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

2598

No. F.DE.15(314)/PSB/2019 | 1630-1634 Dated: 24/04/19

ORDER

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

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

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

"27.....

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

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

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

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

AND WHEREAS in response to this directorate's circular dated 23 Oct 2017 referred to above, **M.M. Public School (School ID-1411192), Pitampura, Delhi-110034** 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 15 June 2018 at 2:00 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. Additionally, a visit was made at the school by the Chartered Accountant evaluating the fee increase proposal submitted by the school on 29 Nov 2018 to gather and review information/data relevant for evaluation of the proposal.

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. Directorate's order no. F.DE-15/WPC-4109/Part/13/7914-7923 dated 16 Apr 2016 regarding fee increase proposals for FY 2016-2017 states "*In case, the schools have already charged any increased fee prior to issue of this order, the same shall be liable to be adjusted by the schools in terms of the sanction of the Director of Education on the proposal*". The school had increased its fees by 10% during FY 2016-2017 without prior approval of the Directorate. Whereas, post evaluation of fee increase proposal for FY 2016-2017 submitted by the school, the fee increase proposal was rejected by DoE with the direction that in case increased fee has already been charged from the parents, the same shall be refunded/adjusted vide Order No. F.DE-15/ACT-I/WPC-4109/PART/13/883 dated 4 September 2017.

   It was noted that the school did not refund/adjust the increased fee (Tuition fee, Development fee, Annual charges and Transport fee) collected from students during FY 2016-2017. Further, during discussion with the school in personal hearing, the school mentioned that it has continued to collect increased fee during FY 2017-2018 and FY 2018-2019. The school mentioned that the fund position of the school does not allow refund/adjustment of increased fee collected from the students.

The school did not provide details of total amount of increased fee collected from students. Accordingly, based on the income reflected in the audited financial statements of the school for FY 2016-2017, an amount of INR 71,17,711 has been calculated on account of increased fee for FY 2016-2017 as per calculations below:

Particulars	As per Income & Expenditure Account (A)	Computed figure based on details provided by school (B)	Derived Difference (A-B)
Tuition fee	5,70,99,339	5,19,08,490	51,90,849
Development fee	76,06,510	69,15,009	6,91,501
Annual charges	88,00,360	80,00,327	8,00,033
Transport Fees	47,88,610	43,53,282	4,35,328
Total	**7,82,94,819**	**7,11,77,108**	**71,17,711**

Based on the amount of increased fee derived above, this amount of INR 71,17,711 has been adjusted while deriving the fund position of the school for FY 2017-2018 (enclosed in the later part of this order) with the direction to the school to immediately refund/adjust the same and submit evidence of the same to the Directorate within 30 days from the date of this order. Further, the school is directed to refund/ adjust increased fee collected from students during FY 2017-2018 onwards. Accordingly, income for FY 2017-2018 has been considered without including the amount of increased fee collected by the school.

2. 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.*"

   From the audited financial statements of the school for FY 2016-2017, it was noted that the school has incurred capital expenditure on purchase of car(s) amounting to INR 34,22,057, details regarding the make, model, etc. of the same were not submitted by the school. Thus, it was observed that the school has purchased car(s) and submitted proposal for increase of fee from students, which translates to constituting capital expenditure as component of the fee structure of school and hence, non-compliance of DSEA & R, 1973. Further, this capital expenditure on car(s) was incurred by the school without complying the requirements prescribed in Rule 177 of DSER, 1973.

   Accordingly, the amount spent by the school on purchase of car(s) of INR 34,22,057 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.

3. As per the provisions of Rule 107- 'Fixation of Pay' of DSER, 1973, "(1) *The initial pay of an employee, on the first appointment shall be fixed ordinarily at the minimum of the scale of pay. Provided that a higher initial pay, in the specified scale of pay, may be given to a person by a appointing authority....*

   (2) The pay of an employee on promotion to higher grade or post shall be determined by the same rules as are applicable to the employee of government school."

   From the computation of salary as per 7th CPC prepared by the school and placed on record, it was noted that gross monthly salary of Principal was computed by the school as INR 2,65,044 (with a grade pay of INR 10,000) for the month of Nov 2017, which appeared excessive in comparison to the salary paid to comparable staff in government schools. The school explained that the principal is working for a long time with the school and received annual increments as per the experience and tenure of services. However, reconciliation of salary from her date of joining and subsequent increments was not provided by the school. In absence of detailed reconciliation, it could not be concluded whether excessive salary is being drawn by the principal of the school. Accordingly, the compliance of the above will be examined at the time of evaluation of proposal for enhancement of fee for subsequent academic session.

