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

(37)

No. F.DE.15(580)/PSB/2018 / 30305 - 309 Dated: 10/12/2018

ORDER

WHEREAS, this Directorate vide its order No. DE.15 (318)/PSB/2016/19786 dated 17 Oct 2017 of Directorate of Education, Govt. of NCT of Delhi, has issued 'Guidelines for implementation of 7th Central Pay Commission's recommendations in private unaided recognized schools in Delhi' and required that private unaided schools, which are running on land allotted by DDA/other govt. agencies with the condition in their allotment letter to seek prior approval of Director (Education) before any fee increase, need to submit its online fee increase proposal for the academic session 2017-2018. Accordingly, vide circular no. 19849-19857 dated 23 Oct 2017 the fee increase proposals were invited from all aforesaid schools till 30 Nov 2017 and this date was further extended to 14 Dec 2017 vide Directorate's order No. DE.15 (318)/PSB/2016/20535 dated 20 Nov 2017 in compliance of directions of Hon'ble High Court of Delhi vide its order dated 14 Nov 2017 in CM No. 40939/2017 in WPC 10023/2017.

AND WHEREAS, attention is also invited towards order of Hon'ble High Court of Delhi dated 19 Jan 2016 in writ petition No. 4109/2013 in the matter of Justice for All versus Govt. of NCT of Delhi and others where it has been directed by the Hon'ble Delhi High Court that the Director of Education has to ensure the compliance of term, if any, in the letter of allotment regarding the increase of the fee by all the recognized unaided schools which are allotted land by DDA.

AND WHEREAS, The Hon'ble High Court while issuing the aforesaid direction has observed that the issue regarding the liability of Private unaided Schools situated on the land allotted by DDA at concessional rates has been conclusively decided by the Hon'ble Supreme Court in the judgment dated 27 Apr 2004 passed in Civil Appeal No. 2699 of 2001 titled Modern School Vs. Union of India and others wherein Hon'ble Supreme Court in Para 27 and 28 has held as under:-

"27....

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

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

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

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

AND WHEREAS in response to this directorate's circular dated 23 Oct 2017 referred to above, **Cambridge School (School ID-1925270), Srinivaspuri, 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 16 August 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.

   Further, the school was directed by the Directorate again through order No. F. DE-15/ACT-I/WPC-4109/PART/13/ 971 dated 13 October 2017 not to transfer any funds to the society. However, the audited financial statements of the school for FY 2016-2017 reflected that the school had transferred funds to the tune of INR 24,79,000 to the society towards staff training and curriculum development expenditure against which no evidence could be provided by the school in support of incurrence of the expenditure. This amount 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 of the date of this order.

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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/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.

   The financial statements of the school for FY 2015-2016 and FY 2016-2017 revealed that the school has incurred expenditure on renovation and capital work in progress of building out of school funds totalling to INR 44,96,022 in the aforesaid financial years, which is not in accordance with the aforementioned provisions. Further, this capital expenditure was incurred on the building without complying the requirements prescribed in Rule 177 of DSER, 1973. This amount of INR 44,96,022 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.

   Further, it was noticed that the school had revalued the building in its books of account during FY 2016-2017 and increased the carrying cost of the building from INR 54,580 as on 31 March 2016 to INR 8.85 crores as on 31 March 2017 by creating an 'Infrastructure Revaluation Reserve' on the liabilities side of its financial statement for FY 2016-2017. Being the property of the society, if required, revaluation of building should have been done by the society in its books of account and correspondingly reflected in its financial statements and not in the financial statements of the school. Accordingly, the school is hereby directed to reverse the impact of revaluation of building from its financial statements.

3. The school was directed by this directorate through its Order No. F. DE-15/ACT-I/WPC-4109/PART/13/971 dated 13 October 2017 to make earmarked investments amounting INR 4,18,54,070 and INR 1,19,94,045 against provision for gratuity and leave encashment respectively with LIC (or any other agency) within 90 days of the receipt of the said order and ensure that provisions for gratuity and leave encashment should be based on actuarial valuation.

   While the school has obtained actuarial valuation report regarding its liability towards retirement benefits (gratuity and leave encashment) as on 31 Mar 2017, the provisions made for retirement benefits were not in agreement with the actuarial valuation report. The school recorded excessive provision for Gratuity as detailed in table below.

Head	As per Actuarial Valuation (INR)	Provision created in books of account of school (INR)	Excessive Provision Amount (INR)
Gratuity	5,32,96,727	5,41,63,525	8,66,798
Leave Encashment	1,91,34,987	1,91,34,987	-

Also, the school did not comply with the directorate's directions regarding making investment with LIC (or any other agency) and has continued to maintain investment in the form of fixed deposit with the bank.

Further, according to para 7.14 of the Accounting Standard 15 – 'Employee Benefits' issued by the Institute of Chartered Accountants of India, "*Plan assets comprise:*

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

Accordingly, the investment in the form of FDR maintained by school in respect of the liability towards retirement benefits of the school does not qualify as 'Plan Assets' within the meaning of Accounting Standard 15 (AS-15).

This being the first time the school has obtained the actuarial valuation of its liability towards gratuity and leave encashment, 50% of the amount determined by the actuary has been considered for deriving the fund position of the school (enclosed in the later part of this order) for the FY 2017-2018, as it is the year of implementation of recommendations of 7th CPC. The remaining balance of the liability should be spread over a period of next two years.

Accordingly, the school is directed to invest 50% of the amount determined by the actuary in the investments that qualify as 'Plan Assets' within 30 days from the date of this order and the balance amount of liability in the succeeding years.

B. Other Discrepancies

1. In accordance with Clause 14 of this Directorate's Order No. F.DE./15 (56) /Act/ 2009/778 dated 11 Feb 2009 states "*Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixtures and equipment ..... 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 has adjusted its losses of earlier years amounting INR 5,91,87,731 with the development fund which is in contravention of clause 14 of Order No. F.DE. / 15 (56)/ ACT/ 2009/778 dated 11 Feb 2009. The school was directed by this directorate through its Order No. F. DE-15/ACT-I/WPC-4109/PART/13/971 dated 13 October 2017 to make necessary correction entry in the books of accounts in the next financial year. However, the school has not made necessary rectification as directed and continued non-compliance.

Also, on review of the financial statements for FY 2016-2017, no separate bank account has been opened for deposit of development fee/ fund. This is not in accordance with the direction included in above-mentioned order. Hence, the school is directed to maintain development in a separate bank account. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

Further, it was noted that the school had incurred expenditure on library books for INR 2,72,001 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 follow DOE instruction in this regard and ensure that development fund is utilised only towards purchase of furniture, fixture and equipment.

2. Clause 19 of Order No. F.DE./15(56)/Act/2009/778 dated 11 Feb 2009 states "*The tuition fee shall be so determined as to cover the standard cost of establishment including provisions for DA, bonus, etc., and all terminal, benefits as also the expenditure of revenue nature concerning the curricular activities.*"

Further clause 21 of the aforesaid order states "*No annual charges shall be levied unless they are determined by the Managing Committee to cover all revenue expenditure, not included in the tuition fee and 'overheads' and expenses on play-grounds, sports equipment, cultural and other co-curricular activities as distinct from the curricular activities of the school.*"

Rule 176 - 'Collections for specific purposes to be spent for that purpose' of the DSER, 1973 states "*Income derived from collections for specific purposes shall be sp ent 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 science & vocational fee, transport Fee, medical & contingency charges, sports fee, etc. 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 or has been incurring losses (deficit) which has been met from other fees/income. Details of calculation of surplus/deficit, based on breakup of expenditure provided by the school for FY 2016-2017 is given below:

Earmarked Fee	Income (INR)	Expenses (INR)	Surplus/ (Deficit) (INR)
	A	B	C=A-B
Transportation Charges	1,65,45,200	1,81,64,722	(16,19,522)
Sports Fee	31,29,050	67,26,927	(35,97,877)
Science & Vocational Fee	5,76,400	97,896	(4,78,504)
Printing diaries, forms etc.	19,24,296	27,49,641	(8,25,345)
Medical & Contingency Fee	25,25,688	63,937	24,61,751
Computer Fee	34,69,685	4,23,017	30,46,768

The school explained that tuition fee collected from students is not sufficient to meet the establishment cost and annual charges are also not sufficient to meet other revenue expenses of the school. Thus, the surplus generated from earmarked levies has been applied towards meeting establishment cost/revenue expenditure on account of which fund balance of earmarked levies could not be separated from the total funds maintained by the school. Accordingly, total fees (including earmarked fee) have been included in the budgeted income and budgeted expenses (included those for earmarked purposes) 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 ear-marked levies collected from students. Unintentional surplus, if any, generated from earmarked levies has to be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies during subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on no-profit no-loss basis and not to include fee collected from all students as earmarked levies.

3. Directorate's Order no. F.DE-15/PSB (PMU)/Fee Hike/2017-2018/14073-082 dated 7 April 2017 states "*Schools are strictly directed not to increase any fee until the sanction is conveyed to their proposal by Director of Education.*" Based on the details provided by the

school, it was noted that the school has started collecting increased fee from the students during FY 2017-2018, which was a contravention of the aforementioned order. Based on the details provided by the school and taken on record, the school collected INR 1,07,28,310 on account of increased fee for FY 2017-2018, which has not been refunded/adjusted till date. The school is hereby directed to refund/adjust the excessive fee collected within 30 days from the date of this order.

The above has no financial impact on the fund position of the school derived for FY 2017-2018 (enclosed in the later part of this order) as increased fee collected by the school during FY 2017-2018 has not been considered.

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 general reserve instead of following the accounting treatment as indicated in the guidance note cited above.

   Also, the school has enclosed a consolidated fixed assets schedule giving details of all assets carried over by the school in its audited financial statement for FY 2016-2017 and has not prepared separate fixed assets schedules for assets purchased against development fund and those purchased against general reserve.

   This being a procedural finding, the school is instructed to make necessary rectification entries relating to development fund to comply with the accounting treatment indicated in the Guidance Note. Further, the school should prepare separate fixed assets schedule for assets purchased against development fund and other assets purchased against general reserve/ fund.

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

   During the personal hearing, school mentioned that it will start preparing FAR from FY 2018-2019 onwards. The school is directed to prepare the FAR with relevant details mentioned above. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

6. 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.*"

   However, the school had not maintained separate bank account for deposit of caution money collected. Also, the school had not refunded interest on caution money along with the refund of caution money. Further, it was noticed that the school had not refunded the caution money to the students at the time of leaving the school.

   During the personal hearing, school mentioned that it has stopped collecting caution money from students from FY 2018-2019 onwards. Also, based on explanation provided by school during the personal hearing, the school had adjusted the caution money collected from students against the fee due from FY 2017-2018 except balance amount of INR 3,71,000 which could not be refunded due to non-traceability of some of the students who have already left the school. The same would be completely refunded or booked as income, if not refunded, in FY 2018-2019. Thus, based on the explanation provided by the school, the school should refund total caution money within FY 2018-2019 and should not collect it subsequently. The school should recognise the balance un-refunded caution money, if any as income, after 30 days of sending letters to the last known addresses of the students to collect caution money.

   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).

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

i. The total funds available for the year 2017-18 amounting to INR 17,93,06,224 out of which cash outflow in the year 2017-18 is estimated to be INR 15,40,62,585. This results in net surplus of INR 2,52,43,639. 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)	34,62,882
Investments (Fixed Deposits) as on 31 March 2017 (including accrued interest) (as per audited financial statements of FY 2016-2017)	9,16,11,642
Total Liquid Funds Available with the School as on 31 Mar 2017	**9,50,74,524**
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]	12,56,53,427
Add: Recovery of funds transferred to Society during FY 2016-2017 [Refer Financial Finding No. 1]	24,79,000
Add: Recovery of cost incurred on building reflected in financial statement for FY 2015-2016 & 2016-2017 from the Society [Refer Financial Finding No. 2]	44,96,022
Gross Estimated Available Funds for FY 2017-2018	**22,77,02,973**
Less: Development fund [Refer Note 2]	1,07,81,385
Less: Depreciation Reserve Fund [Refer Note 3]	
Less: Caution Money (as per audited financial statements of FY 2016-2017)	11,88,000
Less: Staff Retirement Benefits - Gratuity (50% of liability as per Actuarial Valuation) [Refer Financial Finding No. 3]	2,09,27,035
Less: Staff Retirement Benefits - Leave Encashment (50% of liability as per actuarial valuation report) [Refer Financial Finding No. 3]	59,97,023
Less: Excess fee collected by the school in FY 2016-2017 refunded during FY 2017-2018 [Refer Note 4]	95,03,307
Net Estimated Available Funds for FY 2017-2018	**17,93,06,224**
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 5]	14,70,98,000
Less: Arrears of Salary as per 7th CPC for the period Jan 2016 to March 2017 (as per audited financial statements of FY 2016-2017)	69,64,585
Estimated Surplus as on 31 Mar 2018	**2,52,43,639**

Notes:

1. Fee and income as per audited financial statements of FY 2016-2017 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 Supreme Court in the matter of Modern School held that development fees for supplementing the resources for purchase, upgradation and replacements of furniture and fixtures and equipment can by charged from students by the recognized unaided schools not exceeding 15% of the total annual tuition fee. Further, the Directorate's 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.*" Over a number

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of years, the school has accumulated development fund and has reflected the closing balance of INR 3,96,44,793 in its audited financial statements of FY 2016-2017. Accordingly, the accumulated reserve of development fund created by the school by collecting development fee more than its requirement for purchase, upgradation and replacements of furniture and fixtures and equipment has been considered as free reserve available with the school for meeting the financial implication of 7th CPC to be implemented by the school. However, development fund equivalent to amount collected in one year (FY 2016-2017) from students has been considered for deriving the fund position of the school, which is considered sufficient basis the spending pattern of the school in past.

