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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 ( 137 )/PSB/2019/1929-1933

Dated: 24/2/2019

**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

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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, **Paramount International School, Sector-23, Dwarka, New Delhi (School Id: 1821219)** 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 April 05, 2018. Further, School was also provided opportunity of being heard on May 23, 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 thoroughly by the team of Chartered Accountants. The key findings noted are as under:

#### **Financial Irregularities**

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 financial statements of the school it has been observed that development fund was utilised for repayment of loan taken for purchase of bus, construction of building and refund of fee as per direction of JADSC which is in contravention of the aforesaid order. Further, the amount spent on construction of building is recoverable from society because as per clause 2 of public notice dated May 4, 1997, it is the responsibility of society who has established the school to raise such funds for construction of building. Therefore, the school is directed to make necessary adjustment in the development fund account and **Rs 30,5,68,865** has

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been included in the calculation of fund availability of the school. Year wise summary of utilization of development fund is as under:

(Figures in Rs.)

Particulars	Amount of loan repaid against School bus	Amount of loan repaid against Building	Total
FY 2014-15	20,14,108	31,21,164	51,35,272
FY 2015-16	90,62,053	59,75,099	1,50,37,152
FY 2016-17	48,191	1,03,48,250	1,03,96,441
<b>Total</b>	<b>1,11,24,352</b>	<b>1,94,44,513</b>	<b>3,05,68,865</b>

Moreover, the school has also been paying interest on the aforesaid loan taken for purchase of bus and construction of building out the school fund. Therefore, the amount of interest of Rs. 3,31,72,631 paid by the school during the FY 2014-15 to 2016-17 is directed to be recoverable from the society and accordingly has been included in the calculation of fund availability of the school. Details of interest paid during the year are as under:

(Figures in Rs.)

Particulars	FY 2014-15	FY 2015-16	FY 2016-17
Interest paid during the year- vehicle	8,67,873	10,63,951	31,809
Interest paid during the year- Takeover loan against building and school bus	79,90,807	86,43,662	1,45,74,529
<b>Total</b>	<b>88,58,680</b>	<b>97,07,613</b>	<b>1,46,06,338</b>

Further, as the loan was taken in the name of the society, so the amount of loan and its repayment and interest payment thereon should appear in the books of society and not in the books of the school.

- II. 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;
  - 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 & Others, which specifies that schools, being run as non-profit organizations, are supposed to follow fund-based accounting.

In FY 2014-15, 2015-16 and 2016-17, the school has collected earmarked levies namely i.e. transportation fee, IT fee, recreational brain development fee, leadership programme fee, mid-day meal fees, tracking charges and day boarding fees from the students but these levies were not charged on 'no profit no loss' basis as the school is either earning surplus or incurring deficit from these levies. During the period under evaluation, school has generated surplus on account of transportation fee, IT fee, recreational brain development fee, leadership programme fee, mid-day meal fees, tracking charges and day boarding fees. Further, the school is not following the fund-based accounting in respect of these earmarked levies collected from the students. Therefore, the school is directed to follow fund based accounting for earmarked levies and to adhere the

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abovementioned provisions. Also, make necessary adjustments in the General Reserve balance.

Further, 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. Based on the aforesaid recommendation, the school may be instructed to stop the collection under Recreational Brain Development Fee, Leadership Programme Fee, Mid-day Meal Fee and Tracking charges.

Based on the aforesaid provisions, earmarked levies are to be collected only from the user students availing the facilities and if, the services are extended to all students of the school, a separate charge should not be levied by the school as it would get covered either from the Tuition Fee or from the Annual Charges. Accordingly, the School is directed not to charge a separate levy in the name of "recreational brain development fee, leadership programme fee, and day boarding fees".

- III. On review of the fixed assets schedule the following irregularities have been noted for which the school has not provided any clarification therefore, the school is directed to provide detailed clarification in respect of the same and correct its books of accounts accordingly.