4. 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 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.*"

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

   (a) In respect of each major fund, opening balance, additions during the period, deductions/utilisation during the period and balance at the end;
   (b) Assets, such as investments, and liabilities belonging to each fund separately;
   (c) Restrictions, if any, on the utilisation of each fund balance;

(d) Restrictions, if any, on the utilisation of specific assets."

As per para 67 of the Guidance Note on 'Accounting by Schools' issued by Institute of Chartered Accountants of India, *"The financial statements should disclose, inter alia, the historical cost of fixed assets."* Further, Notes to Part II of Appendix III to the aforementioned Guidance Note states *"Under each head, the original cost, the additions thereto and deductions therefrom during the year, depreciation written off or provided during the year, and the total depreciation written off or provided up to the end of the year should be stated."*

Based on the presentation made in the audited financial statements for FY 2016-2017, it was noted that the school has segregated assets purchased from development fund and those purchase against general reserve and prepared separate fixed assets schedules for the same. Further, it was noted that the school had included assets with total cost of INR 77,01,502 as part of the opening block of assets purchased from development fund by transferring this amount from the general reserve and reflected the opening block of depreciation reserve corresponding to the same amounting to INR 14,42,884 in the fixed assets schedule for development fund assets. The school mentioned that assets purchased from development fund during FY 2014-2015 and FY 2015-2016 were re-categorised and presented as opening block of assets in the fixed assets schedule prepared for development fund assets. However, the school could not provide a reconciliation of the total amount reported with respect to purchase of assets in the audited financial statements for FY 2014-2015 and FY 2015-2016 with the amount re-categorised by it during FY 2016-2017.

Further, from the audited financial statement for FY 2017-2018, it was noted that the school has presented purchase of fixed assets both from development fund and general reserve of INR 42,65,628 and INR 52,09,564 (including purchase of car for INR 34,22,057) respectively. Considering that the school is collecting development fee from students, all purchases of furniture, fixture and equipment should have been adjusted against development fund instead of reflecting purchase of assets against general reserve. Thus, the cost of assets reflected as purchased from general reserve (excluding car, which has been separately disallowed in Financial Finding No. 2) of INR 17,87,507 (INR 52,09,564 minus INR 34,22,057) have been adjusted from the development fund balance of INR 88,09,465 reported in the audited financial statements for FY 2016-2017 and net balance of development fund as on 31 Mar 2017 of INR 70,21,958 has been derived. Thus, this amount of INR 70,21,958 has been considered as revised balance of development fund as on 31 Mar 2017.

Also, while the school has reported fixed assets purchased from development fund at historic cost, other assets purchased from general fund were reported at written down value (i.e. net of depreciation) in the fixed asset schedule and on the face of the Balance Sheet, which is not in accordance with the presentation requirement of the guidance note cited above.

Further, it was noted that the balance of depreciation reserve as on 31 Mar 2017 reported in the audited Balance Sheet as on 31 Mar 2017 did not reconcile with the balance of the accumulated depreciation reported in the fixed assets schedule(s) as on 31 Mar 2017. Also, the school has not treated an amount equivalent to the depreciation charged on development fund assets as income in its Income and Expenditure Account by reducing the development fund utilised account, which was not in conformity with the accounting treatment indicated in the guidance note cited above.

The school is directed to utilise development fund for all purchases of furniture, fixture and equipment and not report purchases of furniture, fixture and equipment against general reserve. Also, basis the amount of revised development fund balance derived above, the school is directed to rectify the development fund balance in its books of account and report correct figure of development fund in its subsequent financial statements.

Also, the school should prepare a reconciliation of the fixed assets re-categorised in its financial statements as purchased from development fund and submit the details along with its subsequent fee increase proposal.

With regard to the presentation and disclosure issue, the school is instructed to make necessary rectification entries relating to development fund, depreciation reserve and fixed assets to comply with the accounting treatment and disclosure/ presentation requirements indicated in the Guidance Note. The school is also directed to report historic cost of assets and corresponding depreciation reserve for each head of fixed assets as prescribed in the Guidance Note on Accounting by Schools in the fixed asset schedules annexed to the financial statements.

5. Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "*Accounting for defined benefit plans is complex because actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses.*" Further, according to para 7.14 of the Accounting Standard 15 "*Plan assets comprise:*
   (a) assets held by a long-term employee benefit fund; and
   (b) qualifying insurance policies."

   Post evaluation of the proposal for enhancement of fee increase for FY 2016-2017, the school was directed by the Directorate through its Order no. F.DE-15/Act-I/WPC-4109/Part/13/883 dated 4 September 2017 to obtain an actuarial valuation of its gratuity and leave encashment liabilities. Further, the school was directed to make equivalent investments against provision for gratuity and leave encashment with LIC (or other insurer) within 90 days of the receipt of the order.

   It was noted that the school has obtained actuarial valuation of its liability towards gratuity and submitted the actuarial valuation report, as per which the liability of the school towards retirement benefits was reflected as INR 41,05,233 as on 31 March 2017. However, the school did not obtain actuarial valuation of its liability towards staff leave encashment and did not create corresponding provision for leave encashment in its books of account.

   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:*

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

(d) *qualifying insurance policies.*"

The school mentioned that it has earmarked fixed deposits with bank of INR 40,04,061 towards staff gratuity. However, investments done by the school in the form of fixed deposits with bank does not qualify as 'plan-assets' as defined in the Accounting Standard 15 (AS-15). Accordingly, the school has not complied with the directions of the Directorate for making investments with LIC or other insurer.

Based on the fact that the school has not complied with the directions of obtaining actuarial valuation for leave encashment and making investments with LIC or other insurer, no amount towards gratuity and leave encashment has been considered while deriving the fund position of the school (enclosed in the later part of this order).

The school is directed to get its liability towards leave encashment valued by an actuary, create a provision of corresponding amount in its books of account towards the same and start making investments that qualify as 'Plan Assets' in subsequent years in order to ensure that the value of investments in plan-assets matches with the amount of liability determined by the actuary.

Accordingly, in light of above, the amount budgeted by the school towards provision for gratuity and leave encashment has not been considered while deriving the fund position of the school (enclosed in the later part of this order).

B. Other Discrepancies

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

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

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

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

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

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

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

From the information provided by the school and taken on record, it was noted that the school charges earmarked levies in the form of Transport Fees, Computer Fees, Science Fees, etc. from students. However, the school has not maintained separate fund accounts for these earmarked levies and the school has been generating surplus from earmarked levies, which has been utilised for meeting other expenses of the school or has been incurring losses (deficit) 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/13/883 dated 4 September 2017. 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)**	**(Deficit)/Surplus (INR)**
	A	B	C=A-B
Transportation Charges^	47,88,610	46,09,826	1,78,784
Smart Class Fee and IT/Technology Charges*	31,78,087	42,81,990	(11,03,903)
Computer fee	2,19,800	1,60,450	59,350
Magazine fees	4,65,270	5,04,000	(38,730)

^ The school did not include (and provide details of) salary of staff involved in the transport facility provided to students in the expense breakup submitted by it stated in table above. Further, 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.

* Though the school charges separate fee towards Smart Class and IT/Technology, it has reported clubbed income for both these earmarked levies and has not segregated the income and expenses against these earmarked levies.

On the basis of aforementioned orders, earmarked levies are to be collected only from the user students availing the service/facility. In other words, if any service/facility has been extended to all the students of the school, a separate charge should not be levied for the service/facility as the same would get covered either under tuition fee (expenses on curricular activities) or annual charges (expenses other than those covered under tuition fee). The school is charging IT/Technology charges and Magazine 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. Thus, based on the nature of the IT/Technology charges and Magazine fees and details provided by the school in relation to expenses incurred against the same, the school should not charge such fee as earmarked fee with immediate effect and should incur the expenses relating to these from tuition fee and/or annual charges, as applicable collected from the students. The school explained that annual charges collected from students are not sufficient to meet the revenue expenses of the school. Thus, the surplus generated from earmarked levies has been applied towards meeting general revenue expenditure of the school on account of which fund balance of earmarked levies could not separate from the total funds maintained by the school. Accordingly, total fees (including earmarked fee) have been included in the budgeted income and budgeted expenses (included those for earmarked purposes) while deriving the fund position of the school (enclosed in the later part of this order).

The school is hereby directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each 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 and not to include fee collected from all students as earmarked levies.

2. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/883 dated 4 September 2017 issued post evaluation of the proposal for enhancement of fee for FY 2016-2017 noted that school does not have a defined procurement process and did not provide flow chart describing the procurement cycle. Also, the management of the school does not follow tendering process.

   The school did not provide details of the procurement process followed by it for purchase of goods or selection of service providers. Accordingly, the school is instructed to strengthen its internal control mechanism on awarding contracts in relation to goods and services to ensure that the same are awarded at competitive and arm's length prices.

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 9,11,39,429 out of which cash outflow in the year 2017-2018 is estimated to be INR 8,73,80,186 This results in net surplus of INR 37,59,243. 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)	1,18,43,162
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	1,07,45,624
Total Liquid Funds Available with the School as on 31 Mar 2017	**2,25,88,786**
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]	7,66,67,557
Add: Recovery of cost of car purchased during FY 2014-2015 as of Directorate's order dated 4 Sep 2017 [Refer Financial Finding No. 2]	34,22,057
Gross Estimated Available Funds for FY 2017-2018	**10,26,78,400**
Less: FDR submitted with DOE (as per audited financial statements of FY 2016-2017)	1,42,293
Less: Staff Retirement Benefits – Gratuity [Refer Financial Finding No. 2]	-
Less: Staff Retirement Benefits – Leave Encashment [Refer Financial Finding No. 2]	-
Less: Caution Money balance as on 31 Mar 2017 (as per audited financial statements of FY 2016-2017)	50,000
Less: Refund of excess amount collected by the school during FY 2017-2018 for fee collected in FY 2016-2017 [Refer financial finding no 1]	71,17,711
Less: Development Fund [Refer Note 2]	42,28,967
Less: Depreciation Reserve Fund [Refer Note 3]	-
Net Estimated Available Funds for FY 2017-2018	**9,11,39,429**
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 4]	7,90,57,379
Less: Arrears of salary as per 7th CPC from January 2016 to Nov 2017 [Refer Note 4]	83,22,807
Estimated Surplus	**37,59,243**

Notes:

1. Fee and income as per audited Income and Expenditure Account of FY 2016-2017 has been considered with the assumption that the amount of income during FY 2016-2017 will at least accrue during FY 2017-2018 and interest on depreciation reserve fund of INR 1,92,504, which was directly transferred to depreciation reserve fund in the Balance Sheet and not routed through Income and Expenditure Account.
2. Though the school reported closing balance of development fund of INR 88,09,465 in its audited financial statement for FY 2016-2017, the same was no incorrect and revised balance was derived in Financial Finding No. 4 as INR 70,21,958. Against this revised balance of development fund, the school submitted budget of capital expenditure of INR 1,15,08,000 (including a lift, which is an additional to building of INR 18 lakhs). Thus, development fund balance has been adjusted to the extent of excessive capital expenditure budgeted by the school during FY 2017-2018 of INR

27,92,991 (capital expenditure of INR 97.08 lakhs after adjusting the cost budgeted for lift minus expected development fee during FY 2017-2018 of INR 69,15,009 after adjusting the amount of increased fee to be refunded/adjusted) and the derived balance of development fund of INR 42,28,967 (INR 70,21,958 minus INR 27,92,991) has been considered in the fund position of the school.

3. On evaluation of depreciation reserve, it was noted that the school had charged depreciation on fixed assets and had transferred the same to depreciation reserve on liabilities side of the Balance Sheet of the school. Also, the school is charging development fund from students for purchase, up-gradation and replacement of furniture, fixture and equipment. Though development fund maintained by the school has been adjusted for deriving the fund position of the school as per Note 2 above, depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue accounts as per clause 14 of Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009) is more of an accounting head for appropriate accounting treatment of depreciation in the books of account of the school in accordance with Guidance Note 21 issued by the Institute of Chartered Accountants of India. 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. 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 13,20,77,778 (including arrears of 7th CPC from January 2016 to November 2017), which in some instances was found to be unreasonable/ excessive. Based on the explanations and details provided by the school during personal hearing, most of the expense heads as budgeted were considered, 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**
Salaries and wages including Allowances	3,48,20,178	4,17,56,310	3,81,97,890	35,58,420	Salary and wages are considered as per separate calculation provided by the school.
Provision for gratuity	29,83,481	4,84,093	-	4,84,093	Refer financial finding no.4
Provision for Leave encashment	11,21,752	2,30,187	-	2,30,187	
Vehicle repair and maintenance	28,69,060	42,00,000	31,55,966	10,44,034	Reasonable justification/ explanation was not provided by the school for such increase in expense as compared with that incurred in FY
Advertisement & Publicity Expenses	4,08,292	7,50,000	4,49,121	3,00,879	
Activity expenses	1,74,468	5,00,000	1,91,915	3,08,085	

Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Computer Education	20,68,500	25,00,000	22,75,350	2,24,650	2016-2017. Accordingly, the expense has been restricted to 110% of the expense incurred during FY 2016-2017.
Educational trip expenses	5,43,637	6,50,000	5,98,001	51,999	
Examination Assignment & Assessment Expenses	9,77,025	15,00,000	10,74,728	4,25,273	
Function Expenses	10,13,539	19,00,000	11,14,893	7,85,107	
General expenses	61,367	2,50,000	67,504	1,82,496	
House Keeping Expenses	65,65,618	1,10,00,000	72,22,180	37,77,820	
Legal and professional expense	11,77,360	15,00,000	12,95,096	2,04,904	
Magazine expenses	5,04,000	6,00,000	5,54,400	45,600	
Science and lab expenses	7,74,274	11,50,000	8,51,701	2,98,299	
Seminar and workshop expenses	14,960	4,00,000	16,456	3,83,544	
Toys and teaching Aids	47,795	3,25,000	52,575	2,72,426	
Building	4,87,949	7,50,000	5,36,744	2,13,256	
Sanitation Expenses	4,79,274	6,00,000	5,27,201	72,799	
General Repair and maintenance	3,35,898	6,00,000	3,69,488	2,30,512	
Scholarship Expenses	5,000	15,000	-	15,000	Non-compliance with the requirements of Rule 177 of DSER, 1973, Accordingly the expense budgeted by the
Charity and Donation	38,000	38,000	-	38,000	

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Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
					school is disallowed.
Technology charges	-	20,50,000	-	20,50,000	Reasonable justification/ explanation was not provided by the school for this new head of expense included in the budget. Thus, the same has not been considered.
Capital expenditure	42,65,628	55,00,000	-	55,00,000	Capital Expenditure other than that budgeted from development fund has not been considered.
Lift	-	18,00,000	-	18,00,000	Capital expenditure on construction of Lift is not allowed from school funds, as the school has not ensured compliance with Rule 177 of DSER, 1973. Accordingly, this expenditure has not been considered.
4 month working reserve		2,22,00,210	-	2,22,00,210	FY 2017-2018 being the year of implementation of recommendations of 7th CPC, salary reserve has not been considered.
Total	**6,16,99,055**	**10,14,10,800**	**5,85,51,208**	**4,46,97,593**	

In view of the above examination, it is evident that the school does not have sufficient funds for meeting all the budgeted expenditures for the financial year 2017-2018.

ii. The directions issued by the Directorate of Education vide circular no. 1978 dated 16 Apr 2010 states "*All schools must, first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase.*" The school has sufficient funds to carry on the operation of the school for the academic session 2017-2018 on the basis of existing fees structure and after considering existing funds/reserves.

Whereas per 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. The school has continued to charge earmarked fee higher than the expenses incurred against Transportation and computer fee whereas the expenses incurred are more than smart class and magazine charges collected from students. The school has utilised the surplus earned for meeting the revenue expenses of the school and deficit on smart class and magazine charges. Accordingly, the school is advised to maintain separate fund in respect of each earmarked levy charged from the students in accordance with the DSEA & R, 1973 and orders, circulars, etc. issued thereunder. Surpluses/deficit under each earmarked levy collected from the students should be adjusted for determining the earmarked levy to be charged in the academic session 2018-2019.

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

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

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

(b) qualifying insurance policies.

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

And whereas, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that along with certain financial irregularities that were identified (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings which were also noted (appropriate instructions against which have been given in this order), the funds available with the school for implementation of recommendations of 7th CPC and to carry out its operations for the academic session 2017-2018 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 **M.M. Public School (School ID-1411192), Pitampura, Delhi-110034** 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. Not to collect same fee from students after they are promoted to higher class as the existing fee structure for that class will be applicable.

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

5. 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.

6. 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.

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

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

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

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

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

To:
The Manager/ HoS
M.M. Public School
School ID-1411192,
Pitampura, Delhi-110034

No. F.DE.15(314)/PSB/2019 /1630-1634 Dated: 24/04/19

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