3. The school has charged depreciation on fixed assets and has transferred the same to depreciation reserve on liabilities side of the Balance Sheet of the school. While development fund has been adjusted for deriving the fund position of the school as per Note 2 above, depreciation reserve is more of an accounting head for appropriate treatment of depreciation in the books of account of the school in accordance with Guidance Note 21 issued by the Institute of Chartered Accountants of India. Thus, there is no financial impact of depreciation reserve on the fund position of the school. Accordingly, it is not considered in table above.

4. Based on Directorate's order No. F.DE-15/ACT-I/WPC-4109/PART/13/971 dated 13 October 2017, the school adjusted/refunded the excess fee collected from students to the tune of INR 94,40,301 (based on computation provided by the school) during FY 2017-2018. Thus, this amount has been considered for deriving the net estimated available funds with the school for FY 2017-2018.

5. Per the Budgeted Receipt and Payment Account for FY 2017-2018 submitted by the school along with proposal for fee increase, the school had estimated the total expenditure during FY 2017-2018 of INR 16,94,38,000 (excluding arrears of salary as per 7th CPC for the period Jan 2016 to March 2017), which in some instances was found to be unreasonable/ excessive. Based on the explanations and details provided by the school during personal hearing, most of the expense heads as budgeted were considered even though certain expenditures were increased substantially by the school as compared to FY 2016-2017. However, during review of budgeted expenses, discrepancies were noted in some of the expense heads, which were adjusted from the budgeted expenses. The same were discussed during personal hearing with the school. Therefore, the following expenses have not been adjusted while considering in the budgeted expenses for FY 2017-2018:

Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Activity Block	8,91,000	1,00,00,000	-	1,00,00,000	Capital expenditure on building is not eligible
Depreciation	19,46,456	118,40,000	-	1,18,40,000	Depreciation does not result in cash outflow. Hence, disallowed.
Reimbursement of teacher training	24,79,000	5,00,000	-	5,00,000	Refer Financial Finding no. 1 (amount budgeted to be transferred to the society)
Total	**53,16,456**	**2,23,40,000**	-	**2,23,40,000**	

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 Order No. DE 15/Act/Duggal.com/203/99/23033/23980 dated 15 Dec 1999, the management of the school is restrained from transferring any amount from the recognized unaided school fund to society or trust or any other institution. Hon'ble Supreme Court also through its judgement on a review petition in 2009 restricted transfer of funds to the society. However, the school has transferred an amount of INR 24,79,000 to the to the Society, which is a non-compliance of the aforementioned order and Hon'ble Supreme Court judgement. Accordingly, the school is directed to recover this amount from the Society and utilize the same for revenue expenditure of the school.

Whereas per direction no. 2 of Public Notice dated 4 May 1997, it is the responsibility of the society who has established the school to raise funds from their own sources or donations from the other associations for construction of building because the immovable property of the school becomes the sole property of the society. Further, Hon'ble High Court of Delhi in its judgement dated 30 Oct 1998 in the 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. Thus, the additions to the building should not be met out of the fee collected from students and is required to be recovered from the society.

Whereas per clause no. 22 of Order No. F.DE./15 (56)/Act/2009/778 dated 11 Feb 2009, user charges should be collected at 'no profit and no loss' basis and should be used only for the purpose for which these are collected. The school has continued to charge earmarked fee higher than the expenses incurred against computer and science fee whereas the expenses incurred are more than transport charges collected from students. The school has utilised the surplus earned for meeting the establishment expenses and deficit on transport charges. Accordingly, the school is advised to maintain separate fund in respect of each earmarked levy charged from the students in accordance with the DSEA & R, 1973 and orders, circulars, etc. issued thereunder. Surpluses/deficit 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 maintaining separate bank account, doing proper accounting and presentation of Development Fund in the School's financial statements and utilisation of development fund only towards purchase of furniture, fixtures and equipment.

And whereas Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "Accounting for defined benefit plans is complex because actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses." Further, the Accounting Standard defines Plan Assets (the form of investments to be made against liability towards retirement benefits) as:

(a) assets held by a long-term employee benefit fund; and

(b) qualifying insurance policies.

The school is directed to ensure compliance with Accounting Standard 15 by making the investment equivalent to the liability determined by the actuary (over a course of 3 years) in the mode specified under the said Accounting Standard.

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 **Cambridge School (School ID-1925270), Srinivaspuri, Delhi-110065** has been 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/charges during FY 2017-2018. Further, he school should make necessary adjustments from future fee/refund the amount of excess fee collected during FY 2017-2018, 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
Cambridge School
School ID: 1925270
Srinivaspuri, Delhi-110065

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No. F.DE.15(580)/PSB/2018/ 30305-309 Dated: 10/12/2018

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