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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(174)/ PSB / 2019 / 1105-1109 Dated: 14/3/2019

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.

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AND WHEREAS in response to this directorate's circular dated 23 Oct 2017 referred to above, **Daisy Dales Sr. Sec. School (School ID-1925264), East of Kailash, Delhi-110065** 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 13 July 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. As per the Directorate's Order No. DE 15/Act/Duggal.com/203/ 99/23033/23980 dated 15 Dec 1999, the management is restrained from transferring any amount from the recognized unaided school fund to society or trust or any other institution. The Supreme Court also through its judgement on a review petition in 2009 restricted transfer of funds to the society.

   The audited financial statements of the school for FY 2016-2017 reflected a receivable balance of INR 4,48,295 from Adarsh Sangeet Society (parent society of the school). The school was directed not to transfer any amount from the school fund to the society or trust or any other institution through this Directorate's Order No. F.DE-15/ACT-I/WPC-4109/PART/13/54 dated 23 December 2016. This amount of INR 4,48,295 is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the Society within 30 days from the date of this order.

2. As per direction no. 2 included in the Public Notice dated 4 May 1997, "*It is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school becomes the sole property of the society.*" Additionally, Hon'ble High Court of Delhi in its judgement dated 30 Oct 1998 in the case of Delhi Abibhavak Mahasangh concluded that "*The tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society.*" Also, clause (vii) (c) of Order No. F.DE/15/Act/2K/243/

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KKK/883-1982 dated 10 Feb 2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*"

Accordingly, based on the aforementioned public notice and High Court Judgement, the cost relating to land and construction of the school building has to be met by the society, being the property of the society and school funds i.e. fee collected from students is not to be utilised for the same.

Directorate's order no. F. DE-15/ACT-I/WPC-4109/PART/13/54 dated 23 December 2016 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017 noted that school had obtained a secured loan from Kotak Mahindra Bank amounting INR 77 lakhs, which was invested in FDR and on maturity of the FDR, the amount received was utilised for renovation/construction of basement of building and purchase of furniture. Further, it was noted that this loan was taken in the name of the 'Adarsh Sangeet Society' and the need to take this loan was not adequately defined by the school.

The financial statements of the school for FY 2014-2015, FY 2015-2016 and FY 2016-2017 revealed that the school incurred interest expense totalling to INR 27,25,834 in the aforesaid financial years on the loan utilised for renovation/construction of building, which is not in accordance with the aforementioned provisions. This amount of INR 27.25 lakhs is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the Society within 30 days from the date of this order.

3. Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/ 883-1982 dated 10 Feb 2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*" It was noted from the financial statements of the school for FY 2016-2017 that the school purchased a new car (Innova) for INR 20,75,809. The school explained that the same was purchased to meet the needs of the school. It has been observed that the school has purchased costly vehicle and submitted proposal for increase of fee from students, which translates to making capital expenditure as component of the fee structure. Further, this capital expenditure was incurred by the school without complying the requirements prescribed in Rule 177 of DSER, 1973.

   Accordingly, this amount of INR 20,75,809 is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the Society within 30 days from the date 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*

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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 fee, I card & Insurance charges, Medical facilities, Activities and other charges, and smart class charges from students. However, the school has not maintained separate fund accounts for these earmarked levies and the school has been generating surplus from earmarked levies, which has been utilised for meeting other expenses of the school. Details of calculation of surplus, based on breakup of expenditure provided by the school for FY 2016-2017 is given below:

Earmarked Fee	Income (INR)	Expenses (INR)	Surplus (INR)
	A	B	C=A-B
Transport fee^	61,48,000	27,85,045	33,62,955
Smart Class charges	9,07,239	0*	9,07,239
Activity and other charges	79,94,540	0*	79,94,540
Medical facilities charges	4,44,965	1,83,250	2,61,715
I card and Insurance and Medical Charges	4,82,584	0*	4,82,584

^ The school has not included salary of drivers and helpers engaged on the transport facility and expenses incurred on repair and maintenance of vehicles. Further, 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. The school had purchased a bus of INR 20,44,000 during FY 2016-2017, which has been included in the transport expenses above.

* No details regarding expenses incurred against the earmarked income has been provided by the School.

It was further noted that the school did not disclose earmarked levies collected from students in its proposal for fee increase for FY 2017-2018.

