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

No. F.DE.15(613)/PSB/2019/ 13322-27 Dated: 04/12/2019

ORDER

WHEREAS, every school is required to file a statement of fees every year before the ensuing academic session under section 17(3) of the Delhi School Education Act, 1973 (hereinafter read as **'*the Act*'**) with the Director. Such statement will indicate estimated income of the school derived from fees, estimated current operational expenses towards salaries and allowances payable to employees in terms of Rule 177(1) of the Delhi School Education Rules, 1973 (hereinafter read as **'*the Rules*'**). Such estimate will also provision for donation, gratuity, reserve fund and other items under rule 177(2) and savings thereafter, if any, in terms of the proviso to the rule 177(1).

AND WHEREAS, as per section 18(5) of the Act read with section 17(3), 24 (1) of the Act and Rule 180 (3) of the DSEA & R, 1973 responsibility has been conferred upon to the Director (Education) to examine the audited financial, account and other records maintained by the school at least once in each financial year. The section 18(5) and Section 24(1) of the Act and Rule 180 (3) have been reproduced as under:

Section 18(5) :*'the managing committee of every recognised private school shall file every year with the Director such duly audited financial and other returns as may be prescribed, and every such return shall be audited by such authority as may be prescribed'*

Section 24(1) :*'every recognised school shall be inspected at least once in each financial year in such manner as may be prescribed'*

Rule 180 (3) :*'the account and other records maintained by an unaided private school shall be subject to examination by the auditors and inspecting officers authorised by the Director in this behalf and also by officers authorised by the Comptroller and Auditor-General of India.'*

AND WHEREAS, besides, the Hon'ble Supreme Court in the judgment dated 27.04.2004 passed in Civil Appeal No. 2699 of 2001 titled Modern School Vs. Union of India and others has conclusively decided that under section 17(3), 18(4) read along with rule 172, 173, 175 and 177 of the Rules, Directorate of Education has the authority to regulate the fee and other charges to prevent the profiteering and commercialization of education.

AND WHEREAS, it was also directed by the Hon'ble Supreme Court to the Director of Education in the aforesaid matter titled Modern School Vs. Union of India and others in Para 27 and 28 in case of Private unaided Schools situated on the land allotted by DDA at concessional rates that:

"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 High Court of Delhi vide its judgement dated 19.01.2016 in writ petition No. 4109/2013 in the matter of Justice for All versus Govt. of NCT of Delhi and others has reiterated the aforesaid directions of the Hon'ble Supreme Court and has directed the Director of Education 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, accordingly, this Directorate vide orderNo. F.DE.15 (40)/PSB/2019/2698-2707 dated 27.03.2019, directed that all the Private Unaided Recognized Schools running on the land allotted by DDA/other Govt. agencies on concessional rates or otherwise, with the condition to seek prior approval of Director of Education for increase in fee, are directed to submit the their proposals, if any, for prior sanction of DoEfor increase in fee for the session 2018-19 and 2019-20.

AND WHEREAS in response to this directorate's circular dated 27 Mar 2019referred to above, **Vasant Valley School (School ID-1720124), Sector-C, Vasant Kunj, New Delhi** submitted its proposal for enhancement of fee for the academic session 2018-2019 in the prescribed format.

AND WHEREAS, in the process of examination of fee hike proposal filed by Vasant Valley School (School ID-1720124), Sector-C, Vasant Kunj, New Delhi for the academic session 2018-2019, necessary records and explanations were called from the school through email. Further, school was also provided an opportunity of being heard on 25 November 2019 at 11:00 AM 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 and key findings noted are as under:

A. Financial Discrepancies

1. Directorate Order No. F.DE.15(308)/PSB/2019/1590-1594 dated 5 April 2019 noted that the Manager of the school is not entitled to any payment whatsoever from the school funds.

owever, from the records submitted by the school and taken on record, it was noticed that the school paid approximate salary of INR 20,91,948 during FY 2014-2015 and FY 2015-2016 and INR 21,91,872 during FY 2016-2017 totalling to INR 63,75,768 to the Manager in the three financial years. Further, the school has continued to pay salary to the Manager and based on the details provided by the school, a sum of INR 46,29,449 (INR 22,57,175 during FY 2017-2018 and INR 23,72,274 during FY 2018-2019) has been paid to the Manager. During personal hearing, the school explained that Mr. A.P. John joined as the Manager of the school with effect from 1 April 2013. He joined the school on1 July 1992 and before appointment as the Manager of the school, he was the Administrative Officer and oversees the administration of the school.

