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

No. F.DE.15(317) / PSB / 2021 / 209-213 **Dated:** 11/01/2022

ORDER

WHEREAS, every school is required to file a full 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 etc in terms of Rule 177(1) of the Delhi School Education Rules, 1973 (hereinafter read as '***the Rules***').

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 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 above, 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/ land owing agencies.

AND WHEREAS, accordingly, this Directorate vide order No. 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 proposals, if any, for prior sanction for increase in fee for the session 2018-19 and 2019-20.

AND WHEREAS, in pursuance to order dated 27.03.2019 of this Directorate, **Lawrence Public School (School Id 1618250), C-3 Block, Janakpuri, New Delhi – 110058** had submitted the proposal for fee increase for the academic session 2019-20. Accordingly, this order is dispensed off the proposal for enhancement of fee submitted by the said school for the academic session **2019-20**.

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, in the process of examination of fee hike proposal filed by the aforesaid School for the academic session 2019-20, necessary records and explanations were also called from the school through email. Further, the school was also provided an opportunity of being heard on 17.12.2019 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. During the aforesaid hearing, compliances against order no. DE.15(594)/PSB/2018/30342-30346 dated 11.12.2018 issued for academic session 2017-18 were also discussed and school submissions were taken on record.

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. The direction no. 2 included in the Public Notice dated 04.05.1997, "*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 30.10.1998 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 10.02.2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*"

   Based on the above public notice and Hon'ble High Court's 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 utilized for the same.

   The review of the audited financial statements of FY 2016-17, FY 2017-18 and FY 2018-19 revealed that the school spent INR 2,94,000 on the construction of building out of the school funds in FY 2017-18 without complying with the above-mentioned provisions. Also, the above capital expenditure was incurred by the school without complying with the requirements prescribed in Rule 177 of DSER, 1973.

   Accordingly, the amount spent by the school INR 2,94,000 has been added to the fund position of the school considering the same as funds available with the school, with the direction to the school to recover this amount from the Society within 30 days from the date of issue of this order.

   Further, the amount of INR 8,00,000 proposed by the school towards capital expenditure on the building has not been considered in the total expenditure while deriving the fund position of the school in light of the above-mentioned provisions.

2. The Director's in its order No. DE.15(594)/PSB/2018/30342-30346 dated 11.12.2018 issued post evaluation of proposal for enhancement of fee for FY 2017-18, observed that huge amount of INR 80,06,282 from FY 2013-14 to FY 2016-17 was paid to Manish Kumar and Sanjay kumar (both are the son of Trustee of the Society) on account of rent for the premises which is being used to operating Nursery and KG classes.

   The school submitted in its reply that nursery classes are not permitted to operate along with higher classes from the same premises and the higher classes I to XII are running in a small plot of D.D.A. i.e. 0.54 acre in the same block i.e. C-3 block of Janakpuri, New Delhi.

   The school's contention has already been squashed by the Directorate mentioning decision made by Hon'ble High Court of Delhi in the matter of Social Jurist vs Govt. of NCT of Delhi & ANR wherein it was concluded that "*We do not find any proper reason or rationale to keep Pre-school apart and segregated by those regular school where Pre-school facilities exist, and admission starts from that stage*". Hence, the school was directed to function all classes including Nursery and KG classes from DDA allotted land only.

However, the school is not in compliance with the above-mentioned directions and continuing operating KG class from the separate space and has been paying rent to Manish Kumar and Sanjay Kumar.

The review of the financial statements of FY 2017-18 and FY 2018-19 revealed that the school has paid rent in FY 2017-18 and FY 2018-19 as well and reported the same under 'Rent, rates and taxes' in the Financial statements. Also, the school has not provided bifurcation of expense head 'rent, rates and taxes' to segregate rent part from the expense head. In absence of such bifurcation and considering other expenses are negligible over past years. The total amount of rent paid in FY 2017018 and 2018-19 amounting to INR 24,37,352 and INR 22,69,635 respectively along with the amount recoverable of INR 80,06,282 is hereby added to the fund position of the school considering the same as funds are available with the school, with the direction to recover the total amount of INR 1,27,13,269 from the society within 30 days from the date of issue of this order. Further, the school is directed to discontinue separate rental space for Nursery and KG classes and stop making payment with immediate effect.

