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

No. F.DE.15(785)/PSB/2022/ 4939-4943 Dated: 23/06/22

ORDER

WHEREAS, **Maxfort School (School ID-1411253), Parwana Road, Pitampura, Delhi - 110034** (hereinafter referred to as "School"), run by the The Tandon Educational Society (hereinafter referred to as the "Society"), is a private unaided school recognized by the Directorate of Education, Govt. of NCT of Delhi (hereinafter referred to as "DoE"), under the provisions of Delhi School Education Act & Rules, 1973 (hereinafter referred to as "DSEAR, 1973"). The School is statutorily bound to comply with the provisions of the DSEAR, 1973 and RTE Act, 2009, as well as the directions/guidelines issued by the DoE from time to time.

AND 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 DSEAR, 1973 with the Directorate. Such statement is required to indicate estimated income of the school to be derived from fees, estimated current operational expenses towards salaries and allowances payable to employees etc. in terms of rule 177(1) of the DSEAR, 1973.

AND WHEREAS, as per section 18(5) of the DSEAR, 1973 read with sections 17(3), 24 (1) and rule 180 (3) of the above DSEAR, 1973, responsibility has been conferred upon to the DoE to examine the audited financial statements, books of accounts and other records maintained by the school at least once in each financial year. Sections 18(5) and 24(1) and rule 180 (3) of DSEAR, 1973 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 authorized 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 held in Civil Appeal No. 2699 of 2001 titled Modern School Vs. Union of India and others has conclusively decided that under sections 17(3), 18(4) read along with rules 172, 173, 175 and 177, the DoE has the authority to regulate the fee and other charges, with the objective of preventing profiteering and commercialization of education.

AND WHEREAS, it was also directed by the Hon'ble Supreme Court, that the DoE in the aforesaid matter titled Modern School Vs. Union of India and Others in paras 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 DoE to ensure compliance of terms, if any, in the letter of allotment regarding the increase of the fee by recognized unaided schools to whom land has been allotted by DDA/ other land-owning agencies.

AND WHEREAS, accordingly, the DoE vide order No. F.DE.15 (40)/PSB/2019/2698-2707 dated 27.03.2019, directing all the private unaided recognized schools, running on the land allotted by DDA/other land-owning agencies on concessional rates or otherwise, with the condition to seek prior approval of DoE for increase in fee, to submit their proposals, if any, for prior sanction, for increase in fee for the session 2018-19 & 2019-20.

AND WHEREAS, in pursuance to Order dated 27.03.2019 of the DoE, the School submitted its proposal for enhancement of fee for the academic session 2019-20. Accordingly, this Order dispenses the proposal for enhancement of fee submitted by the School for the academic session 2019-20.

AND WHEREAS, in order to examine the proposals submitted by the schools for fee increase for justifiability or not, the DoE 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 DSEAR, 1973, and other Orders/ Circulars issued from time to time by the DoE.

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, school was also provided an opportunity of being heard on 24 Feb 2020 at 12:30 PM to present its justifications/ clarifications on fee increase proposal including audited financial statements. Based on discussions, the School was further asked to submit necessary documents and clarification on various issues were noted.

AND WHEREAS, the response of the school along with documents uploaded on the web portal for fee increase, and subsequent documents submitted by the school, were evaluated by the team of Chartered Accountants, the key findings noted are as under:

A. Financial Observations

1. Direction no. 2 included in the Public Notice dated 4 May 1997 states, "*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 except in compliance with Rule 177 of DSER, 1973.

   Directorate's order No. F.DE.15(176)/PSB/2019/1070-1074 dated 14 Mar 2019 issued to the school post evaluation of fee hike proposal for FY 2017-2018 noted that the society had taken a loan from Central Bank of India amounting to INR 4,30,00,000 for construction of school building. However, outstanding loan balance of INR 2,27,60,335 was reflecting in the name of society in the financial statements of the school for FY 2014-2015. Further, the school has taken another loan amounting to INR 1,40,00,000 from Kotak Mahindra Bank in order to square off the previous loan taken by the society.

   The audited financial statements of the school for FY 2014-2015 to FY 2016-2017 revealed that the school had paid loan principal amount totalling to INR 2,74,31,186 along with interest on loan of INR 1,25,46,145. These amounts were paid from the school funds without complying with the requirements of Rule 177 and thus were liable to be recovered from the Society.