According to Rule 125 of Delhi School Education Rules, 1973 *"Every employee of a recognised private school, not being an unaided minority school, shall be entitled to ... travelling allowance and daily allowance according to the rules made by the Delhi Administration."*

On examination of the documents submitted by the school and placed on record, it was noted that the Manager of the School was being paid 'Travelling allowance' totalling to INR 2,15,430 during FY 2016-2017, INR 2,26,230 during FY 2017-2018 and INR 2,46,150 during FY 2018-2019, which were paid over and above the conveyanceamount paid along with salary. The school failed to provide any supporting documents in relation to the same. During personal hearing, it was explained that Travelling allowancewas paid as fixed amount every month to the Manager as part of the CTC on production of bills.

Accordingly, based on the explanation provided by the school and facts noted regarding the amount of 'Travelling Allowance' paid to the Manager takes the form of monthly allowance, which being paid over and above the salary paid to the Manageris not allowed. Thus, the amount paid to the Manager of INR 65,91,198 (salary of INR 63,75,768 together with INR 2,15,430additionally paid as Travelling Allowance) pertaining to FY 2014-2015 to FY 2016-2017 and INR 51,01,829 (salary of INR 46,29,449 together with INR 2,15,430 and INR 2,26,230 additionally paid as Travelling Allowance) are 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 Manager/Society within 30 days from the date of this order. The school is further directed not to pay any travelling allowance to the Manager from the school funds subsequently.

2. Directorate Order No. F.DE.15(308)/PSB/2019/1590-1594 dated 5.April 2019 noted that the school is paying salary to a member of the school's managing committee. It was noticed that the school paid approximate salary of INR 43,00,000 during FY 2014-2015, INR 48,00,000 during FY 2015-2016 and INR 60,00,000 during FY 2016-2017 totalling to INR 1,51,00,000 to Mr. Arun Kapur, member of the managing committee of the school. Further, the school has continued to pay salary to the member of the managing committee of the school and based on the details provided by the school, a sum of INR 1,36,28,991 (INR 67,92,771

during FY 2017-2018 and INR 68,36,220 during FY 2018-2019) has been paid to the member of the managing committee of the school.

During personal hearing, the school mentioned that Mr. Arun Kapur is getting the remuneration being a renowned educationist with vast experience and his remuneration is based on his experience, knowledge and for working with school at thedesignation of Director Academic and Administration.

The position of 'Director Academic and Administration'is not a prescribed post in the Recruitment Rules. Thus, theamount of remuneration of INR 1,51,00,000 paid during FY 2014-2015 to FY 2016-2017 and INR 1,36,28,991 paid during FY 2017-2018 and FY 2018-2019 to the Director Academic and Administrationcum member of the Managing Committee are 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 members of the managing committee/Society within 30 days from the date of this order. The school is further directed not to pay any remuneration to the Member of the Managing Committee from the school funds subsequently.

3. Para 57 of Accounting Standard 15 – 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "*An enterprise should determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.*" Further, according to para 7.14 of the Accounting Standard 15, "*Plan assets comprise:*

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

   (b) qualifying insurance policies."

   On review of the audited financial statements for FY 2017-2018 and FY 2018-2019 and submissions of the school, it was noted that the school has created the provision for liability towards gratuity in its financial statements in accordance with the actuarial valuation of its liability towards Gratuity as on 31 Mar 2019 of INR 4,56,70,350.

   Further, the school was directed by the Directorate through order No. F. DE-15/ACT-I/WPC-4109/PART/13/869 dated 8 August 2017 and Order No. F.DE.15(308)/PSB/2019/1590-1594 dated 5 April 2019 to make earmarked equivalent investments against provision for Gratuity with LIC (or any other agency) so as to protect against its the statutory liabilities towards staff. However, it was noted that the school has not deposited any amount in investment that qualifies as 'Plan Assets' as per Accounting Standard 15.Thus, the school has not complied with the directions included in the aforesaid orders.

   The school is directed to start making investmentsin plan-assets (as defined in AS-15) so as to create a fund equivalent to the amount of liability determined by the actuary towards gratuity to protect against its statutory liabilities towards staff.