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 Activity and other charge, Medical facilities charges, I card and Insurance 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 Activity and other charge, Medical facilities charges, I card and Insurance, 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/ other revenue expenses of the school 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/deficit, 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. The school is also directed to disclose all the earmarked levies collected by the school in proposal for fee increase submitted by the school in subsequent years.

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2. The Directorate of Education, in its Order No. DE.15/Act/Duggal.Com/ 203/99/23033-23980 dated 15 Dec 1999, indicated the heads of fee/ fund that recognised private unaided school can collect from the students/ parents, which include:
   - Registration Fee
   - Admission Fee
   - Caution Money
   - Tuition Fee
   - Annual Charges
   - Earmarked Levies
   - Development Fee

   Further, clause no. 9 of the aforementioned order states "No fee, fund or any other charge by whatever name called, shall be levied or realised unless it is determined by the Managing Committee in accordance with the directions contained in this order ......"

   The aforementioned order was also upheld by the Hon'ble Supreme Court in the case of Modern School vs Union of India & Others.

   The school has been collecting one time charges (under the aegis of 'games & Sports fees, SUPW Fees, Computer fees, Exam fees, library/reading room, Audio Visual Aids, Lab charges, Cultural activities, Awards/Prizes, and Workshop & Seminar charges etc,') at the time of admission of INR 20,000 from students admitted to Nursery class and INR 25,000 from students admitted to other classes. This fee was collected over and over the earmarked levies mentioned in Other Finding No. 1 above. The school explained that this fee has been collected for meeting expenditure incurred towards various activities done for students.

   The contention of the school is incorrect as the school is separately charging other heads of earmarked levies such as Activity, Medical facilities and Insurance and the reason for collecting one time charges could not be assessed. Accordingly, the school has collected one time charges in contravention of the provisions of DSEA & R, 1973 and order/circulars issued from time to time by the Directorate.

   Accordingly, the school is directed to should stop collecting one-time fee, by whatever name called, from the students admitted to the school with immediate effect. For the purpose of evaluation of the fee hike proposal for FY 2017-2018, the above-mentioned fee has been included in budgeted income while deriving the fund position of the school (enclosed in the later part of this order).

3. Clause 14 of this DoE's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states "*Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up gradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund, will be kept in a separately maintained Development Fund Account.*"

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Further, Directorate's order no. F. DE-15/ACT-I/WPC-4109/PART/13/54 dated 23 December 2016 issued to the school post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 noted that the school was not utilising development fund exclusively for purchase of furniture, fixture and equipment.

Based on the information provided by the school, the school had incurred expenditure on purchase of a car (Innova) of INR 20,75,809 and Bus of INR 20,44,000 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. The school is directed to ensure that the development fund is utilized only towards purchase, upgradation and replacement of furniture, fixtures and equipment.

Further, development fee collected by the school was not deposited in a separate bank account/ fixed deposits with bank. The school confirmed that the same will be opened in FY 2018-2019 and would be used for collection and utilisation of development fund going forward. The school is directed to open a separate bank account for development fund and/or invest the amount collected as development fee in fixed deposits with bank.

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 transferred an amount equivalent to the purchase cost of the assets from development fund to the Income and Expenditure Account as income, instead of the accounting treatment as 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.

5. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/54 dated 23 December 2016 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017 noted that the school has started charging the proposed increase fee during FY 2016-2017 from the students. Further, from the receipts submitted by the school, it was noted that the school has collected excess tuition fee and Development fee.

   During the personal hearing, the school mentioned that increased fee was collected by it only in the first quarter of FY 2016-2017 and the same was adjusted/refunded against the fee collected subsequently in FY 2016-2017. However, the school did not submit any supporting documents evidencing refund/adjust of the increased fee collected by the school.

Further, incomes (fee collected from students) reported in the audited Income and Expenditure Account/ Receipt and Payment Account for FY 2016-2017 were recomputed to evaluate the accuracy of incomes reported based on the approved fee structure of the school and details of number of students enrolled (non-EWS) provided by the school. Basis the computation prepared, differences were noted in the fee collection reported by the school during FY 2016-2017 in its audited Income & Expenditure Account/ Receipt and Payment and amount of fee arrived/computed as per details provided by the school. The derived difference could not be reconciled by the school and reasons for the same were not explained. Following differences were derived based on the computation of FY 2016-2017:

Particulars	As per Income & Expenditure Account (A)	Computed figure based on details provided by school (B)	Derived Difference (A-B)
Tuition fee	3,06,61,779	3,19,81,260	(13,19,481)
Development Fee	56,71,545	47,62,980	9,08,565

The above table reflects that development fee collected by the school was in excess of INR 9,08,565 as compared with the fee structure and number of students enrolled with the school. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/54 dated 23 Dec 2016 issued to the school port evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school has collected excessive development fee during FY 2013-2014 and FY 2014-2015 of INR 43,628 and INR 6,48,520 respectively. During personal hearing, the school mentioned that it has collected development fee in line with the fee structure of the school and has not collected any excessive fee. However, the school did not provide any explanation or computation to substantiate its claim with respect to the above.

