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

No. F.DE.15(146) / PSB / 2019 / 1862-1866 Dated: 22/2/2019

ORDER

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

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

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

"27....

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

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

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

AND WHEREAS, the Hon'ble Supreme Court in the above said Judgment also held that under section 17(3), 18(4) read along with rule 172, 173, 175 and 177 of Delhi School Education

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Rules, 1973, Directorate of Education has the authority to regulate the fee and other charges to prevent commercialization of education.

AND WHEREAS in response to this directorate's circular dated 23 Oct 2017 referred to above, **Mother Mary School (School ID-1002353), Mayur Vihar, Delhi-110091** submitted its proposal for enhancement of fee for the academic session 2017-2018 in the prescribed format including the impact on account of implementation of recommendations of 7th CPC with effect from 1 Jan 2016.

AND WHEREAS, in order to ensure that the proposals submitted by the schools for fee increase are justified or not, this Directorate has deployed teams of Chartered Accountants at HQ level who has evaluated the fee increase proposals of the school very carefully in accordance with the provisions of the DSEA, 1973, the DSER, 1973 and other orders/ circulars issued from time to time by this Directorate for fee regulation.

AND WHEREAS, necessary records and explanations were also called from the school through email. Further, school was also provided an opportunity of being heard on 8 June 2018 at 12:00 PM to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted.

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

A. Financial Discrepancies

1. As per direction no. 2 included in the Public Notice dated 4 May 1997, "*it is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school becomes the sole property of the society*". Additionally, Hon'ble High Court of Delhi in its judgement dated 30 Oct 1998 in the case of Delhi Abibhavak Mahasangh concluded that "*The tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society.*" Also, Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/883-1982 dated 10 Feb 2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*"

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

   The financial statements of the school for FY 2015-2016 and FY 2016-2017 revealed that the school has incurred expenditure on construction of building out of school funds and has capitalised building totalling to INR 3,24,24,857 in the aforesaid financial years, which is not in accordance with the aforementioned provisions. Further, this capital expenditure was incurred on the building without complying the requirements prescribed in Rule 177 of DSER, 1973. Though the financial statements of the school reflect opening block of building, adjustment in the fund position of the school has been done to the extent of additions made in the past three financial years (based on financial statements obtained for evaluation of the fee increase proposal for FY 2017-2018). Accordingly, this amount of INR 3,24,24,857 is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the Society within 30 days from the date of this order.

2. The Manager of the school is not entitled to any payment whatsoever from the school funds. However, from the records submitted by the school and taken on record, it was noted that the school has paid honorarium to the manager amounting to INR 65,000 per month during FY 2016-2017. During personal hearing, the school mentioned that it has been paying lump-sum amount to the Manager regularly for the services provided by the Manager towards school operations, which is a full time role.

   Based on the details and explanation provided by the school, it has been paying INR 65,000 per month to the Manager. Thus, the amount derived for 3 years (FY 2014-2015, FY 2015-2016 and FY 2016-2017) of INR 23,40,000 (i.e. INR 65,000 * 12 month * 3 years) paid to Manager 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 with the direction to the school to recover the amount of honorarium paid to the Manager from the Manager/Society within 30 days from the date of this order. Further, the school is directed not to pay any remuneration/ honorarium/ allowance to the Manager.

B. Other Discrepancies

1. The directorate, through its Order no. No. F. DE-15/ACT-I/WPC-4109/PART/13/291-295 dated 27 Dec 2016 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017, noted that adequate details in relation to provision for gratuity and leave encashment were not provided by school on account of which calculation of gratuity and leave encashment could not be ascertained.

   Based on the details provided by the school and taken on record, it was noted that the school obtained actuarial valuation reports regarding its liability towards retirement benefits (gratuity and leave encashment) as on 31 Mar 2017, but the provisions for retirement benefits in the books of account of the school were not in agreement with the actuarial valuation report. The school had under-recorded the provision of gratuity and leave encashment in its books of account as detailed below:

Head	As per Actuarial Valuation as on 31 Mar 2017 (INR)	Provision created by the school as on 31 Mar 2017 (INR)	Short Provision Amount (INR)
	(A)	(B)	(C)=(A)-(B)
Gratuity	1,55,97,310	1,36,28,906	19,68,404
Leave Encashment	59,50,640	28,21,910	31,28,730
Total	**2,15,47,950**	**1,64,50,816**	**50,97,134**

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

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

(b) qualifying insurance policies."