   Further, from the audited financial statement for FY 2017-2018 and FY 2018-2019, it was noted that the school had continued to make the payment of principal and interest on secured loan taken by the school for construction of building. Against the building loan taken from the Bank, it has repaid the principal amount and interest to bank from school funds during FY 2014-2015 to FY 2018-2019 as under:

Financial year	Principal (INR)	Interest (INR)
2014-2015	55,86,368	61,55,097
2015-2016	35,96,021	36,33,424
2016-2017	1,82,48,798	27,57,624
2017-2018	51,01,000	17,79,922
2018-2019	88,99,000	19,42,051

Total	**4,14,31,187**	**1,62,68,118**

Based on the fact that the school did not implement the recommendations of 7th CPC till date and did not make any investment in group gratuity scheme and group leave encashment scheme of LIC or other insurer for securing staff gratuity and leave encashment till date, the school did not comply with the requirements of Rule 177 (1) i.e. "*Income derived by an unaided utilized school by way of fees shall be utilized in the first instance, for meeting the pay, allowances, and other benefits admissible to the employees of the school*".

Since the school has not recovered any amount from the society till date, the amount of principal and interest/financial expenses thereon in relation to term loan availed for construction of the school building totalling to INR 5,76,99,305 (principal of INR 4,14,31,187 and interest of INR 1,62,68,118) during FY 2014-2015 to FY 2018-2019 paid out of school fund is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the Society within 30 days from the date of this order. The school is further directed not to incur capital expenditure on building from school funds without ensuring compliance of Rule 177.

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 except in compliance with Rule 177 of DSER, 1973.

   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, 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 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.*"

   Directorate's order no F.DE.15 (176)/PSB/2019/1070-1074 dated 14 Mar 2019 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 noted that the school had utilised development fees for construction of school building, swimming pool and tennis court totalling to INR 48,91,160 and INR 47,30,422 for renovation of school building and other assets during FY 2014-2015 to FY 2016-2017. Therefore, the school was directed to recover the amount of INR

48,91,160 from the society and the school is also directed to make adjustment in the development fund account and general fund with amount of development fee mis-utilised.

Based on the aforementioned order, development fund can be utilised only towards purchase, upgradation and replacement of furniture, fixture and equipment, which was also upheld by the Hon'ble Supreme Court in its 2004 judgement in the case of Modern School Vs Union of India and Others. Based on the presentation made in the financial statements of the school for FY 2017-2018, it was noted that the school has continued to utilize development fund for addition to the school building amounted to INR 4,74,600.

The expenditure on addition to the school building, being an expense of developmental nature is covered under Rule 177 of DSER, 1973. However, the school incurred the same without ensuring compliance with the requirements of Rule 177. Based on the fact that the school did not implement the recommendations of 7th CPC till date and did not make any investment in group gratuity scheme and group leave encashment scheme of LIC or other insurer for securing staff gratuity and leave encashment till date, the school did not comply with the requirements of Rule 177 (1) i.e. "*Income derived by an unaided utilized school by way of fees shall be utilized in the first instance, for meeting the pay, allowances, and other benefits admissible to the employees of the school*".

Since the school has not recovered any amount from the Society till date, the above mentioned expenditure on building totalling to INR 53,65,760 (INR 48,91,160 plus INR 4,74,600) pertaining to FY 2015-2016 to FY 2017-2018 is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the society within 30 days from the date of this order. Further, the school is directed to follow DOE instruction regarding development fund and ensure that development fund is utilised only towards purchase of furniture, fixture and equipment. Also, the school is directed not to incur expenditure of developmental nature on building from school funds without ensuring compliance of Rule 177.

3. Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/883-1982 dated 10 Feb 2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure..... capital expenditure/investments have to come from savings.*"

Also, the Hon'ble Supreme Court through its 2004 judgement in the case of Modern School Vs Union of India and Others mentioned "*Rule 177(1) shows that salaries, allowances and benefits to the employees shall constitute deduction from the income in the first instance. That after such deduction, surplus if any, shall be appropriated towards, pension, gratuity, reserves and other items of appropriations enumerated in rule 177(2) and after such appropriation the balance (savings) shall be utilized to meet capital expenditure of the same school or to set up another school under the same management.*"

The school was directed by the directorate through its order no F.DE.15 (176)/PSB/2019/ 1070-1074 dated 14 Mar 2019 issued to the school post evaluation of the proposal for enhancement of fee for FY

2017-2018 to recover the principal and interest paid on secured loan taken to purchase the luxury car totalling to INR 4,19,894 by the school during FY 2014-2015 to FY 2016-2017.