On account of non-compliance of directions by the school regarding deposit of amount equivalent to the provision of gratuity in investment with LIC or other insurer, no amount has been considered while deriving the fund position of the school for FY 2018-2019 (enclosed in the later part of the order).

4. Invoices and other supporting documents submitted by the school during the course of evaluation of the fee increase proposal were reviewed and the following were noted:
   - Procurement procedures were generally not performed for selection of vendors or for renewal of expiring contract with increased fee/ cost indicating weak control and documentation in determination of prices for goods and services. Further, no minutes for negotiation discussions with vendors were prepared for documenting the negotiated prices.
   - Additional services such as catering service for Founder's Day were awarded to existing vendor without adequate procurement procedures or negotiations. While the price paid for such service appeared high, no comparative with other vendors was available to ensure that the contract was awarded on market price. Also, no GST was charged by the vendor, though transactions with the vendor exceeded more than a crore.
   - Detailed breakup of lumpsum costs billed by the vendor such as Audio Design were not available for reviewing items supplied/ leased and item wise pricing.
   - Capital expenditure incurred on purchase of flood lights and fitting from Imperial Enterprises of INR 5,46,629 was recorded as revenue expenses under "Founder's Day Expenses"

   In addition to above, number of corrections and overwriting were noted in the cash invoices of two vendors Priyanka Verma and Sudesh Verma in dates, quantities, rates, etc. Thus, genuineness of the expense recorded based on the invoices of Priyanka Verma and Sudesh Verma could not be evaluated. Thus, an expense of INR 1,15,504 (INR 55,779 of Priyanka Verma and INR 59,725 of Sudesh Verma) recorded during FY 2017-2018 has been adjusted in the fund position of the school (enclosed in the later part of this order) with the direction to the school to recover this amount from the person concerned for incurring the expense or the Society within 30 days from the date of this order. Further, the school is directed to strengthen its internal controls for ensuring value for money through appropriate procurement procedures and thorough check on the invoices submitted by the vendors. Also, capital expenditure should be appropriately recorded in the books of account of the school and not treated as revenue expenses.

r Discrepancies

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 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 Bus Fees, Aeromodelling Fee, Class Photo Fee, Students Group Insurance Fee, Identity Card Fee, Lunch Fee, Robotics Fee, Educational Trip Fee, etc. from students. However, the school has not maintained separate fund accounts for these earmarked levies separately 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) that has been met from other fees/income, whichwas also mentioned in Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/869dated 8August 2017and Order No. F.DE.15(308)/PSB/2019/1590-1594 dated 5 April 2019 issued to the school post evaluation of the fee increase proposal for FY 2016-2017 and FY 2017-2018 respectively. Details of calculation of surplus/deficit, based on breakup of expenditure provided by the school for FY 2017-2018 is given below:

Earmarked Fee	Income (INR)	Expenses (INR)	Surplus/(Deficit) (INR)
	A	B	C=A-B
Adventure Trip Fee	93,05,875	93,11,345	(5,470)
Aeromodelling Fee	36,000	35,645	355
Ajmer Trip	48,081	52,447	(4,366)
Art Camp Fee	26,28,554	26,00,834	27,720
Asia Pacific Leaders' Summit- Hwa Chong	1,29,500	1,72,728	(43,228)
Bhutan Trip Fee	23,72,400	23,32,383	40,017
Bus Fee	66,71,780	68,72,185	(2,00,405)
Career Counselling Fee	19,64,900	19,00,395	64,505
Creative Art Fee	42,38,724	41,84,173	54,551
CBSE Evaluation Fee	6,60,945	6,60,945	-
Class Photo Fee	1,17,900	80,191	37,709
Debate Camp Fee	84,000	1,17,385	(33,385)
Founder's Day Fee*	54,38,313	43,00,331	11,37,982
Guwahati Trip Fee	24,722	24,721	1
Identity Card Fee	1,15,210	1,40,969	(25,759)
Lunch Fee	2,58,19,620	2,59,39,665	(1,20,045)
Math Programme Fee	14,72,760	14,77,301	(4,541)
Medical Supervision Fee	14,25,300	14,15,320	9,980
Robotics Fee	46,375	79,650	(33,275)
Soccer Fee	2,19,755	2,59,699	(39,944)

armarked Fee	Income (INR)	Expenses (INR)	Surplus/(Deficit) (INR)
	A	B	C=A-B
Special Section Fee#	2,22,82,005	2,22,64,992	17,013
Sports Camp Fee	48,23,848	47,54,484	69,364
Students Group Insurance Fee	4,75,000	4,72,098	2,902
Student Exchange Program Church School	40,14,120	40,13,385	735
Student Exchange Program-Kulossari School	28,34,500	28,06,894	27,606

^ The school has not apportioned salary of staff involved in transport service (driver, conductor, etc.) and 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 fee part includes per head fees charged from the students and donation receipts from third parties.