- a. In FY 2015-16, differences in closing balances in fixed assets schedule has been noted, detail of such difference is as under: -

(Figures in Rs.)	
Particulars	Amount
Cost as on 31.03.16	5,76,02,934
Less: Depreciation during the year	64,30,893
WDV as on 31.03.16	5,11,72,041
WDV as on 31.03.16 as per fixed asset chart	4,75,05,773
<b>Difference</b>	<b>36,66,268</b>

- b. In FY 2016-17, the opening balance of fixed assets was not correctly carried forward from the closing balance appearing in the financial statement of FY 2015-16, the details of difference is as under: -

(Figures in Rs.)	
Particulars	Amount
Cost of Fixed Asset on 31.03.16	5,76,02,934
Cost of Fixed Asset on 01.04.16	6,01,78,789
<b>Difference</b>	<b>(25,75,855)</b>



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**Other Irregularities:**

- I. As per AS-1 Disclosure of Accounting Policies, all significant accounting policies adopted in the preparation and presentation of financial statements should be disclosed. During course of discussion, the school has agreed that, it is following Hybrid Accounting system i.e. incomes are recognized on receipt basis and expenses on accrual basis. However, the same is not disclosed in presentation of financial statements. Therefore, the school is directed to follow consistent accounting policy to account its income and expenditures and disclosed the same in the notes to accounts.
- II. On review of audited financial statements for the year FY 2014-15, 2015-16 and 2016-17, it is noted that the school has not made any provisions for gratuity and leave encashment which is a non-compliance of Accounting Standard 15 "employee benefits" read with guidance note 21 on "Accounting by School". Thus, the school is not following the requirement of AS-15 and Guidance Note -21 issued by ICAI. Therefore, the school is directed to provide for the gratuity and leave encashment as per the requirement of AS- 15 and Guidance Note -21.
- III. In FY 2014-15, development fee collected by school as per Receipts & Payments A/c and as per Schedule of development fund was not reconcile with each other. Further, development fee collected during FY 2015-16 and 2016-17 was not reflected in the Receipts & Payments Account. During course of discussion, the school was asked to provide clarification on the same but school has not provided any response on the same till date. The details development fund as per schedule of financial statement and receipts and payments accounts are as under:

Particulars	(Figures in Rs)		
	FY 2014-15	FY 2015-16	FY 2016-17
Development Fee as per Schedule	82,09,296	1,36,57,508	1,33,62,050
Development Fee as per Receipts & Payments A/c	22,08,336	Nil	Nil

- IV. The school is charging depreciation as per rates prescribed by Income Tax Act, 1961 and not as per depreciation rates prescribed by the Guidance note on "Accounting by Schools" issued by ICAI. Therefore, the school is directed to follow Guidance Note- 21.
- V. As per clause 18 of order no. F.DE. /15(56)/Act/2009/778 dated 11.02.2009, Caution money 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 interest thereon. However, it is observed that the school is being refunding only principal amount of caution money with interest thereon which is in contravention of clause 18 of the order dated 11.2.2009. Thus, the school is directed to comply with the requirement of clause 18 of the order dated 11.02.2009.
- VI. In response to our email dated April 05, 2018 the school has submitted detailed calculation of salary as per recommendations of 7<sup>th</sup> Pay Commission. On basis of calculation, it is noted that there is continuous change in staff strength. Details are as under: -

Particulars	Staff strength	Increase/decrease
01.01.2016 to 31.03.2016	65	-

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01.04.2016 to 30.06.2017	79	14
01.07.2017 to 30.11.2017	122	43
01.12.2017 to 31.03.2018	115	(7)

During the course of discussion, the school has submitted that it had taken staff on rolls, who were earlier on consolidated pay. The school was asked to submit the details of all staff along with appointment letter, School management committee minutes, salary disbursement details. However, as per additional documents submitted by school dated 03<sup>rd</sup> July, 2018, the school has submitted only copy of resolution passed by the management committee for regularizing the services of 23 contractual teachers on 21<sup>st</sup> June, 2017. Thus, in view of aforesaid observations, the Management of the School is directed to look into this matter.