Since the school has not recovered any amount from the Society till date, the principal and interest paid on car loan amounting to INR 4,19,894 is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the society within 30 days from the date of this order. The school is further directed not to incur capital expenditure on building from school funds without ensuring savings in accordance with Rule 177.

4. 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..... capital expenditure/investments have to come from savings.*"

Directorate's Order No. F.DE.15 (176)/PSB/2019/1070-1074 dated 14 Mar 2019 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 noted that the school had taken loan for purchase of vehicles (bus for transport service) and has been repaying the secured loan taken towards purchase of buses to the bank in instalments. The school was directed to recover the principal repayment and interest paid on vehicles loan totalling to INR 1,31,21,778 (INR 1,08,42,854 towards principal repayment and INR 22,78,924 towards interest on vehicles loan) by the school during FY 2014-2015 to 2016-2017 from the society.

Further, from the financial statements of FY 2017-2018, it was noted that the school has again purchased two vehicles amounting to INR 53,50,000 (INR 26,75,000 each) for which loans totalling to INR 50,82,000 were taken from HDFC Bank and balance of INR 2,68,000 (INR 53,50,000 less INR 50,82,000) was paid from school funds.

While the school is not following fund based accounting and has not created fund account against transport service provided to students by the school, the income and expense towards transport service from the financial statements of the school for FY 2014-2015 to FY 2018-2019 were evaluated and it was noted that school had generated surplus from transport facility, but such surplus was not adequate to cover the whole cost of vehicle purchased along with interest and loan repayment on vehicles engaged in providing the transport service to students. Based on details provided by the school, calculation of deficit is enclosed below:

Particulars	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018	FY 2018-2019	Total
Income						
Transport Fees (A)	1,19,23,136	1,19,19,250	1,20,12,624	1,11,33,923	1,02,05,661	5,71,94,594
Expenses						
Transport Expenses	64,23,942	46,15,258	65,72,872	76,76,812	65,98,297	3,18,87,181
Vehicle Maintenance	39,48,417	43,55,853	40,25,615	30,48,546	26,37,663	1,80,16,094

Particulars	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018	FY 2018-2019	Total
Insurance	11,94,097	4,30,206	6,90,579	6,79,636	6,74,944	36,69,462
Total Expenses (B)	**1,15,66,456**	**94,01,317**	**1,12,89,066**	**1,14,04,994**	**99,10,904**	**5,35,72,737**
Surplus (C)=(A-B)	**3,56,680**	**25,17,933**	**7,23,558**	**(2,71,071)**	**2,94,757**	**36,21,857**
Principal Loan Repayment (D)	42,15,753	42,54,533	23,72,568	32,27,342	11,88,835	1,52,59,031
Interest on vehicle Loan (E)	11,76,327	7,22,965	3,79,632	4,21,187	3,09,005	30,09,116
Down payment for new vehicle (F)	-	-	-	2,68,000	-	2,68,000
Net Deficit after adjusting loan and interest payment (G)=(C-D-E-F)	**(50,35,400)**	**(24,59,565)**	**(20,28,642)**	**(41,87,600)**	**(12,03,082)**	**(1,49,14,290)**

The school explained that the buses were purchased to meet the transport needs of the students, which was required for effective operation of the school. However, the school did not provide any relevant explanation for not being able to recover the instalments of vehicles resulting in operation of the transport facility at deficit.

Thus, it has been observed that the school has continued to purchase buses for provision of transport facility despite there being deficit from operation of transport facility and has submitted proposal for increase of fee from students that translates to constituting capital expenditure as component of the fee structure of school and hence non-compliance. Earmarked levies in the form of transport fee are to be charged on no-profit no-loss basis and the school was not able to recover the cost of buses from the transport fee collected from students indicating that the school has shifted the burden of capital cost of buses to all the students of the school, who are not even availing the transport service. The principal amount and interest paid on the bus loans, being additional burden met out of school funds (fee collected from students), should not have been paid from school funds.

Since the school did not recover any amount from the Society till date, the amount of capital expenditure on vehicles, principal and interest/financial expenses thereon in relation to transport facility net-off revenue surplus totalling to INR 1,49,14,290 paid out of school fund is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the Society within 30 days from the date of this order. The school is also directed to ensure that transport vehicles are procured only from the transport fund and not from school funds unless savings are derived in accordance with Rule 177.