3. 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."*

And Para 7.14 of the AS-15 also defined Plan Assets as:

(a) Assets held by a long-term employee benefit fund; and
(b) Qualifying insurance policies.

Further, Para 60 of Guidance Note-21 'Accounting by Schools' issued by the Institute of Chartered Accountants of India states *"A defined benefit scheme is a scheme under which amounts to be paid as retirement benefits are determined usually by reference to employee's earnings and/or years of service".*

An appropriate charge to the income and expenditure account for a year should be made through a provision for the accruing liability. The accruing liability should be calculated according to actuarial valuation. However, if a school employs only a few persons, say less than twenty, it may calculate the accrued liability by reference to any other rational method. The ensuing amount of provision for liability should then be invested in *"plan assets"* as per AS-15 issued by ICAI.

The DoE in its order no. DE.15(594)/PSB/2018/30342-30346 dated 11.12.2018 issued post evaluation of proposal for fee enhancement for FY 2017-18, directed to school to get its liability for gratuity and leave encashment valued through an actuary and make equivalent investments in plan assets as per AS-15 issued by Institute of Chartered Accountants of India.

The documents submitted by the school post personal hearing were taken on record. From the review of the documents submitted by the school, it has been noted that school has not complied with the above-mentioned directions and has made provision for retirement benefits in accordance with the management estimate. Also, the school has not invested any amount in plan asset in accordance with the AS-15. As the school has not complied with none of the Directorate's directions. Therefore, no amount is allowed to the school while evaluating the fund position of the school. Accordingly, the whole provision for gratuity and leave encashment of INR 1,58,32,414 reported by the school in its audited financial statements for FY 2018-19 has been disallowed. As the school has sufficient funds therefore, the school is directed to get the retirement liability to be valued by the actuary and report the same in its financial statements and make equivalent investments in plan assets as per AS- 15 within 30 days from the date of issue of this order.

4. Clause 14 of Directorate's Order No. F.DE. / 15 (56)/ Act/2009/778 dated 11.02.2009 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.*"

From the review of the audited financial statements of FY 2016-17, FY 2017-18 and FY 2018-19, it has been noted that the school has not treated development fee as capital receipt and has also not opened a separate bank account/deposited funds in fixed deposit against the funds collected to ensure availability of funds for incurring capital expenditure on furniture, fixture and equipment. Also, the school had not maintained a depreciation reserve fund, equivalent to the depreciation charged in the revenue accounts. Both above compliances are necessary to comply as per clause 14 mentioned above failing which school may be directed to not charge development fee till it complies with the above requirements.

Hence, the school is directed to treat the development fee as capital receipt and maintain depreciation reserve fund equivalent to depreciation charged in the revenue account failing which the school shall not be allowed to charge development fee in subsequent financial years.

B. Other Discrepancies

1. Clause 19 of Order No. F.DE./15(56)/Act/2009/778 dated 11.02.2009 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 11.02.2009 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 charges, Science fee and computer fee 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 that 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 or deficit, based on breakup of expenditure provided by the school for FY 2016-17, FY 2017-18 and FY 2018-19 are given below:

(Figures in INR)

Particulars	Transportation Charges^	Science Fee	Computer Fee
For the year 2016-17			
Fee Collected during the year (A)	3,20,850	2,81,400	3,36,000
Expenses during the year (B)	6,91,018	0*	0*
1) Difference for the year (A-B)	**(3,70,168)**	**2,81,400**	**3,36,000**
For the year 2017-18			
Fee Collected during the year (A)	2,91,650	2,96,100	13,10,950
Expenses during the year (B)	6,91,920	0*	0*
2) Difference for the year (A-B)	**(4,00,270)**	**2,96,100**	**13,10,950**
For the year 2018-19			