The investments in the form of fixed deposits with bank by the school in respect of the liability towards staff retirement benefits does not qualify as 'Plan Assets' within the meaning of Accounting Standard 15 as the funds invested in fixed deposits with bank can be withdrawn by the school at its discretion. Accordingly, the statutory liability towards staff retirement benefits have not been secured by the school.

Accordingly, based on actuarial valuation report, the liability determined by the actuary as on 31 Mar 2017 has been considered for deriving the fund position of the school (enclosed in the later part of this order). Further, the school is directed to invest amount equivalent to the liability determined by the actuary towards retirement benefits of the staff of the school in the investments that qualify as 'Plan Assets' within 30 days from the date of this order. Also, the school is directed to account for its liability towards staff retirement benefits as per actuarial valuation report and ensure that the liability and corresponding plan-assets are disclosed appropriately in its financial statements for FY 2017-2018.

Since the amount determined by the actuary has been separately considered, the expense budgeted by the school towards gratuity and leave encashment in its budgeted Receipt & Payment Account for FY 2017-2018 has not been considered while deriving the fund position of the school (enclosed in the later part of this order)

2. Clause 14 of Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states "*Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixtures and equipment.*"

   Financial statements of the school for FY 2016-2017 reflected utilisation of INR 18,47,880 from development fund whereas the fixed assets schedule annexed to the financial statements reflected purchase of fixed assets (other than building) totalling to INR 9,10,108. The school did not provide complete details regarding utilisation of development fund. Accordingly, based on the amounts reported in the audited financial statements for FY 2016-2017, amount of INR 9,37,772 (INR 18,47,880 minus INR 9,10,108) has been utilised for purposes other than purchase, upgradation and replacement of furniture, fixtures and equipment, which is not in accordance with the direction included in above order.

   The school is directed to follow DOE instruction in this regard and ensure that development fund is utilised only towards purchase, upgradation and replacement of furniture, fixture and equipment.

3. Para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states "*Where the fund is meant for meeting capital*

expenditure, upon incurrence of the expenditure, the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year."

Basis the presentation made in the audited financial statements for FY 2016-2017 submitted by the school, it was noted that the school has not transferred an amount equivalent to the purchase cost of the assets from Development fund to Deferred Income, which was not in compliance with the accounting treatment of development fund indicated in the guidance note cited above

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

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

4. Directorate's Order no. No. F. DE-15/ACT-I/WPC-4109/PART/13/291- 295 dated 27 Dec 2016 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017 noted that the income shown in the financial statements was in excess of INR 3,75,895 as per the reconciliation prepared on the basis of number of students and the class wise fees to be collected from students and actual income recorded by the schools in its financial statements.

   The school did not provide any reconciliation/ explanation towards the difference noted above. Further, incomes (fee collected from students) reported in the audited Income and Expenditure Account for FY 2016-2017 were recomputed to evaluate the accuracy of incomes reported based on the approved fee structure of the school and details of number of students enrolled (non-EWS) provided by the school. Basis the computation done, difference was noted in the development fee collection reported by the school during FY 2016-2017 in its audited Receipt & Payment Account and amount of fee arrived/computed as per details provided by the school as under:

Particulars	Amount (INR)
Development Fee receipt as per Audited Receipt and Payment Account for FY 2016-2017 (A)	68,84,683
Development Fee for FY 2016-2017 receivable as per Audited Balance Sheet as on 31 Mar 2017 (B)	23,160
Development Fee received in advance for FY 2016-2017 as per Audited Balance Sheet as on 31 Mar 2016 (C)	7,08,025
Total Development Fee for FY 2016-2017 (D) = (A+B+C)	**7,615,868**

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Particulars	Amount (INR)
Development fee computed based on fee structure and number of students provided by the school for FY 2016-2017 (E)	**9,009,480**
Difference – Income reported in Financial Statements less than the fee computed (F) = (E-D)	**13,93,612**

The derived difference of INR 13,93,612 could not be reconciled by the school and reason for the same was not explained. Thus, the school should perform a reconciliation of the amount collected from students and income to be recognised based on the fee structure and number of students enrolled by the school. Compliance will be examined at the time of evaluation of proposal for enhancement of fee for subsequent academic session.