Based on above, the budgeted interest expense on vehicle loan of INR 2,78,000 during FY 2019-2020 has not been considered as part of the Budgeted Expenses for FY 2019-2020 while deriving the fund position of the school (enclosed in the later part of this order).

5. Para 7.14 of Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "*Plan assets comprise:*
   a) assets held by a long-term employee benefit fund; and
   b) *qualifying insurance policies.*"

The school submitted a copy actuarial valuation report obtained by it for measurement of its obligation towards gratuity and leave encashment for FY 2018-2019, on review of actuarial valuation report it was noticed that the school has under recorded its liability towards gratuity and leave encashment in its financial statements as determined by the actuary. Thus, resulting in under-provisioning of gratuity and leave encashment as under:

Particulars	Gratuity (In INR)	Leave Encashment (In INR)
Liability determined by actuary as on 31 Mar 2019 (A)	1,06,25,237	48,42,565
Provision as on 31 Mar 2019 (as per financial statements for FY 2018-2019) (B)	86,17,499	37,91,209
Under Provisioning of liability as on 31 Mar 2019 (A-B)	**20,07,738**	**10,51,356**

Further, the school has not made any investment in 'plan-assets' such as group gratuity scheme and group leave encashment scheme of LIC/ other insurers till date to secure the statutory liability towards staff retirement benefits.

Since the school has not started implementation of recommendations of 7th CPC till date and the school has not yet created investments equivalent to its liability towards staff retirement benefits in previous years, 50% of the amounts determined by the actuary as on 31 Mar2019 towards gratuity and leave encashment of INR 53,12,619 (i.e. 50% of INR 1,06,25,237) and INR 24,21,283 (i.e. 50% of INR 48,42,565) respectively have been considered while deriving the fund position of the school (enclosed in the later part of this order) for FY 2019-2020 with the direction to the school to deposit these amounts in group gratuity scheme and group leave encashment scheme of LIC/ other insurers within 30 days from the date of this order to protect statutory liabilities towards staff. Further, the school should keep on depositing amounts in plan-assets in subsequent years to ensure that the value of the investments matches with the liability towards retirement benefits determined by the actuary.

Accordingly, since the 50% of the liability determined by the actuary towards staff gratuity and leave encashment has been adjusted, the additional amounts budgeted by the school towards provisions for gratuity and leave encashment have not been considered as part of the Budgeted Expenses for FY 2019-2020 while deriving the fund position of the school (enclosed in the later part of this order).

6. As per the land allotment letter issued by the Delhi Development Authority to the Society in respect of the land allotted for the school states "*The school shall not increase the rates of tuition fee without the prior sanction of the Directorate of Education Delhi Admin. And shall follow the provisions of Delhi School Education Act/Rules, 1973 and the instructions issued from time to time*".

   Directorate's Order No. F.DE-15/ACT-I/WPC-4109/Part/13/7914-7923 dated 16 Apr 2016 in relation to submission of fee hike proposal for FY 2016-2017 by private unaided schools directed "*In case, no proposal is submitted by the school in terms of this order, the school shall not increase the tuition fee/fee and any increased fee already charged shall be refunded/ adjusted by such schools.*"

   Directorate's Order No. F.DE-15(176)/PSB-2019/1074-1079 dated 14 Apr 2019 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 noted that during FY 2016-2017 the school had increased tuition fee and smart board charges without obtaining prior approval of from Directorate of Education. Since the school increased the fee without even submitting the fee hike proposal to the Directorate for the FY 2016-2017, it is non-compliance of the aforementioned requirements. Details of fee increase made by the school during FY 2016-2017 for classes I to VIII is as under:

Fee Head	FY 2015-2016 (INR)	FY 2016-2017 (INR)	% increase
Tuition fee	5,060	6,118	21
Annual fee	9,900	11,990	21
Development fee	9,100	11,000	21
Activity fee	660	792	20

   Further, the school has continued to collect the increased fee in subsequent financial years without approval of the Directorate. Accordingly, the school is hereby directed to calculate the excess fee collected from students from FY 2016-2017 to date and immediately refund/adjust the excess fee collected and submit the evidence of refund/adjustment to the Directorate within 30 days from the date of this order. Further, the school is directed not to increase fee/charge of any class without approval from the Directorate.