- ii. As per clause 4 of order No. DE./15/150/ACT/2010/4854-69 dated 09/09/2010, after the expiry of 30 days, the amount of un-refunded caution money belonging to ex-students shall be reflected as income in the next financial year and it shall not be shown as liability. Further, this income shall also be considered while projecting fee structure for ensuing academic year. However, the school has not considered the amount of un-refunded caution money as income in its proposed budget. The school is directed to comply with clause 4 of the order dated 09/09/2010.
- VIII. The school is not complying with the DOE Order No.F.DE.15/Act-I/08155/2013/5506-5518 dated 04-06-2012 as well as the condition specified in the Land allotment letter which provides for 25% reservation to children belonging to EWS category in admission. Since the school is not complying with the aforesaid order of the DOE therefore, the concerned DDE is directed to look into the matter. As per School, the details of number of EWS students and total students in FY 2014-15, FY 2015-16 and FY 2016-17 are as under:

Particulars	FY2014-15	FY2015-16	FY2016-17
Total students	2,226	2,463	2,375
Total number of EWS	167	313	311
% of EWS to total students	7.50%	12.71%	13.09%

**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 FY 2017-18 amounting to **Rs.24,78,89,368** out of which cash outflow in the FY 2017-18 is estimated to be **Rs.15,62,49,436**. This results in net balance of Surplus amounting to **Rs.9,16,39,932** for FY 2017-18 after all payments. The details are as follows:

Particulars	(Figures in Rs.)	
	Amount	Remarks
Cash and Bank balances as on 31.03.17 as per Audited Financial Statements	1,11,00,065	
Investments as on 31.03.17 as per Audited Financial Statements	-	
Add: Amount recoverable from society against Vehicle loan	1,11,24,352	

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Add: Amount recoverable from society against Building loan	1,94,44,513	Refer "Observation I of 2.1- Financial Irregularity"
Add: Interest disallowed on loan against building for FY 2014-15	88,58,680	
Add: Interest disallowed on loan against building for FY 2015-16	97,07,613	
Add: Interest disallowed on loan against building for FY 2016-17	1,46,06,338	
Less: Development Fund balance as on 31-03-2017	59,57,482	
Less: Outstanding balance of deposits from students as on 31-03-2017	19,24,620	
<b>Total</b>	<b>6,69,59,459</b>	
Add: 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)	18,07,99,003	
Add: Other income for FY 2016-17 as per Audited Financial Statements	1,30,905	
<b>Estimated availability of funds for FY 2017-18</b>	<b>24,78,89,368</b>	
Less: Budgeted expenses for the session 2017-18 (Refer Note- 1 & 2)	15,62,49,436	
<b>Net Surplus</b>	<b>9,16,39,932</b>	

**Adjustments:**

**Note 1-** School has proposed Rs 1,46,74,867 as revenue expenditure relating to interest on secured loan against building. Therefore, the same has been not considered in the evaluation of fee increase proposal for FY 2017-18.

**Note 2-** School has proposed Rs. 1,12,98,005 as capital expenditure relating to repayment of loan against building. Therefore, the same has been not considered in the evaluation of fee increase proposal for FY 2017-18.

- i. 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 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

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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 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 has incurred Rs.6,37,41,496 for repayment of loan taken for vehicle and building and payment of interest thereon. Therefore, the school is directed to recover the same from the society. 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 the order. Non-compliance of this shall be taken up as per DSEA&R, 1973.

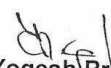
Accordingly, it is hereby conveyed that the proposal of fee increase of **Paramount International School, Sector-23, Dwarka, New Delhi (School Id: 1821219)** is rejected by the Director of Education. Further, the management of said school is hereby directed under section 24(3) of DSEAR 1973 to comply with the following directions:

1. Not to increase any fee in pursuance to the proposal submitted by School on any account including implementation of 7<sup>th</sup> CPC 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 rectify all the financial and other irregularities as listed above and submit the compliance report within 30 days to the 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 utilize 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. 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/violations 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 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  
Paramount International School,  
Sector-23, Dwarka, New Delhi (School Id: 1821219)

No. F.DE.15 ( 137 )/PSB/2019/1929 - 1933

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 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