5. Rule 176 - 'Collections for specific purposes to be spent for that purpose' of the DSER, 1973 states "*Income derived from collections for specific purposes shall be spent only for such purpose.*"

   Para no. 22 of Order No. F.DE./15(56)/ Act/2009/778 dated 11 Feb 2009 states "*Earmarked levies will be calculated and collected on 'no-profit no loss' basis and spent only for the purpose for which they are being charged.*"

   Sub-rule 3 of Rule 177 of DSER, 1973 states "*Funds collected for specific purposes, like sports, co-curricular activities, subscriptions for excursions or subscriptions for magazines, and annual charges, by whatever name called, shall be spent solely for the exclusive benefit of the students of the concerned school and shall not be included in the savings referred to in sub-rule (2).*" Further, Sub-rule 4 of the said rule states "*The collections referred to in sub-rule (3) shall be administered in the same manner as the monies standing to the credit of the Pupils Fund as administered.*"

   Also, earmarked levies collected from students are a form of restricted funds, which, according to Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India, are required to be credited to a separate fund account when the amount is received and reflected separately in the Balance Sheet.

   Further, the aforementioned Guidance Note lays down the concept of fund based accounting for restricted funds, whereby upon incurrence of expenditure, the same is charged to the Income and Expenditure Account ('Restricted Funds' column) and a corresponding amount is transferred from the concerned restricted fund account to the credit of the Income and Expenditure Account ('Restricted Funds' column).

   During the hearing, school explained that it has collected Computer Fees, E-Care and ID Card from the user students only. However, the school has not maintained separate fund accounts for these earmarked levies and the school has been generating surplus from earmarked levies, which has been utilised for meeting other expenses of the school or has been incurring losses (deficit) that has been met from other fees/income, which was also mentioned in DOE's order No. F. DE-15/ACT-I/WPC-4109/PART/13/291-295 dated 27 December 2016. Details of calculation of surplus/deficit, based on breakup of expenditure provided by the school for FY 2016-2017 is given below:

Earmarked Fee	Income (INR)	Expenses (INR)	Surplus/(Deficit) (INR)
	(A)	(B)	(C) = (A-B)
Computer Fee^	8,24,060	5,95,121	2,28,939
E-Care^	6,240	7,41,410	(7,35,470)
ID Card	93,170	96,061	(2,891)

^ The school explained that computer fee and e-care are to be reviewed as single fee with combined expenses.

It was noted that the incomes from the aforementioned earmarked levies were reported in the financial statement of the school for FY 2016-2017, no details of earmarked levies were reflected in the proposal for enhancement of fee for FY 2017-2018 submitted by the school. Also, earmarked income were not disclosed in the fee structure submitted by school during hearing.

Also, Directorate's order no. No. F. DE-15/ACT-I/WPC-4109/PART/13/291- 295 dated 27 Dec 2016 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017 noted that the school does not provide fee receipt in respect of e-care fees collected from students by the schools. The school is directed not to collect any fee against which no fee receipt is issued to the students.

The 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 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.

Further, Directorate's Order no. No. F. DE-15/ACT-I/WPC-4109/PART/13/291- 295 dated 27 Dec 2016 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017 noted that transport fee was not routed through Income and Expenditure Account instead the school has opened a separate management fund account for receiving transport fee. The audited financial statements for FY 2016-2017 also did not reflect income and expenses from transport fee. It was further noted from financial statements for FY 2016-2017 that the school has reported a liability in the name of "management fund" having balance of INR 1,02,51,160 as on 31 Mar 2017. However, the school did not provide any details and ledger account of management fund to understand the nature of transactions routed through this. The school is directed to submit the ledger account of "Management Fund" along with necessary supporting documents to substantiate the transactions made in the same. Also, the school is strictly directed to route the incomes and expenses in relation of all fees collected from students such as transport fee through its Income and Expenditure Account.

6. 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*

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of the concerned school and shall be returned to the student at the time of his/her leaving the school along with the bank interest thereon irrespective of whether or not he/she requests for refund."

Further, clause 4 of Order No. DE/15/150/ACT/2010/4854-69 dated 9 Sep 2010 states "*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 project fee structure for ensuing Academic session.*"

Directorate's Order no. No. F. DE-15/ACT-I/WPC-4109/PART/13/291- 295 dated 27 Dec 2016 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017 noted the following:

- School had not maintained separate bank account for deposit of caution money collected.
- School had not refunded interest on caution money along with refund of caution money to exiting students.
- After expiry of 30 days, the school not treated unclaimed caution money belonging to ex-students as income.

Based on the details provided by the school, it has 2,116 students (non-EWS) as on 1 Apr 2017 against whom total caution money refundable as per financial statements as on 31 Mar 2017 amounts to INR 15,50,500. The school explained that emails have been sent to students for collecting caution money and the school will refund the caution money to those who revert or treat it as income in case not claimed by ex-students during FY 2018-2019.

Based on the explanation of the school, the total amount to be refunded to students towards caution money as per the audited financial statements for FY 2016-2017 has been considered while deriving the fund position of the school (enclosed in the later part of this order) with the direction to the school to ensure that separate bank account is opened or investments made against caution money and interest earned on the same is refunded to the students at the time of them leaving the school. Further, unclaimed caution money should be treated as income after expiry of thirty days.

7. Directorate's order no. No. F. DE-15/ACT-I/WPC-4109/PART/13/291- 295 dated 27 Dec 2016 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017 noted few instances of late payment of PF and ESI. Further, from the ESIC deposit challans submitted by school for FY 2016-2017, it was noted that the payment of ESIC dues were delayed in 4 months. The school is directed to ensure compliance with the statutory provisions and ensure that employees' statutory dues are paid within the prescribed timelines.

8. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/291-295 dated 27 December 2016 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017 highlighted that the school has not prepared a Fixed Assets Register (FAR). The school is directed to prepare the FAR that should include details such as asset name,

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date of purchase/receipt, bill no., purchase cost, other costs incurred, quantity, supplier name, invoice number, manufacturer's serial number, location, depreciation, asset identification number, etc. to facilitate identification of asset and documenting complete details of assets at one place.

9. As per Rule 166 of the Delhi School Education Rules, 1973, "*school shall charge fine for late payment of fees or contributions at the rate of 5 paisa per day after 10th day of the month for which the fees is due.*" However, Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/291-295 dated 27 December 2016 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017 noted that the school is charging late fees of INR 50 per month (after due date) for delay, which is not in compliance with rule 166. The school is directed to ensure compliance with the provisions of DSEA & R, 1973.

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

i. The total funds available for the year 2017-2018 amounting to INR 16,56,50,503 out of which cash outflow in the year 2017-2018 is estimated to be INR 11,63,48,256. This results in net surplus of INR 4,93,02,247. The details are as follows:

Particulars	Amount (INR)
Cash and Bank Balance as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	1,23,63,590
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	7,09,32,832
Total Liquid Funds Available with the School as on 31 Mar 2017	**8,32,96,422**
Add: Estimated fees and other incomes for FY 2017-2018 based on audited financial statements of FY 2016-2017 of the school [Refer Note 1]	9,36,98,522
Add: Recovery of additions to Building during FY 2015-2016 & 2016-2017 from the Society [Refer Financial Finding No. 1]	3,24,24,857
Add: Recovery of honorarium paid to the Manager [Refer Financial Finding No. 2]	23,40,000
Gross Estimated Available Funds for FY 2017-2018	**21,17,59,801**
Less: FDRs deposited with CBSE and Directorate of Education as on 31 Mar 2017 (as per audited financial statement of FY 2016-2017)	3,95,725
Less: Retirement Benefits- Gratuity [Refer Other Finding No. 1]	1,55,97,310
Less: Retirement Benefits- Leave Encashment [Refer Other Finding No. 1]	59,50,640
Less: Caution Money Fund (as per audited financial statement of FY 2016-2017) [Refer Other Finding No. 6]	15,50,500
Less: Development fund [Refer Note 2]	76,15,123
Less: Depreciation Reserve [Refer Note 3]	-
Less: Salary Reserve [Refer Note 4]	1,50,00,000
Net Estimated Available Funds for FY 2017-2018	**16,56,50,503**
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 5]	9,86,25,449

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Particulars	Amount (INR)
Less: Arrears of salary as per 7th CPC with effect from January 2016 (included in budgeted expenses) [Refer Note 5]	1,77,22,807
Estimated Surplus as on 31 Mar 2018	**4,93,02,247**

Notes:

1. Fee and incomes as per audited financial statements of FY 2016-2017 (excluding non-recurring income from profit on sale of bus and non-cash income of amount written back) have been considered with the assumption that the amount of income during FY 2016-2017 will at least accrue during FY 2017-2018.

2. The Supreme Court in the matter of Modern School held that development fees for supplementing the resources for purchase, upgradation and replacements of furniture and fixtures and equipment can by charged from students by the recognized unaided schools not exceeding 15% of the total annual tuition fee. Further, the Directorate's circular no 1978 dated 16 Apr 2010 states "*All schools must, first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase.*" Over a number of years, the school has accumulated development fund and has reflected the closing balance of INR 4,05,18,184 in its audited financial statements of FY 2016-2017. Accordingly, the accumulated reserve of development fund created by the school by collecting development fee more than its requirement for purchase, upgradation and replacements of furniture and fixtures and equipment has been considered as free reserve available with the school for meeting the financial implication of 7th CPC to be implemented by the school. However, development fund equivalent to amount collected in one year (FY 2016-2017) from students has been considered for deriving the fund position of the school, which is considered sufficient basis the spending pattern of the school in past.

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

4. Though the school has adequate fund, it has not created a 'Salary Reserve' equivalent to three months salary expense. Accordingly, the school is directed to create a fixed deposit with a bank in the joint names of Deputy Director of Education and the Manager of the School equivalent to the amount of 3 months salary, which is derived as INR 1.5 crores based on the budgeted salary expense for FY 2017-2018 and the school is further directed to submit the fixed deposit in joint names as mentioned above within 30 days from the date of this order.

5. Per the Budgeted Receipt and Payment Account for FY 2017-2018 submitted by the school along with proposal for fee increase, the school had estimated the total expenditure during FY 2017-2018 of INR 14,22,35,778 (inclusive of salary arrear as per 7th CPC considered separately) which in some instances was found to be unreasonable/ excessive. Based on the explanations and details provided by the school during personal hearing, most of the expense heads as budgeted were considered, while other expense heads were restricted to 110% of the expense incurred during FY 2016-2017 giving consideration to general rise in cost/inflation and especially because FY 2017-2018 is the year of implementation of 7th CPC where additional financial burden of increase salary of staff is already there. The same were discussed

during personal hearing with the school Therefore, the following expenses have been adjusted while considering the budgeted expenses for FY 2017-2018.

Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Gratuity Provision	53,90,815	70,97,134	-	70,97,134	Refer Other Finding No 1
Car Expenses	3,65,556	6,90,790	4,02,112	2,88,678	Reasonable explanation or supporting documents not provided by the school for such percent increase in expense as compared with expense incurred during FY 2016-2017. Thus, expenditure is restricted to 110% of that incurred during FY 2016-2017.
Activity Expenses	2,14,297	21,50,000	2,35,727	19,14,273	
Cash Awards to Teachers & Students	23,000	1,41,900	25,300	1,16,600	
Consumable Stores	1,25,082	3,98,900	1,37,590	2,61,310	
Printing & Stationery Expenses Inc. School. Mag	3,66,281	10,95,750	4,02,909	6,92,841	
Repair & Maintenance	97,729	18,50,800	1,07,502	17,43,298	
Professional & Legal Expenses	22,37,250	26,26,600	16,02,975	10,23,625	Honorarium paid to Manager of INR 7,80,000 adjusted and 10% increase allowed on remaining balance of FY 2016-2017 in absence of reasonable explanation for increase in the expense.
Depreciation	44,93,905	48,78,663	-	48,78,663	Depreciation, being a non-cash expense, has not been considered as no cash outflow is required for the same.
Others Activity	-	21,80,900	-	21,80,900	New head of expense for which no detail provided by the school. Thus, the same are not considered.
Meeting Expenses	-	2,58,600	-	2,58,600	
Renovation of conference hall	-	15,40,800	-	15,40,800	Capital expenditure on building not allowed, being compliance of requirements of Rule 177 not ensured by the school.
Construction of School building	-	33,00,000	-	33,00,000	
Construction of drainage	-	5,90,800	-	5,90,800	
Total	**1,33,13,915**	**2,88,01,637**	**29,14,115**	**2,58,87,523**	

In view of the above examination, it is evident that the school have sufficient funds for meeting all the budgeted expenditure for the financial year 2017-2018.

ii. The directions issued by the Directorate of Education vide circular no. 1978 dated 16 Apr 2010 states "*All schools must, first of all, explore and exhaust the possibility of*

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utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase." The school has sufficient funds to carry on the operation of the school for the academic session 2017-2018 on the basis of existing fees structure and after considering existing funds/reserves.

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

And whereas per point no. 22 of Order No. F.DE./15 (56)/Act/2009/778 dated 11 Feb 2009, user charges should be collected at 'no profit and no loss' basis and should be used only for the purpose for which these are collected. Accordingly, the school is directed to maintain separate fund in respect of each earmarked levy charged from the students in accordance with the DSEA & R, 1973 and orders, circulars, etc. issued thereunder. Surpluses/ deficit under each earmarked levy collected from the students should be adjusted for determining the earmarked levy to be charged in the academic session 2018-2019.

And whereas per point no. 14 of Order No. F.DE./15(56)/ACT/2009/778 dated 11 Feb 2009, Development Fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up-gradation and replacement of furniture, fixture and equipment. Development Fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a depreciation reserve fund, equivalent to the deprecation charged in the revenue accounts and the collection under this head along with income generated from the investment made out of this fund, will be kept in a separately maintained development fund account. The school is directed to comply with the directions with regard to proper accounting and presentation of Development Fund in the School's financial statements and utilisation of development fund only towards purchase of furniture, fixtures and equipment.

And whereas Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India defines Plan Assets (the form of investments to be made against liability towards retirement benefits) as:

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

(b) qualifying insurance policies.

The school is directed to make investments in plan-assets against the liability determined by the actuary in the mode specified under the said Accounting Standard such as group gratuity and leave encashment policies with LIC (or other insurers).

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And whereas, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that along with certain financial irregularities that exist (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings which were noted (appropriate instructions against which have been given in this order), the funds available with the school for implementation of recommendations of 7th CPC and to carry out its operations for the academic session 2017-18 are sufficient. Accordingly, the fee increase proposal of the school may be rejected.

And whereas, recommendations of the team of Chartered Accountants along with relevant materials were put before Director of Education for consideration and who after considering all material on record has found that the school has sufficient funds for meeting the financial implications of 7th CPC salary and other expenses for the financial year 2017-2018. Therefore, Director (Education) rejects the proposal submitted by the school for enhancement of fee for the academic session 2017-2018.

Accordingly, it is hereby conveyed that the proposal for enhancement of fee for session 2017-2018 of **Mother Mary's School, Mayur Vihar Phase-I (School ID 1002353)** has been rejected by the Director of Education. Further, the management of said school is hereby directed under section 24(3) of DSEA, 1973 to comply with the following directions:

1. Not to increase any fee/charges during FY 2017-2018. In case, the school has already charged increased fee during FY 2017-2018, the school should make necessary adjustments from future fee/refund the amount of excess fee collected, if any, as per the convenience of the parents.

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

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

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

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

6. The Compliance Report detailing rectification of the above listed deficiencies/ violations must also be attached with the proposal for enhancement of fee of subsequent academic session, as may be submitted by the school. Compliance of all

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the directions mentioned above will be examined before evaluation of proposal for enhancement of fee for subsequent academic session.

Non-compliance of this order or any direction herein shall be viewed seriously and will be dealt with in accordance with the provisions of section 24(4) of Delhi School Education Act, 1973 and Delhi School Education Rules, 1973.

This order is issued with the prior approval of the Competent Authority.

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

To:
The Manager/ HoS
Mother Mary's School
School ID 1002353
Mayur Vihar, Phase-I, Delhi-110091

No. F.DE.15(146) / PSB / 2019 / 1862-1866 Dated: 22/2/2019

Copy to:
1. P.S. to Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. P.A. to Spl. Director of Education (Private School Branch), Directorate of Education, GNCT of Delhi.
4. DDE concerned
5. Guard file.

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