B. Other Observations

1. As per Order No. F.DE-15/ACT-I/WPC-4109/PART/13/7905-7913 dated 16 Apr 2016, "*The Director hereby specify that the format of the return and documents to be submitted by schools under rule 180 read with Appendix –II of Delhi School Education Rules, 1973 shall be as per format specified by the Institute of Chartered Accountants of India, established under Chartered Accountants Act, 1949 (38 of 1949) in Guidance Note on Accounting by Schools (2005) or as amended from time to time by this Institute.*"

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

Further, para 58(i) of the Guidance Note states *"A school should charge depreciation according to the written down value method at rates recommended in Appendix I to the Guidance Note."*

Directorate's Order no. F.DE.15(176)/PSB/2019/1070-1074 dated 14 Mar 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school was reporting fixed assets (other than those purchased from development fund) at written down value, which is not in accordance with the disclosure requirements included in the guidance note citied above.

Basis the presentation made in the financial statements for FY 2018-2019 submitted by the school, it was noted that though the fixed assets schedules (relating to both the assets procured from development fund and from general fund) annexed to the financial statements included opening block, additions, deletions, closing block of fixed assets, opening depreciation reserve, depreciation during the year, adjustment (if any), closing balance of depreciation reserve and net (WDV) opening and closing block of fixed assets, on the face of the Balance Sheet, the school reported Fixed Assets (other than those purchased from development fund) at written down value, which is not in accordance with the disclosure requirements included in the guidance note citied above.

Further, the fixed assets schedule relating to assets procured from development fund annexed to the financial statements indicated building and vehicle. Development fund can be utilised only towards purchase, upgradation and replacement of furniture, fixture and equipment, which was also upheld by the Hon'ble Supreme Court in its 2004 judgement in the case of Modern School Vs Union of India and Others. Thus, this was an incorrect reporting by the school in its fixed assets schedule.

Further, from the financial statements of the school, it was also noted that the school did not charge depreciation at the rates specified in Appendix I to the Guidance Note, which was a contravention of the directions issued by this Directorate.

Accordingly, the school is directed to disclose all fixed assets at gross (historic) value on the face of Balance Sheet on the assets side and accumulated depreciation as depreciation reserve on the liability side of the Balance Sheet. Further, the school is directed to make necessary adjustments in its fixed assets schedule in respect of building and vehicle. The school is further directed to follow rates of depreciation specified in the Guidance Note.

Compliance of the same shall be validated during evaluation of subsequent fee increase proposal as may be submitted by the school. The above being a presentation/ disclosure finding, no financial impact is warranted for deriving the fund position of the school.

2. Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 which 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."

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.*"

Based on the presentation made in the financial statements of the school for FY 2017-2018 and FY 2018-2019 submitted by the school, it was noted that while the school transferred an amount equivalent to the purchase cost of the fixed assets purchased from development fund to "Fund Utilised Against Fixed Assets" account. However, the school did not transfer an amount equivalent to the depreciation on fixed assets from the "Fund Utilised Against Fixed Assets" to the Income and Expenditure Account as income, which is required as per the accounting treatment indicated in the guidance note cited above. Thus, the school has not done the accounting and reporting of development fund utilized in accordance with the requirements of Para 99 of Guidance Note 21.

Further, from the financial statements submitted by the school, it was noted that the school was not crediting interest earned on the development fund bank account and fixed deposit to development fund, instead the school treated interest income as revenue receipt. Thus, the school did not comply with the condition indicated in clause 14 cited above.

Further, on review of financial statements for FY 2018-2019 submitted by the school, it was noted that the school has not reported depreciation reserve as on 31 Mar 2019 equivalent to the amount of accumulated depreciation reported in the fixed assets schedule relating to assets procured from development fund annexed to the financial statements for FY 2018-2019. Accordingly, the same require necessary rectification.

The school is directed to transfer an amount equivalent to the depreciation from "Fund Utilised Against Fixed Assets" account to Income and Expenditure Account as income to comply with the accounting and disclosure requirements of the guidance note. The school is also directed to ensure compliance with Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 by transferring income earned on investments to development fund account. Also, the school must ensure that the depreciation reserve reported on the face of the Balance Sheet matches with the closing balance of accumulated depreciation indicated in the fixed assets schedule.

3. 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.*"

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.*"

From the submissions of the school, it was noted that the school is not paying interest along with caution money refund to students.