The school has clubbed tuition fee collected from students of Special Section as part of Special Section fee reported as earmarked levy in its financial statements.

Further, on review of ledger accounts for expenses allocated against earmarked levies it was noted that school has charged expenses which are not directly related to the levy collected and has not charged certain direct expenses, which should have been charged against the earmarked levy such as lunch and refreshment expenses of events and staff were charged against lunch fee collected from students. Similarly, expenses of transportation of students for events, transportation charges of staff, etc. were charged against Bus fee, while salaries of drivers and conductors of the buses owned by the school engaged in transport were not charged against the Bus fee. Accordingly, correct position of surplus/ deficit in respect of the earmarked levies could not be derived and the above table is only a representation of the income and expenses reported by the school in its financial statements.

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 Class Photo fee, Identity Card fee, Students Group Insurance fee, Lunch fee, Founder's Day fee 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 Class Photo fee, Identity Card fee, Students Group Insurance fee, Lunch fee, Founder's Day fee and details provided by the school in relation to expenses incurred against the same, the school should not charge such fee as earmarked fee with immediate effect 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 annual fee collected from students is insufficient to meet the revenue expenses of the school. Thus, the net surplus generated from earmarked levies (other than Founder's Day) after adjusting the expenses against the same have been applied towards meeting establishment cost/revenue expenditure of the school, which has been presented in the Audited Income and Expenditure Account of the School.

Further, on review of the ledger account of Founder Day's Fee, it was noted that the school has collected mandatory fee from all students and has also collected voluntary donations from third parties such as alumni, corporates, etc. From a sample of receipts produced by the school and ledger account, it was noted that while the donations were accounted as received specifically for Founder's Day, there was no specific instructions from the donors to apply these donations exclusively towards Founder's Day. Thus, treating the same as restricted fund in the financial statements of the school is inaccurate and inappropriate. Accordingly, the balance of fund towards Founder's Day, though reflected as restricted by the school has been considered as free reserve with no adjustment in the fund position of the school (enclosed in the later part of this order) and with direction to the school to treat it accordingly in its financial statements.

Also, 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.Further, the school should include detailed breakup of expenses against earmarked levies to reflect nature of expenses instead of given expenses in one line for each earmarked levy. Unintentional surplus, if any, generated from earmarked levies should 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. Since the school cannot charge any mandatory fee other than tuition fee, development fee and annual charges from all students,it should stop charging any fee that it collects from all students other than user-based fee with immediate effect.

2. 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.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*

ollection 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."

On review of the financial statements for FY 2017-2018, it was noted that the school has fixed deposits with bank amounting to INR 5,77,66,915. However, the school has not earmarked any fixed deposits against development fund to ensure availability of funds at the time of incurring capital expenditure on furniture, fixture and equipment. Further, no separate bank account has been opened for deposit of development fee/ fund. Accordingly, no interest has been credited to development fund. The school has earmarked fixed deposit against depreciation reserve fund instead of development fund and the interest has been credited to the depreciation reserve fund. The school also utilised the depreciation reserve fund investment for purchase of assets in excess of development fee. The same was also noted in Order No. F.DE.15(308)/PSB/2019/1590-1594 dated 5 April 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018.

During the personal hearing, the school mentioned that the school has completely utilised development fund and the depreciation reserve fund investment has been used for assets purchase in excess of development fees. Further in the notes to account annexed to the audited financial statements of the school for FY 2017-2018, it is mentioned that "As per Duggal Committee Report, school is allowed to charges development fee from financial year 1999-2000 and accordingly a sum of INR 12,15,17,416 as on 31 March 2018relates to development fee charged by the school as per the recommendation of the Duggal Committee Report. Out of INR 12,15,17,416 the amount utilized against acquisition of fixed assets aggregates to INR 18,30,19,112 (includes all assets acquired after 1stApril 1999) starting from FY 1999-2000.Accordingly, the entire development fee fund as of 31 March 2018stand fully utilized for purchase of fixed assets and the purchase over and above development fee fund amounting INR 6,15,01,696 have been met out of depreciation reserve fund".

Depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue accounts as per clause 14 of Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009) is more of an accounting head for appropriate accounting 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. However, depreciation reserve reported in the financial statements was not equal to the amount of cumulative depreciation reflected by the school in the fixed assets schedule annexed with the financial statements of FY 2017-2018.

Based on the above comment included in the Notes to Account of the school, the balance of development fund recorded in the balance sheet as on 31 March 2018 has not been considered while deriving the fund position of the school (enclosed in the later part of this order).The school is directed rectify the accounting and presentation of development fund in its subsequent financial statements to reflect the actual development fund unutilized as on 31 March and ensure that the development fund is utilized only towards purchase, upgradation and replacement of furniture, fixture and equipment.Further, the school is directed not to utilize depreciation reserve for the purchase of any asset, since it's only a notional reserve for proper accounting of fixed assets.

3. 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 2017-2018 submitted by the school, the school has not made any adjustment from the development fund for assets purchased from development fund instead given a note in its financial statements (refer Other Finding No. 2 for details).

   Also, the school has encloseda consolidated fixed assets schedule giving details of all assets carried over by the school in its audited financial statement for FY 2017-2018 and has not prepared separate fixed assets schedules for assets purchased against development fund and those purchased against general reserve.

   Further, the fixed assets were not properly classified in the fixed asset schedule prepared by the school, like, 'Smart Boards' were clubbed with'Computers', 'library books' were clubbed with'Temporary Fixtures'.The same was also noted in Order No. F.DE.15(308)/PSB/2019/1590-1594 dated 5 April 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018.

   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 and should report fixed assets separately based on their description instead of clubbing unrelated heads.

4. 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 AbibhavakMahasangh 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.*"

Also, 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.

Directorate's Order No. F.DE.15(308)/PSB/2019/1590-1594 dated 5 April 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that on review of the financial statements of the school for FY 2014-2015, 2015-2016 and 2016-2017 and as per details submitted by school, it was observed that the school has charged depreciation in its Income and Expenditure Accounts on the assets owned by the society, which have been indicated as used by the school. The School has been charging depreciation on such assets (which has been reflected as an expense of the school for years) and credited Society's ledger with the corresponding amount.

The Society's ledger in the books of account of the school was analysed based on information provided by the school and it was noted that out of the Society's balance as on 31 Mar 2017 (as per audited financial statement for FY 2016-2017) of INR 4,51,75,588, INR 4,26,19,821 pertain to depreciation on Society's assets recorded by the School. Thus, the school is directed to reverse the notional depreciation expense charged and reserve the Society's ledger with corresponding amount to reflect correct balance of Society in the books of account of the School and not to charge depreciation on such assets subsequently.

5. As per Guidance Note 21 and Accounting Standard -18 (AS-18) issued by the Institute of Chartered Accountants of India *"Name of the related party and nature of the related party relationship where control exists should be disclosed irrespective of whether or not there have been transactions between the related parties"*. AS -18 also states *"If there have been transactions between related parties, during the existence of a related party relationship, the reporting enterprise should disclose the following:*

(i) The name of the transacting related party;
(ii) A description of the relationship between the parties;
(iii) A description of the nature of transactions;
(iv) Volume of the transactions either as an amount or as an appropriate proportion;
(v) Any other elements of the related party transactions necessary for an understanding of the financial statements;
(vi) The amounts or appropriate proportions of outstanding items pertaining to related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date; and
(vii)Amounts written off or written back in the period in respect of debts due from or to related parties."

Directorate's Order No. F.DE.15(308)/PSB/2019/1590-1594 dated 5 April 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that on xamination of the documents submitted by the school, it was observed that the school has entered into transaction with a company named "Universal Learn Today Private Limited"for purchase of booksand workbooks for EWS students, whichis a related party as the chairperson of the managing committee Mrs. RekhaPurie and member of the managing committee Mr. AroonPurie are the directors of Universal Learn Today Private Limited.

It was further noted that the school has not maintained/disclosed any record in respect of the names of persons/firms/companies etc. in whom the school management/Board members are interested as partner, Director or Shareholders, etc. Further, the school has not provided any document, which substantiate that the transaction was made with the related at arms' length price.