The school should perform a detailed reconciliation of the amount collected/income from students and the income that should have been recognised based on the fee structure and number of students enrolled by the school. Compliance of the above will be examined at the time of evaluation of proposal for enhancement of fee for subsequent academic session.

6. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/54 dated 23 Dec 2016 issued to the school port evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school has not maintained Fixed Assets Register (FAR) and Stock Register. During the personal hearing, the school mentioned that it has not prepared FAR and Stock Register in proper format. Further, the school mentioned that it will maintain FAR and stock register as suggested from FY 2018-2019 onwards.

   The school is directed to maintain proper Fixed Assets Register (FAR) consisting of complete details such as asset name, brand, quantity, 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 complete details of assets at one place. The school is also directed to maintain proper Stock Register consisting of complete details such as stock item, supplier name, invoice number, purchase cost, quantity received, quantity issued, name of person to whom issued,

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balance quantity, etc. Compliance of the same shall be verified at the time of evaluation of proposal for enhancement of fee for subsequent academic session.

7. Direction no. 3 of the public notice dated 4 May 1997 published in the Times of India states "*No security/ deposit/ caution money be taken from the students at the time of admission and if at all it is considered necessary, it should be taken once and at the nominal rate of INR 500 per student in any case, and it should be returned to the students at the time of leaving the school along with the interest at the bank rate.*"

   Further, Clause 18 of Order no F.DE/15(56)/Act/2009/778 dated 11 Feb 2009 states "*No caution money/security deposit of more than five hundred rupees per student shall be charged. The caution money, thus collected shall be kept deposited in a scheduled bank in the name of the concerned school and shall be returned to the student at the time of his/her leaving the school along with the bank interest thereon irrespective of whether or not he/she requests for refund.*"

   Further, Directorate's order No. F. DE-15/ACT-I/WPC-109/PART/13/54 dated 23 December 2016 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017 noted that the school has not refunded caution money to the students and has not considered the un-refunded caution money belonging to the ex-students as income in the next financial year.

   During the personal hearing, the school mentioned that during FY 2016-2017, it has transferred the un-refunded caution money belonging to ex-students as income in its Income and Expenditure Account. However, the school is not refunding interest along with caution money to students. Thus, the school is directed to refund interest along with caution money to students.

   Based on above, the amount to be refunded to students towards 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).

8. Rule 172 – 'School Fund how to be maintained' of DSER, 1973 states "*(1) Every School Fund shall be kept deposited in a nationalised bank or a scheduled bank or any post office in the name of the school.*

   (2) Such part of the School Fund as may be approved by the Administrator, or any officer authorised by him in this behalf, may be kept in the form the Government securities.

   (3) The Administrator may allow such part of the School Fund as he may specify in the case of each school, (depending upon the size and needs of the school) to be kept as cash in hand.

   (4) Every Recognised Unaided School Fund shall be kept deposited in a nationalised bank or a scheduled bank or in a post office in the name of the school, and such part of the said Fund as may be specified by the Administrator or any officer authorised by him in this behalf shall be kept in the form of Government securities and as cash in hand respectively.

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Provided that in the case of an unaided minority school, the proportion of such Fund which may be kept in the form of Government securities or as cash in hand shall be determined by the managing committee of such school."

From the financial statements for FY 2016-2017 and details submitted by the school, it was noted that the school has deposited part of the School Fund in Mutual Funds, value of which as on 31 Mar 2017, as per audited financial statements for FY 2016-2017, was INR 1.87 crores approx. Mutual Fund is not a prescribed mode of investment for deposit of School Fund as per Rule 172 detailed above, as the same is subject to Market Risks.

