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**GOVERNMENT OF NATIONAL CAPITAL TERRITORY OF DELHI**  
**DIRECTORATE OF EDUCATION**  
**(PRIVATE SCHOOL BRANCH)**  
**OLD SECRETARIAT, DELHI-110054**

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No. F.DE.15 ( 205 )/PSB/2019 /1135-1139

Dated: 25/03/2019

**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, **St. Georges School, Alaknanda, Delhi- 110019 (School Id: 1925263)** 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 03, 2018. Further, School was also provided opportunity of being heard on May 02, 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, the development fee shall be treated as capital receipt and it should be utilized for the purpose of supplementing the resources for purchase, upgradation and replacement of furniture, fixture and equipment. Also, 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. However, on review of audited financial statement for the FY 2014-15, 2015-16 and 2016-17, following have been noted:

- a) The school has utilised its development fee for upgradation of building, purchase of library books and vehicles, which are in contravention of clause 14 of above-mentioned order. Therefore, school is directed to make necessary adjustments in the development fund account. Details of assets purchased in contravention of above clause are given below:

(Figures in Rs.)

Particulars	FY 2014-15	FY 2015-16	FY 2016-17
Building	22,980	20,33,375	-
Library	83,716	1,08,677	96,986
Vehicles	-	-	42,92,346
<b>Total</b>	<b>1,06,696</b>	<b>21,42,052</b>	<b>43,89,332</b>

Moreover, as per Clause 2 of Public Notice dated May 4, 1997 state that "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 Judgment dated 30 October 1998 in 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". Also, clause (vii) of order No. F.DE/15/Act/2k/243/KKK/883-1982 dated 10.02. 2005 issued by this Directorate state that "Capital expenditure cannot constitute a component of financial fee structure". Accordingly, based on the aforesaid Public Notice, High Court Judgment and Oder of the Director of Education, the cost relating to construction of School Building is to be met by the Society and not from the funds of the School.

Also, as per Rule 177 of DSER, income derived by an unaided recognised 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. Provided that savings, if any, from the fees collected by such school may be utilised by its management committee for meeting capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely award of scholarships to students, establishment of any other recognised school, or assisting any other school or educational institution, not being a college, under the management of the same society or trust by which the first mentioned school is run.

The aforesaid savings shall be arrived at after providing for the following, namely:

- a) Pension, gratuity and other specified retirement and other benefits admissible to the employees of the school;
- b) The needed expansion of the school or any expenditure of a developmental nature;
- c) The expansion of the school building or for the expansion or construction of any building or establishment of hostel or expansion of hostel accommodation;
- d) Co-curricular activities of the students;
- e) Reasonable reserve fund, not being less than ten percent, of such savings.

Based on the above, the expenditure incurred by the school for upgradation of building of Rs.22,980 and Rs.20,33,375 in FY 2014-15 and 2015-16 respectively is in contravention of the aforesaid provisions. Therefore, the total expenditure incurred by the school of Rs.20,56,355 is directed to be recoverable form the society and accordingly the same has been included in the calculation of fund availability of the school.

- b) In FY 2015-16, the school has transferred Rs.3,81,09,008 from development fund to general fund to meet the shortfall in the revenue expenditure. Therefore, school is directed to make necessary adjustments in the development fund and general fund.

c) The school has not maintained separate bank account for development fund as required by clause 14 of order dated 11.02.2009. Hence, the school is directed to comply with the provisions of clause 14 of order dated 11.02.2009.

- II. As per Para 99 of Guidance note – 21 on "Accounting by School" issued by ICAI, relating to restricted fund, "Where the fund is meant for meeting capital expenditure, upon incurrance 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 is noted that in FY 2014-15, 2015-16 and 2016-17 the School was not maintaining Development Utilization Fund. Instead of creating development utilisation fund the school was transferring the equivalent amount of assets purchased out of development fund to general reserve resulting overstatement of general reserve balance. Hence, the school is directed to make necessary adjustments in the general fund account. Details of fixed assets purchased out of development fund are as under:

Particulars	(Figures in Rs.)	
	Amount	
FY 2014-15	10,06,549	
FY 2015-16	35,50,676	
FY 2016-17	47,28,633	

- III. 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 transport fee and activity fee 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 both of these levies. 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 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 fourth 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 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 "Activity fee".