Particulars	Transportation Charges^	Science Fee	Computer Fee
Fee Collected during the year (A)	48,000	2,75,100	10,19,300
Expenses during the year (B)	4,10,254	0*	0*
3) Difference for the year (A-B)	**(3,62,254)**	**2,75,100**	**10,19,300**
Total=1+2+3	**(11,32,692)**	**8,52,600**	**26,66,250**

^ The school has not apportioned salary paid to drivers 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.

* School has not provided details of expenses incurred against such earmarked levies.

Based on aforementioned order, 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 charging of unwarranted fee or charging of any other amount/fee under different heads other than prescribed and accumulation of surplus fund thereof prima-facie is considered as collection of capitation fee in other manner and form. Thus, based on details provided by the school in relation to expenses incurred against such earmarked levies, the school should not incur the expenses relating to these levies from tuition fee and/or annual charges and vice versa as applicable, collected from the students.

Since, the school is not following fund base accounting in accordance with the provision cited above. The total fee (including earmarked fee) has been included in income and expenditure and have been considered in calculation of fund availability with the school and school is 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 utilised 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 structure for earmarked levies during the 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.

2. 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."* Further, Para 102 of the abovementioned Guidance Note states *"In respect of funds, schools should disclose the following in the schedules/notes to accounts:*

a) *In respect of each major fund, opening balance, additions during the period, deductions/utilization during the period and balance at the end;)*
b) *Assets, such as investments, and liabilities belonging to each fund separately*
c) *Restrictions, if any, on the utilization of each fund balanced)*
d) *Restrictions, if any, on the utilization of specific assets."*

As per para 67 of the Guidance Note on Accounting by Schools issued by Chartered Accountants of India, *"The financial statements should disclose, inter alia, the historical cost of fixed assets."*

On review of financial statements for FY 2016-17, FY 2017-18 and FY 2018-19, it has been noted that school has not opened a separate bank account/deposited funds in fixed deposit against the funds collected to ensure availability of funds for incurring capital expenditure on furniture, fixture and equipment.

Further, school has reported assets at written down value instead of showing it on historical cost. In addition to that, the school has also not maintained development fund utilization fund and had not credited deferred income in income & Expenditure account to the extent of the cost of the asset in proportion to the depreciation charged every year as required under para 99 of guidance note mentioned above.

Hence, the school is directed to maintain development fund utilization fund by crediting deferred income in income & expenditure account to the extent of the cost of the asset in proportion to the depreciation charged every year and make necessary rectification entries relating to development fund, fixed assets and depreciation reserve to comply with the accounting treatment indicated in the Guidance Note. Further, the school should present the fixed assets at historical cost in the financial statements.

3. As per Order no. DE.15(594)/PSB/2018/30342-30346 dated 11.12.2018 issued to the school post evaluation of proposal for enhancement of fee for FY 2017-18, the fixed asset register prepared by the school had incomplete details and did not include details such as location of assets, asset identification number, depreciation amount, name of person to whom a movable asset is assigned etc. The school was thus directed to update its Fixed Assets Register with the details as mentioned above.

On review of submission of documents made by the school at the time of personal hearing, it has been noted that school has not submitted updated Fixed Asset Register (FAR) along with its submission. An ideal Fixed asset register should include details such as supplier name, invoice number, manufacturer's serial number, location, purchase cost, other costs incurred, depreciation, identification number, etc. to facilitate identification of asset and documenting complete details of assets at one place.

Hence, the school is again directed to prepare, update and submit the FAR with relevant details mentioned above according to the process for periodic physical verification of assets and document the results of physical verification of assets. This being a procedural finding, no financial impact is warranted in the fund position of the school.