Accordingly, the school is directed to withdraw the amount of School Funds invested in Mutual Fund and deposit the same in the modes prescribed by Rule 172 of DSER, 1973. Compliance of the same shall be verified at the time of evaluation of proposal for enhancement of fee for subsequent academic session.

9. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/54 dated 23 December 2016 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017 noted that DDA had allotted land for running "Nursery School" and for no other purpose whatsoever. Although, the school has sought approval of CBSE for its affiliation till class 12, but it has failed to obtain prior permission from DDA. Further, the school had constructed a building on the playground area without obtaining prior permission in writing from DDA.

   The school did not submit any response/documentation regarding seeking approval from DDA regarding construction of the building on the playground and is thus directed to submit the approval of DDA in this regard. Compliance of the same shall be verified at the time of evaluation of proposal for enhancement of fee for subsequent academic session.

10. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/54 dated 23 December 2016 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017 noted that the school has not reconciled bank balance as per bank statement and that appearing in the books of account of the school.

    During the personal hearing, the school submitted bank reconciliation statement for the month of March 2017. On examination of the bank reconciliation submitted by the school, it was noted that certain cheques issued by the school were reflected as outstanding clearance in the reconciliation, which had exceeded their validity period. However, the school had not reversed those payments in its books of account. The school should identify all stale cheques and post necessary reversal entry in its books of account to arrive at the correct bank balance. Compliance of the same shall be verified at the time of evaluation of proposal for enhancement of fee for subsequent academic session.

11. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/54 dated 23 December 2016 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017 noted that in absence of any independent prices offered by firms for similar services,

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it could not be evaluated whether major contracts were entered by the school at arm's length prices.

During the personal hearing, the school submitted quotation obtained for purchase of the bus during the FY 2016-2017 only and no other documents were submitted in relation to other procurement processes carried out by the school. Thus, in the absence of details of major contracts entered by the school and documentation in relation to procurement procedures done by the school, it could not be assessed whether the school has followed proper procurement process. Compliance of the same shall be verified at the time of evaluation of proposal for enhancement of fee for subsequent academic session.

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 2017-2018 amounting to INR 7,25,48,495 out of which cash outflow in the year 2017-2018 is estimated to be INR 6,85,22,267 This results in net surplus of INR 40,26,228. 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)	52,04,596
Bank Overdraft Account Balance as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	(14,39,236)
Investments (Mutual Fund) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	1,86,88,008
Investments (Fixed Deposits with Bank) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	5,26,291
Total Liquid Funds Available with the School as on 31 Mar 2017	**2,29,79,659**
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]	6,52,43,047
Add: Amount Receivables from Adarsh Sangeet Society [Refer Financial Finding No. 1]	4,48,295
Add: Recovery of interest paid on loan utilized for the purpose of Building reflected in financial statement for FY 2014-2015, 2015-2016 & 2016-2017 from the Society [Refer Financial Finding No. 2]	27,25,834
Add: Recovery of amount of car purchased during the FY 2016-2017 [Refer Financial Finding No. 3]	20,75,809
Gross Estimated Available Funds for FY 2017-2018	**9,34,72,644**
Less: FDR against specific funds (with CBSE) (as per audited financial statements of FY 2016-2017)	2,10,813
Less: Caution Money Fund (as per audited financial statement for FY 2016-2017) [Refer Other Finding 6]	4,81,000
Less: Staff Retirement benefit – Gratuity [Refer Note 2]	1,27,17,572
Less: Staff Retirement benefit – Leave Encashment [Refer Note 2]	18,43,219
Less: Development fund balance as on 31 Mar 2017 (as per audited financial statements of FY 2016-2017)	30,22,430

Particulars	Amount (INR)
Net Estimated Available Funds for FY 2017-2018	**7,51,97,610**
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 3]	5,59,56,412
Less: Arrears of salary from January 2016 to March 2018 on account of implementation of 7th CPC with effect from Jan 2016 (based on separate computation submitted by the school)	1,25,65,855
Estimated Surplus as on 31 Mar 2018	**66,75,343**

Notes:

1. Fee and income as per audited financial statements of FY 2016-2017 (excluding profit on sale of car, caution money written off and transfer of development fund to income) has been considered with the assumption that the amount of income during FY 2016-2017 will at least accrue during FY 2017-2018.
2. The school submitted copies of the investment made with LIC towards gratuity and leave encashment amounting of INR 1,27,17,572 and 14,74,975 respectively during FY 2017-2018. Accordingly, these amounts have been considered in table above.
3. 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 payments/expenditure during FY 2017-2018 of INR 72,308,289 (excluding arrears of salary as per 7th CPC, separate computation for which was submitted by the school), 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 payment/expenses, discrepancies were noted in some of the heads, which were adjusted from the budgeted payments/expenses. The same were discussed during personal hearing with the school. Therefore, the following payments/expenses have been adjusted while considering in the budgeted expenses for FY 2017-2018:

Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Gratuity Fund contribution	1,17,957	1,00,000	-	1,00,000	As the total amount deposited by the school towards policy taken with LIC towards staff retirement benefit has been considered separately in table above, no additional amount towards the same has been considered. Also refer Note 2 above.
Leave Encashment contribution	8,85,234	7,50,000	-	7,50,000	
Depreciation	24,96,787	22,00,000	-	22,00,000	Depreciation, being non-cash expense, which does not require any cash outflow has not been considered.
Fee not receivable from students	6,72,272	5,50,000	-	5,50,000	The school could not provide a reconciliation of fee collected and that to be collected (Refer

Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
					Other Finding No. 5). Thus, no amount has been considered against this/adjusted from fee.
Refund Fee and Development Fee - Jt. Anil Dev	-	11,337,574	-	11,337,574	The school, based on the direction of the Justice Anil Dev Singh Committee (JADSC) to refund fee collected students in past, recorded provision for refund of fee of INR 1,13,37,574 (including interest) due to non-compliance of clause 14 of the order dated 11 Feb 2009 and collection of tuition fee arrear without providing adequate evidence to JADSC for payment of salary in accordance to recommendations of 6th CPC. Now, the school has proposed this amount as allowable expenditure under the head 'Provision for Refund of Excess Fee (Development and Tuition Fee)' in its budgeted Receipt and Payment account for FY 2017-2018. Since the school did not comply with clause 14 of the order dated 11 Feb 2009 and did not provide adequate evidence to JADSC for payment of salary in accordance with the recommendations of 6th CPC as per the findings of JADSC, therefore, the proposed expenditure cannot form part of future fee. Thus, the same has not been considered.

Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Change in Caution Money Fund	223,500	100,000	-	100,000	Caution money has been dealt with separately in table above.
Change in Fee Receivable	1,012,597	1,012,597	-	1,012,597	Change in current assets and liabilities has not been considered, as expense budgeted by the school for the entire period of 12 months already considered in table above.
Change in Expense Payable	(1,702,642)	300,000	-	300,000	
Change in Stock	(1,406,215)	450,000	-	450,000	
Change in Branch/ Division Account	(4,139,528)	(448,294)	-	(448,294)	
Total	**(18,40,038)**	**1,63,51,877**	**-**	**1,63,51,877**	

In view of the above examination, it is evident that the school has sufficient funds for meeting all the budgeted expenditures 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.

Whereas per the Directorate's Order No. DE 15/Act/Duggal.com/203/ 99/23033/23980 dated 15 Dec 1999, the management is restrained from transferring any amount from the recognized unaided school fund to society or trust or any other institution. However, the school has a recoverable balance of INR 4,48,295 from Society. Thus, the school is directed to recover these amounts from Society.

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. Accordingly, the school is directed to maintain separate fund in respect of each earmarked levy charged from the students in accordance with the DSEA & R, 1973 and orders, circulars, etc. issued thereunder. Surpluses under each earmarked levy collected from the students should be adjusted for determining the earmarked levy to be charged in the academic session 2018-2019.

Whereas per point no. 14 of Order No. F.DE./15(56)/ACT/2009/778 dated 11 Feb 2009, Development Fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up-gradation and replacement of furniture, fixture and equipment. Development Fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a depreciation reserve fund, equivalent to the deprecation charged in the revenue accounts and the collection under this head along with income generated from the investment made out of this fund, will be kept in a separately maintained development fund account. The school is advised to comply with the directions with regard to opening separate bank account/ fixed deposits for development fund, proper accounting and presentation of Development Fund in the School's financial statements, 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 were identified (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings which were also noted (appropriate instructions against which have been given in this order), the funds available with the school 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 **Daisy Dales Sr. Sec. School (School ID-1925264), East of Kailash, Delhi-110065** 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.
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
Daisy Dales Sr. Sec. School
School ID 1925264
East of Kailash, Delhi-110065

No. F.DE.15(174) / PSB / 2019 / 1105-1109 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 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