Therefore, the school is directed to ensure compliance with the aforementioned directions including refund of caution money along with interest to existing students.

4. During examination of the financial statements, budget estimate and other documents submitted by the school it was noted that the school has reported high expenses towards housekeeping and security charges. The school submitted a contract with an entity – Spic n Span and sample of invoices in support of the expenses. Details noted from one of the invoice in relation to the expense incurred by the school is as follows:

Staff Type	**Monthly Rate excluding Agency Charges (INR)**	**No. of days**
Maids	16,000	483
Housekeeping Boys	16,000	216
Carpenter	21,000	62
Plumber	21,000	62
Electrician	24,000	61
Facility Manager	39,000	59
Building Maintenance Supervisor	28,000	62
Office Boy	25,000	81
Parking Attendant	19,000	124
Housekeeping Supervisor	28,000	85
Maid Supervisor	28,000	31
Total Man-days (in 1 month)		**1,326**

Based on the total number of students (less than 1,500) and its staff (less than 50), it seems that the school has hired excessive staff for housekeeping and security.

The school should make a detailed assessment of the requirement of housekeeping and security staff in correlation with the number of students/staff and rationalise the expense being incurred on the same. The detailed assessment with justification of the school would be examined at the time of evaluation of subsequent fee increase proposal.

5. As per the land allotment letter issued by the Delhi Development Authority to the Society in respect of the land allotted for the school, it shall ensure that percentage of freeship from the tuition fees, as laid down under rules by the Delhi Admn. from time to time, is strictly complied. The school shall ensure admission to the students belonging to weaker sections to the extent of 25% and grant freeship to them.

From the breakup of students provided by the school, it had admitted students under Economically Weaker Section (EWS) Category as under:

Particulars	FY 2016-2017	FY 2017-2018	FY 2018-2019
Total No. of Students	1,381	-*	1,243
No. EWS students	139	-*	255
% of EWS students to total no. of students	10.06%	-*	20.51%

* The school did not provide the details of total number of students and total number of EWS students

The school has not complied with the requirements of land allotment and should thus take comprehensive measures (including enhancement of EWS seats) to abide by the conditions of the land allotment letter issued by the Delhi Development Authority.

6. 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, the Hon'ble Supreme Court through its 2004 judgement in the case of Modern School Vs Union of India and Others directed all recognised unaided schools of Delhi to maintain the accounts on the principles of accounting applicable to non-business organizations/not-for-profit organizations.

Earmarked levies collected from students are a form of restricted funds, since these can be utilised only for the purposes for which these have been collected, and according to Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India, the financial statements should reflect income, expenses, assets and liabilities in respect of such funds separately.

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 was noted that the school charges earmarked levies in the form of Transport fees and Activity fees from students. However, the school is yet to maintain 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, which was also mentioned in Directorate's order no. F.DE.15 (176)/PSB/2019/1070-1074 dated 14 Mar 2019 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 and the school was directed to follow fund based accounting. Details of calculation of surplus/deficit, based on breakup of expenditure provided by the school for FY 2018-2019 is given below:

Earmarked Fee	Income (INR)	Expenses (INR)	Surplus/(Deficit) (INR)
	A	B	C=A-B
Transport fees^	1,02,05,661	99,10,904	2,94,757
Activity fee	94,72,320	1,36,83,054	(42,10,734)

^ The school has not apportioned 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.

Further, based on aforementioned, earmarked levies are to be collected only from the user students availing the service/facility. In other words, if any service/facility has been extended to all the students of the school, a separate charge should not be levied for the service/facility as the same would get covered either under tuition fee (expenses on curricular activities) or annual charges (expenses other than those covered under tuition fee). The school is charging Activity fees 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. Based on the nature of the Activity fees and details provided by the school in relation to expenses incurred against the same, the school should not charge Activity fee as earmarked fee with immediate effect and should incur the expenses relating to these from tuition fee or annual charges, as applicable collected from the students.

The school is hereby directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from students. Unintentional surplus/deficit, if any, generated from earmarked levies must 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. The school is also directed not to collect any earmarked levy compulsorily from students and the same should be optional and at the discretion of the students.

7. As per clause 103 on Related Party Disclosure, contained in Guidance Note 21 on 'Accounting by Schools', issued by the ICAI, there is a requirement that keeping in the view the involvement of public funds, schools are required to disclose the transactions made in respect of related parties.

From review of the audited financial statements of 2018-19, it has been noted that the School has not made any disclosure relating to related party transactions in its audited financial statements. In the absence of such details, the purpose and genuineness of transactions entered into between the related parties cannot be determined. Therefore, the School is hereby directed to include such details in audited financial statements of the subsequent year.

8. As per Section 18(5) of the DSEA, 1973, the management 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.

Further, Rule 180 of DSER, 1973 states " (1) every unaided recognised private schools shall submit the returns and documents in accordance with Appendix-1, (2) Every return or documents referred to in sub-rule (1), shall be submitted to the Director by the 31st day of July of each year.(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 any officers authorised by the Comptroller and Auditor General of India"

And Section 24 (2) of DSA. 1973 states "The Director may arrange special inspection of any school on such aspects of its working as may, from time to time, be considered necessary by him".

Whereas Appendix-II to Rule 180 specify that "final accounts i.e. receipts, and payments account, income and expenditure account and balance sheet of the preceding year should be duly audited by Chartered Accountant.

It has been noticed that Financial Documents/ Certificates Attested by third person misrepresenting themselves as CA Members are misleading the Authorities and Stakeholders. ICAI is also receiving number of complaints of signatures of CAs being forged by non CAs.

To curb such malpractices, the Professional Development Committee of ICAI has come out with an innovative concept of UDIN i.e. Unique Document Identification Number which is being implemented in phased manner. It will secure the certificates attested/certified by practicing CAs. This will also enable the Regulators/Banks/Third parties to check the authenticity of the documents.

Accordingly, the Council in the 379th meeting of ICAI held on 17.12.2018 and 18.12.2018, made mandatory for all practicing member to obtain 18 digits UDIN before issuing any audits reports/ certification etc. in the following manner:

- All Certification done by Practising CAs w.e.f. 01.02.2019.
- All GST & Tax Audit Reports w.e.f. 01.04.2019.
- All other attest functions w.e.f. 01.07.2019.

However, on examination of the financial statements submitted by the school for evaluation of fee increase proposal for FY 2019-20, it has been observed that the financial statements of the school were certified by the Chartered Accountant without mentioning the UDIN as required by the council. This being the procedural finding therefore, the school management are instructed to ensure this compliance from the Auditor of the school.

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 2019-2020 amounting to INR 19,40,27,578 out of which cash outflow in the year 2019-2020 is estimated to be INR 14,17,91,939. This results in net surplus of INR 5,22,35,639. The details are as follows:

Particulars	Amount (INR)
Cash and Bank Balance as on 31 Mar 2019 (as per financial statements of FY 2018-2019)	18,10,138
Investments (Fixed Deposits) as on 31 Mar 2019 (as per financial statements of FY 2018-2019)	93,68,477
Total Liquid Funds Available with the School as on 31 Mar 2019	**1,11,78,615**
Add: Fees/Incomes for FY 2019-2020 (based on income reported in financial statements of FY 2018-2019) (Refer Note 1)	12,40,13,882
Add: Amount recoverable from the society towards school funds utilized for repayment of loan and interest taken for construction of building (Refer Financial Observations No. 1)	5,76,99,305
Add: Amount recoverable from Society towards construction of building out of development fund without the compliance of Rule 177 (Refer Financial Observations No. 2)	53,65,760
Add: Amount recoverable from society towards school funds utilized for principal repaid and interest paid on car loan (Refer Financial Observations No. 3)	4,19,894
Add: Amount recoverable from the society towards school funds utilized for purchase of buses along with principal and interest paid for such vehicle ([Refer Financial Observations No. 4)	1,49,14,290
Gross Estimated Available Funds for FY 2019-2020	**21,35,91,747**
Less: FDR held jointly with DoE (as per financial statements of FY 2018-2019)	13,17,717
Less: Staff retirement benefits – Gratuity (Refer Financial Observations No. 5)	53,12,619
Less: Staff retirement benefits – Leave Encashment (Refer Financial Observations No. 5)	24,21,283
Less: Development Fund balance (as per financial statements of FY 2018-2019)	98,72,051

Particulars	Amount (INR)
Less: Caution Money balance as on 31 Mar 2019 (Refer Other Observations No. 3)	6,40,500
Net Estimated Available Funds for FY 2019-2020	**19,40,27,578**
Less: Budgeted Expenses for FY 2019-2020 (as per budget submitted by the school along with its fee increase proposal) (Refer Note 2)	14,17,91,939
Estimated Surplus as on 31 Mar 2020	**5,22,35,639**

Notes:

1. Fees and incomes as per financial statements of FY 2018-2019 have been considered (other than liability no longer required, being a non-cash income) with the assumption that the amount of income during FY 2018-2019 will at least accrue during FY 2019-2020.
2. Per the Budget Estimate for FY 2019-2020 submitted by the school along with proposal for fee increase, the school had estimated the total expenditure during FY 2019-2020 of INR 15,52,41,289, 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 expenses heads as budgeted were considered. Further, during review of budgeted expenses, certain Observations 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 been adjusted while considering the budgeted expenses for FY 2019-2020:

Expense Heads	Actuals FY 2018-2019	Budget FY 2019-2020	Amount Allowed	Amount Disallowed	Remarks
Educational Expenses – Robotics	-	25,00,000	-	25,00,000	During personal hearing, the school explained that they had not started Robotics and Language lab yet.
Educational Expenses - Language Labs	-	25,00,000	-	25,00,000	
Staff Welfare	8,26,241	14,17,000	9,08,865	5,08,135	No reasonable justification/ explanation provided by the school for such increase in expense as compared with FY 2018-2019. Accordingly, budgeted expenses for FY 2019-2020 have been restricted to 110% of the
Educational Expense	24,16,240	30,99,000	26,57,864	4,41,136	
Activity Expenses Art & Culture	63,00,000	72,45,000	69,30,000	3,15,000	
Newspapers, Books & Periodicals	2,040	1,06,000	2,244	1,03,756	
Student Welfare Expenses	12,71,804	34,04,000	13,98,984	20,05,016	

Expense Heads	Actuals FY 2018-2019	Budget FY 2019-2020	Amount Allowed	Amount Disallowed	Remarks
Repair & Maintenance – Others	60,341	5,04,000	66,375	4,37,625	expense incurred during FY 2018-2019.
Gratuity	17,20,951	10,00,000	-	10,00,000	Refer Financial Observations No. 4
Leave Encashment	5,31,071	5,00,000	-	5,00,000	
Interest on Vehicle Loan	3,09,006	2,78,000	-	2,78,000	Refer Financial Observations No. 3
Capital Expenditure (Out of Development Fund)	33,63,139	1,40,00,000	1,11,39,326	28,60,674	Capital expenditure restricted to the extent of development fees receipts (as per financial statements of FY 2018-2019) as development fund balance as on 31 Mar 2019 as per financial statements has been separately considered in table above.
Total	**1,68,00,833**	**3,65,53,000**	**2,31,03,658**	**1,34,49,342**	

In view of the above examination, it is evident that the school has adequate funds for meeting all the budgeted expenses for the financial year 2019-2020.

ii. In view of the above examination, it is evident that the school has adequate funds for meeting all the operational expense for the financial year 2019-20. In this regard, 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."

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 findings that sufficient funds are not available with the school to carry out its

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.

AND WHEREAS, the School is directed, henceforth to take necessary corrective steps on the financial and other observations noted during the above evaluation process and submit the compliance report within 30 days from the date of this order to the D.D.E (PSB).

Accordingly, it is hereby conveyed that the proposal of fee increases for the academic session 2019-20 of **Maxfort School (School ID-1411253), Parwana Road, Pitampura, Delhi - 110034** has been rejected by the Director (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 2019-20. In case, the School has already charged increased fee during FY 2019-20, 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. Further, the school is also directed to collect the fee in accordance with the fee structure determined by the DoE vide its order no FDE/757 dated 26.08.2019.

2. To ensure payment of salary is made in accordance with the provision of section 10(1) of the DSEA, 1973. Further, the scarcity of funds cannot be the reason for non-payment of salary and other benefits admissible to the teachers/ staffs in accordance with section 10(1) of the DSEA, 1973. Therefore, Society running the School must ensure payment to teachers/ staffs accordingly.

3. To utilize 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.

Non-compliance of this Order or any direction herein shall be viewed seriously and will be dealt with in accordance with the provisions of Delhi School Education Act, 1973, and Delhi School Education Rules, 1973.

This 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
Maxfort School (School ID-1411253),
Parwana Road, Pitampura,
Delhi - 110034

No. F.DE.15 (785)/PSB/2022/4939-4943 Dated: 23/06/22

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. DDE (Northwest B) to 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