4. Direction no. 3 of the public notice dated 04.05.1997 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 11.02.2009 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.*"

Clause 3 and 4 of Order No. DE/15/150/Act/2010/4854-69 dated 09.09.2010 stated *In case of those ex-students who have not been refunded the Caution money/Security deposit, the schools shall inform them (students) at their last shown address in writing to collect the said amount within thirty days. After the expiry of thirty days, the un-refunded Caution Money belonging to the ex-students shall be reflected as income for the next financial year & it shall not be shown as liability. Further, this income shall also be taken into account while projecting fee structure for ensuing Academic year".*

On review of documents submitted post personal hearing, it has been noted that school has not refunded interest along with refund of caution money to the students at the time of their exit from the school. Also, a separate bank account/Fixed deposit has not been maintained for remaining caution money deposit with the school in a scheduled bank.

Accordingly, the amount to be refunded to students as per audited financial statements as on 31.03.2019 of INR 4,56,705 has been considered while deriving the fund position of the school and the school is directed to ensure compliance with the aforementioned directions by maintaining a separate bank account for such deposit including refund of interest along with caution money to exiting students and to treat unrefunded caution money belonging to ex-students as income in the next financial year as per provisions of orders mentioned above.

5. Para 58(i) of the Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India states "*A school should charge depreciation according to the written down value method at rates recommended in Appendix I to the Guidance Note.*".

On review of audited financial statements for FY 2018-19, it has been noted that the school has not been charging depreciation as per Guidance Note 21 issued by the Institute of Chartered Accountants of India and is still following the rates mentioned under Income Tax Act, 1961. The school is directed to ensure compliance in this regard as the same will be verified at the time of evaluation of fee hike proposal of subsequent academic session. This being a procedural finding, no financial impact is warranted in the fund position of the school.

6. As per Directorate's Order No. DE.15(594)/PSB/2018/30342-30346 dated 11.12.2018 issued against proposal for fee hike for Academic session 2017-18, It was noted that the

school has not taken any measures to define its procurement process and has continued to award contracts on discretionary basis to old suppliers/contractors without inviting quotations/bids from other parties. Hence, the school was directed to strengthen its procurement mechanism and to at least obtain quotations when the existing vendors request for increase in rates to validate market prices for the same.

On review of submission/explanation made by the school at the time of personal hearing, school explained that it will comply with the directions made by the Directorate in subsequent years by implementing proper internal control system in relation to procurement of goods and services to ensure that contracts are awarded on Arm's length and competitive price.

Hence, the school is directed to comply with such directions as mentioned in order above as the same will be verified at the time of evaluation of fee hike proposal for subsequent years. This being a procedural finding, no financial impact is warranted in the fund position of the school.

7. As per Directorate's order no. DE.15(594)/PSB/2018/30342-30346 dated 11.12.2018 issued for academic session 2017-18, it was noted that the school was not charging any consideration from the rented book-shop and dress/uniform shop. The school informed no such space has been provided to such vendors. Accordingly, DDE district was directed to inspect the premises and relevant records and submit its report within 30 days from the date of this order.

   On review of submission made at the time of personal hearing, it has been noted that no documents proving such space has not been provided by the school to the vendors is submitted by the school, the school is again directed to provide complete details of such space not being provided to such vendors as the compliance shall be verified at the time of examination of fee proposal for next financial year.