- IV. 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". The School has submitted that the expenditure related to gratuity are accounted for on actual payment basis therefore no provisions has been made in the books of accounts. 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.
- V. As per Rule 177 of DSER, 1973 income derived by an unaided recognised school by way of fees shall be utilised in the first instance, for meeting the pay, allowance and other benefits admissible to the employee of the school. Provided that savings, if any from the fees collected by such school may be utilised by its managing committee for meeting capital or contingent expenditure of the school or for one or more the specified education expenses.
  - a) Award of scholarships to students;
  - b) Establishment of any other recognised school,
  - c) Assisting any other school or educational institution, not being a college, under the management of the same society or trust by which the first mentioned school is run.

On review of audited financial statements, it is observed that school has awarded scholarships to students for amounting Rs.1,26,27,748, Rs.1,46,07,740 and Rs.1,69,78,828 in FY 2014-15, 2015-16 and 2016-17 respectively. The school has claimed that these expenditures are reimbursed by the society. However, on review of income and expenditure account, it is noted that the school has received only Rs.95,81,645 against these expenditures from the society therefore, the remaining amount is directed to be recoverable from Society. Thus, Rs.3,46,32,671 which is recoverable from the society has been included in the calculation of fund availability of the school.

- VI. As per clause 17 of order no. F.DE. /15(56)/Act/2009/778 dated 11.02.2009, no admission fee of more than two hundred rupees per student at the time of admission shall be charged. Admission fee shall not be charged again from any

student who is once given admission as long as he remains on the rolls of the school. However, school has confirmed to charge the Re – admission fee of Rs. 300 per student if the student fails to pay fee for three months. Hence, the collection of re admission fee from student is in contravention of aforesaid order dated 11.02.2009. The school is directed to stop the collection of re-admission fee from the students.

**Other Irregularities**

- I. As per Order No. F. DE-15/ACT-I/WPC-4109/Part/13/7914-7923 dated 16.04.2016 read with Order No. F. DE-15/ACT-I/WPC-4109/Part/13/6750 dated 19.02.2016, schools which have been allotted land by the land-owning agencies on the condition to seek prior sanction of Director of Education for increase in fee, are required to submit their proposals for prior approval for academic session 2016-17 online through website of the Directorate. The Land allotment letter of the School has a condition not to increase the rate of fee without prior sanction of the Directorate of Education. However, on review of the fee receipts it has been observed that the school had increased Fee under the head tuition fee, development fee and transport fee in FY 2016-17 without obtaining prior approval from Directorate of Education and thus, has contravened the aforesaid orders issued by the Directorate of Education. The class-wise details of fee charged from students during the month of April, 2015 and April, 2016 are as under:

(Figures in Rs.)

Class	Tuition Fee (Monthly)		Development Fee (Monthly)		Transport fee (Monthly)	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
Prep to XII	2970	3267	445	490	1500	1800

- II. The school is charging depreciation on fixed assets as per the rates prescribed under the Income Tax Act, 1961 instead of rates as specified in Appendix 1 to the Guidance Note-21 "Accounting by Schools" issued by the Institute of Chartered Accountants of India (ICAI). Therefore, the School is directed to follow the depreciation rates as prescribed by the Guidance Note-21.
- III. On review of audited financial statements, it is observed that school has not prepared receipts and payments account for any of the financial years. Hence, the school is directed to maintain its financial statements in accordance with Appendix-II as issued under order No. F.DE-15/ACT-I/WPC-4109/Part/13 dated 16.04.2016.
- IV. 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:

S.no.	Particulars	2014-15	2015-16	2016-17
1	Total Students	2306	2302	2307
2	EWS Students	296	314	329

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S.no.	Particulars	2014-15	2015-16	2016-17
3	% of EWS students	13%	14%	14%

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 financial year 2017-18 amounting to **Rs. 17,89,61,763** out of which cash outflow is estimated to be **Rs. 16,80,89,939**. This results in surplus of funds amounting to **Rs. 1,08,71,824**. The details are as follows:

Particulars	(Figures in Rs.) Amount
Cash and Bank balances as on 31.03.17 as per Audited Financial Statements	84,55,799
Investments as on 31.03.17 as per Audited Financial Statements	10,19,849
Less: FD with Directorate of education	10,19,849
Less: Outstanding balance of Caution Money as on 31-03-2017	23,65,900
Less: Development Fund balance as on 31-03-2017	88,49,185
Add: Amount recoverable from the society for expenditures incurred on building for FY 2014-15 and 2015-16 (Refer observation 'I(a)' under 2.1 Financial irregularities)	20,56,355
Add: Expenditures on scholarships awarded for FY 2014-15, 2015-16, and 2016-17 (Refer observation 'V' under 2.1 Financial irregularities)	3,46,32,671
<b>Total</b>	<b>3,39,29,740</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)	14,20,85,715
Add: Other income 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)	29,46,308
<b>Estimated availability of funds for FY 2017-18</b>	<b>17,89,61,763</b>
<b>Less: Budgeted Expenses (Refer Note- 1)</b>	<b>16,80,89,939</b>
<b>Net Surplus</b>	<b>1,08,71,824</b>

**Adjustments:**

**Note 1: Expenditures disallowed in proposed budget**

Particulars	Amount Disallowed	Remarks
<b>Establishment Expenses</b>		
Provision for Gratuity	22,00,000	Not as per Actuarial valuation which is a non-compliance of AS-15 and GN 21 issued by ICAI

Particulars	Amount Disallowed	Remarks
Salary	47,41,779	Since, the students are already facing the burden of implementation of 7th CPC in this year, salary increase is allowed only to the extent of 10% increase on previous year's expenditure
	<b>69,41,779</b>	
<b>Other expenses</b>		
Scholarship & Education Help	<b>25,21,372</b>	Not allowed since the school do not have savings in accordance to Rule 177 of DSER, 1973
<b>Capital Expenditures</b>		
Building	15,00,000	Not allowed in accordance to clause 2 of public notice dated 04.05.1997 as per which in relation to building, it is sole responsibility of the society who has established the school to raise such funds from their own sources

- 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 utilizing 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 utilized 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 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.



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AND WHEREAS, it is also noticed that the school has incurred Rs. 3,46,32,671 towards scholarships expenses without having savings which is in contravention of Rule 177 of DSER, 1973. Therefore, it is directed to be recoverable from the society. Further, the school has spent Rs.22,980 and Rs.20,33,375 for upgradation of building in the FY 2014-15 and FY 2015-16 respectively in contravention of clause 2 of Public Notice read with Rule 177 of DSER, 1973. Therefore, the school is directed to recover the above amount 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.

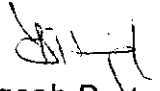
Accordingly, it is hereby conveyed that the proposal of fee increase of, **St. Georges School, Alaknanda, Delhi- 110019 (School Id: 1925263)** is rejected by the Director of Education. Further, the management of said school is hereby directed under section 24(3) of DSEAR 1973 to comply with the following 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/violations 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 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. 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.

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 issues with the prior approval of the Competent Authority.

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(Yogesh Pratap)

Deputy Director of Education  
(Private School Branch)

Directorate of Education, GNCT of Delhi

To  
The Manager/ HoS  
St. Georges School,  
Alaknanda, Delhi- 110019 (School Id: 1925263)

No. F.DE.15 ( 205 )/PSB/2019 / 1135- 1139

Dated: 25/03/2019

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