The school should make proper disclosure in the 'Notes to accounts' regarding related parties in accordance with ICAI pronouncement. Also, the school is directed to ensure that the transactions entered with Universal Learn Today Private Limited and other related parties, if any should be made at Arms' Length Price, which should be substantiated from the records and documents maintained by the school. Also, the school is directed to maintain proper internal control systems in relation to procurement of goods and services, especially from related parties.

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 2018-2019amounting to INR 32,29,20,780 out of which cash outflow in the year 2018-2019 is estimated to be INR 29,75,86,423.This results in net surplus of INR 2,53,34,357. The details are as follows:

Particulars	Amount (INR)
Cash and Bank Balance as on 31 March 2018 (as per audited financial statements of FY 2017-2018)	8,67,821
Investments (Fixed Deposits) as on 31 March 2018 (as per audited financial statements of FY 2017-2018)	6,86,97,298
Total Liquid Funds Available with the School as on 31 Mar 2018	**6,95,65,119**
Add: Fees/Incomes for FY 2018-2019 (as per audited financial statements of FY 2018-2019) (Refer note 1)	21,56,07,378
Add: Amount recoverable from Society/ Manager for salary and travelling allowance paid to him (From FY 2014-2015 to 2016-2017) [Refer Financial Finding No. 1]	65,91,198
Add: Amount recoverable from Society/ Manager for salary and travelling allowance paid to him (FY 2017-2018 & FY 2018-2019) [Refer Financial Finding No. 1]	51,01,829

Particulars	Amount (INR)
Add: Amount recoverable from Society /member of the managing committee towards salary paid to him (From FY 2014-2015 to FY 2016-2017) [Refer Financial Finding No. 2]	1,51,00,000
Add: Amount recoverable from Society/ member of the managing committee towards salary paid to him (FY 2017-2018 & 2018-2019). [Refer Financial Finding No. 2]	1,36,28,991
Add: Amount recoverable from Society/concerned person on account of genuineness of the expense. [Refer Financial Finding No. 4]	1,15,504
Gross Estimated Available Funds for FY 2018-2019	**32,57,10,019**
Less: FDR submitted with DoE (as per audited financial statements of FY 2018-2019)	8,38,789
Less: FDR against lien with Sun Source Energy (as per audited financial statements of FY 2016-2017)	13,50,000
Less: Caution Money Fund (As per Audited Financial Statements for FY 2018-2019)	6,00,450
Less: Staff retirement benefits [Refer Financial Finding No. 3]	-
Less: Depreciation Reserve [Refer Other Finding No. 2]	-
Net Estimated Available Funds for FY 2018-2019	**32,29,20,780**
Less: Expenses for FY 2018-2019 (As per Audited Financial Statements for FY 2018-2019) [Refer Note 1]	23,30,99,581
Less: 7th CPC arrears till March 2019 (as per calculations provided by the school) [Refer Note 1]	6,44,86,842
Estimated Surplus as on 31 Mar 2019	**2,53,34,357**

Notes:

1. The school submitted its audited financial statements for FY 2018-2019. Based on the audited financial statements for FY 2018-2019, incomes and expenses excluding arrears of INR 6,44,86,842 (excluding earmarked fees and earmarked expenses, development fees and capital expenditure and depreciation being a non-cash expense) have been considered.

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 2018-2019.

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 2018-2019on the basis of existing fees structure and after considering existing funds/reserves.

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, certain financial irregularitiesthat were identified (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings were also noted (appropriate instructions against which have been given in this order), the funds available with the school to carry out its operations for the academic session 2018-2019 are sufficient. Accordingly, the fee increase proposal of the school may be rejected.

And whereas, the 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 expenses for the financial year 2018-2019.Therefore, Director (Education) rejects the proposal submitted by the school for enhancement of fee for the academic session 2018-2019.

Accordingly, it is hereby conveyed that the proposal for enhancement of fee for session 2018-2019 of **Vasant Valley School (School ID-1720124), Sector-C, Vasant Kunj, New Delhi**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 2018-2019. In case, the school has already charged increased fee during FY 2018-2019, 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 orderto 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.

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 hereinshall 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
Vasant Valley School
School ID 1720124
Sector-C, Vasant Kunj,
New Delhi-110070

No. F.DE.15(613)/PSB/2019/ 13322-27 Dated: 04/12/2019

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