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 2019-20 amounting to INR **10,60,11,464** out of which cash outflow in the year 2019-20 is estimated to be INR **3,80,10,000**. This results in net surplus of INR **6,80,01,464**. The details are as follows:

Particulars	Amount (in INR)
Cash and Bank balances as on 31.03.19 as per the audited Financial Statements	41,31,983
Investments (Fixed Deposits) as on 31.03.19 as per the audited Financial Statements	5,15,14,379
Liquid funds as on 31.03.19	**5,56,46,362**
Add: Recovery from the society for amount spent on construction of building in contravention of Rule 177 of DSER, 1973 **(Refer Financial Discrepancies no 1)**	2,94,000
Add: Recovery of rent paid to related parties **(Refer Financial Discrepancies observation no 2)**	1,27,13,269

Particulars	Amount (in INR)
Fees for 2018-19 as per the audited Financial Statements **(Refer Note 1)**	3,52,47,649
Other income for 2018-19 as per the audited Financial Statements **(Refer Note 1)**	34,94,871
Total Available funds for FY 2019-20	**10,73,96,151**
Less: Caution Money as on 31.03.2019 (as per audited financial statements of FY 2018-19) **(Refer Other Discrepancies no 4)**	4,56,705
Less: Staff Retirement benefits **(Refer Financial Discrepancies no 3)**	-
Less: Fixed Deposits in the joint name of DDE and Manger, School as on 31.03.2019 (as per School's submission)	9,27,982
Less: Salary Reserve Fund **(Refer Note 2)**	-
Estimated Available funds for FY 2019-20	**10,60,11,464**
Less: Budgeted expenses for the session 2019-20 (Revenue Expenditure + Capital Expenditure - Depreciation) **(Refer Note 3 and 4)**	3,80,10,000
Estimated Surplus	**6,80,01,464**

Note 1: Fee and income as per audited financial statements of FY 2019-20 has been considering the assumption that fee received in FY 2018-19 will at least accrue in FY 2019-20.

Note 2: Clause 10 of Form-II, of Right of Children to Free and Compulsory Education Act 2009, the schools are required to maintain liquidity equivalent to 3 months' salary and this amount should be invested in the joint name of Dy. Director (Education) and manager of the school. Generally, it is done in the form of FDR in any scheduled bank.

The audited financial statements of the school for FY 2018-19 revealed that the school has created a provision of INR 84,66,824 towards salary reserve without earmarking any investment in the joint name of the Dy. Director and Manager of the school. As the school has not earmarked investments in the joint name of the Dy. Director and Manager of the school, the salary reserve fund has not been considered while deriving the fund position of the school. Since the school is having sufficient fund. Therefore, the school is directed to invest in accordance with the provisions of clause 10 of Form-II mentioned above and submit the compliance report within 30 days from the date of issue of this order.

Note 3: The school has proposed INR 8,00,000 for construction of building which has not been considered while deriving the fund position of the school because the school is not allowed to incur capital expenditure on construction of building as per public notice no. 2 dated 4.5.1997 and Rule 177 of DSER, 1973.

Note 4: As per financial observation no. 3, the school has not invested any amount in plan assets within the meaning of AS-15 for gratuity and leave encashment. Accordingly, the amount proposed by the school for gratuity and leave encashment INR 3,60,000 has been excluded from the budgeted expenditure.

Note 5: The Directorate vide Order No. DE.15 (318)/PDB/2016/18117, dated 25.08.2017, the Managing Committee of all the private unaided recognized schools were directed to implement the Central Civil Revised Pay Rules 2016 in respect of the regular employees of the corresponding status in their schools with effect from 01.01.2016 as adopted by the Government of NCT of Delhi vide its circulars No. 30-3(17)/(12)/VII Pay Comm./Coord./2016/110006-11016 dated 19.08.2016 and No. 30-3(17)/(12)/VII Pay Comm./Coord./2016/12659-12689 dated 14.10.2016. Further, vide order No. F.DE.15/(318)/PSB/2019/11925-30 dated 09.10.2019, the managing committee of all Private Unaided Schools once again directed to implement the recommendation of 7th CPC with effect 01.01.2016 within 15 days from the date of issue of aforesaid order.

