has been proposed for Rs. 2,00,00,000 only. Since, the school was incurring losses in all three financial year i.e. 2014-15, 2015-16 and 2016-17, the excess of capital expenditure of Rs.1,57,00,000 would not be considered.

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

*"All schools must, first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase."*

AND WHEREAS, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of expert Chartered Accountants that prima facie there are financial and other irregularities and also, sufficient funds are available with the school to meet its budgeted expenditure for the academic session 2017-18 including the impact of implementation of recommendations of 7<sup>th</sup> CPC, the fee increase proposal of the school may not be accepted.

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

AND WHEREAS, it is also noticed that the school funds has been utilized for construction of building and for payment of remuneration to Director, Academics in

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contravention of provisions of DSER, 1973 and other orders issued by the departments from time to time. Total amount to be recovered by the school from society is Rs. 10,77,81,957. The amount of receipts along with copy of bank statements showing receipt of above-mentioned amount should be submitted with DoE, in compliance of the same, within sixty days from the date of issuance of this order. Non-compliance of this shall be taken up as per DSEA&R, 1973.

Accordingly, it is hereby conveyed that the proposal of fee increase of **Venkateshwar international school, Sector - 10, Dwarka, New Delhi - 110075 (School Id: 1821189)** is rejected by the Director of Education.

Further, the management of said school is hereby directed under section 24(3) of DSEAR 1973 to comply with the following directions:

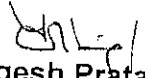
1. Not to increase any fee in pursuance to the proposal submitted by school for the academic session 2017-18 and if, the fee is already increased and charged for the academic session 2017-18, the same shall be refunded to the parents or adjusted in the fee of subsequent months.
2. To communicate the parents through its website, notice board and circular about rejection of fee increase proposal of the school by The Directorate of Education.
3. To 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.
4. 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.
5. To remove all the financial and other irregularities as listed above and submit the compliance report within 30 days to the D.D.E (PSB).
6. In case of submission of any proposal for increase in fee for the next academic session, the compliance of the above listed financial and other irregularities will also be attached.



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

This 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

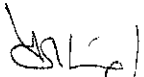
To  
The Manager/ HoS  
Venkateshwar international school,  
Sector - 10, Dwarka, New Delhi - 110075 (School Id: 1821189)

No. No. F.DE.15 (187)/PSB/2019/ 1065 - 1069

Dated: 14/3/2019

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

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