Further, section 10 of DSEA states "*the scales of pay and allowances, medical facilities, mention, gratuity, provident fund and other prescribed benefits of the employees of recognized private school shall not be less than those of the employees of the corresponding status in school run by the appropriate authority*". Therefore, employees of all the private unaided recognized schools are entitled to get the revised pay commission. This legal position has been settled by the Hon'ble High Court long back at the in the matter of WPC 160/2017; titled as Lata Rana Versus DAV Public School & Ors vide order dated 06.09.2018 for implementation of sixth pay commission recommendations.

The school has not provided any details with respect to implementation of 7th CPC and arrears salary payable on account of implementation of 7th CPC. However, from the review of the record submitted by the school it appears that the school has not yet implemented the recommendation of the 7th CPC therefore, the school is directed to implement the recommendation of the 7th CPC and submit the compliance thereof within 30 days from the date of issue of this order.

ii. The School has sufficient funds to carry on the operation of the School for the academic session 2019-20 on the existing fees structure. In this regard, Directorate of Education has already issued directions to the Schools vide order dated 16.04.2010 that,

> "*All schools must, first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase.*"

AND WHEREAS, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that along with certain financial and other irregularities, that the sufficient funds are available with the school to carry out its operations for the academic session 2019-20. Accordingly, the fee increase proposal of the school may be rejected.

AND WHEREAS, the act of the school of charging unwarranted fee or any other amount/fee under head other than the prescribed head of fee and accumulation of surplus fund thereof tantamount to profiteering and commercialization of education as well as charging of capitation fee in other form.

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 has been directed to ensure compliance with Accounting Standard 15 including measurement of its liability towards retirement benefits of the staff by a qualified actuary and making the investment against the liability so determined in the mode specified under the said Accounting Standard.

AND WHEREAS, recommendation of the team of Chartered Accountants along with relevant materials were put before the Director of Education for consideration and who after considering all the material on the record, and after considering the provisions of section 17(3), 18(5), 24(1) of the DSEA, 1973 read with Rules 172, 173, 175 and 177 of the DSER, 1973 has found that the school has sufficient funds for meeting financial implication for the academic session 2019-20. Therefore, Director (Education) has rejected the proposal submitted by the school to increase the fee for the academic session 2019-20.

Accordingly, it is hereby conveyed that the proposal for enhancement of fee for session 2019-20 of **Lawrence Public School (School Id 1618250), C-3 Block, Janakpuri, New Delhi – 110058** 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 in pursuance to the proposal submitted by school on any account for the academic session 2019-20 and if the fee is already increased and charged for the academic session 2019-20, the same shall be refunded to the parents or adjusted in the fee of subsequent months.

2. To communicate the parents through its website, notice board and circular about rejection of fee increase proposal of the school by the Directorate of Education.

3. To rectify all the financial and other irregularities/violations as listed above and submit the compliance report within 30 days to the D.D.E (PSB).

4. To ensure that the salaries and allowances shall come out from the fees whereas capital expenditure will be a charge on the savings in accordance with the principles laid down by Hon'ble Supreme Court of India in its Judgment of Modern School vs Union of India. Therefore, school not to include capital expenditure as a component of fee structure to be submitted by the school under section 17(3) of DSEA, 1973.

5. To utilise the fee collected from students in accordance with the provisions of Rule 177 of the DSER, 1973 and orders and directions issued by this Directorate from time to time.

6. In case of submission of any proposal for increase in fee for the next academic session, the compliance of the above listed financial and other irregularities/violations will also be attached.

Non-compliance of this order or any direction herein shall be viewed seriously and will be dealt with 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 Pal Singh)
Deputy Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi

To:
The Manager/ HoS
Lawrence Public School (School ID-1618250)
C-3 Block, Janakpuri
New Delhi – 110058

No. F.DE.15(317) / PSB / 2021 / 209 - 213 **Dated:** 11/01/2022

Copy to:

1. P.S. to Principal Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. DDE (West -B) ensure the compliance of the above order by the school management.
4. In-charge (I.T Cell) with the request to upload on the website of this Directorate
5. Guard file.

(Yogesh Pal Singh)
Deputy Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi