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

No. F.DE.15(358)/PSB/2019/1415-1419 Dated: 29/03/19

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."

1 967

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, **Sanatan Dharam Public School (School ID-1411213), BU-Block, 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.

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 as 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 23 August 2018 at 11:00 AM to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted.

AND WHEREAS, the reply of the school, documents uploaded on the web portal for fee increase and subsequent documents submitted by the school were thoroughly evaluated 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 Hon'ble 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 the FY 2014-2015 and 2016-2017 revealed that the school has incurred expenditure on construction of building out of school funds and has capitalized building totalling to INR 13.92 lakhs 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). This amount of INR 13.92 lakhs 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. Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 166-170 dated 26 Dec 2016 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the trust/society is receiving rent from Book Shop, Canteen Shop and Tailor Shop that are operating in the school, which is non-compliance to Rule 175 of Delhi School Education Rules, 1973 which states "*the accounts with regard to the Recognised Unaided School Fund, shall be so maintained as to exhibit, clearly the income accruing to the school by way of fees, fines, income from building rent, interest, development fees, collections for specific purposes, endowments, gifts, donations, contributions to Pupil's Fund and other miscellaneous receipt.*" The rental income from these shops should have been reported as the income of the school and should have been accounted for in accordance with clause 3 of Circular No. 1978 dated 16 April 2010 and clause 11 of order no. F.DE./15(56)/Act/2009/778 dated 11 Feb 2009.

   Audited financial statements of FY 2016-2017 and the budget estimate for FY 2017-2018 highlighted that the school had not accounted the rental income from Book Shop, Canteen Shop and Tailor Shop in FY 2016-2017 and has also not budgeted income from same in FY 2017-2018. Based on available records, following amount has been quantified as income of the school collected by the trust/society:

Financial Year	Amount (INR)	Remarks
2013-2014	7,36,910	As identified in Order no. F.DE.-15/ACT-I/WPC-4109/ PART/13/166-170 dated 26 Dec 2016 issued to school post evaluation of fee increase proposal for FY 2016-2017
2014-2015	9,04,330	
2015-2016	12,51,000	
2016-2017	12,51,000	No income reported by the school, thus, the amount of income identified during FY 2015-2016 has been considered with the assumption that at least the same amount would be received/earned
2017-2018	12,51,000	
Total	**53,94,240**	

   Thus, the income of school collected by trust/society of INR 53,94,240 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

1809

the Trust/Society within 30 days from the date of this order. Further, the school is directed to ensure compliance to the directions of the directorate and account for income of the school in the books of account of the school.

3. Rule 177 of DSER, 1973 states *"(1) Income derived by an unaided recognised school by way of fees shall be utilised in the first instance, for meeting the pay, allowances, and other benefits admissible to the employees of the school. Provided that savings, if any from the fees collected by such school may be utilised by its managing committee for meeting for meeting the capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely:*

   1. *award of the scholarships to students,*
   2. *establishment of any other recognised school, or*
   3. *assisting any other school or educational institution, not being a college, under the management of the same society or trust by which the first mentioned school is run.*

   (2) The savings referred to in sub-rule (1) shall be arrived at after providing for the following, namely:-

   (a) pension, gratuity and other specified retirement and other benefits admissible to the employees of the school,
   (b) the needed expansion of the school or any expenditure of a development nature,
   (c) the expansion of the school building or for the expansion or construction of any building or establishment of hostel or expansion or construction of any building or establishment of hostel or expansion of hostel accommodation,
   (d) co-curricular activities of the students,
   (e) reasonable reserve fund, not being less than ten percent, of such savings."

   It was observed that the school had paid INR 1,11,400 as scholarships to students during FY 2016-2017, which as per above mentioned rule is inappropriate considering that the school has not complied with the requirements of sub-rule 2 of Rule 177. The school explained that the scholarship of INR 1 lac is given to Master Deepanshu Jindal of Class XII for his brilliant academics by scoring 1st position in IIT JEE Main. The school further mentioned that he was a student from EWS category and scholarship of INR 1 lac was given to support his fees for IIT Delhi.

   In view of scholarship payments made by the school without complying with the requirements of Rule 177 of DSER, 1973, the amount of scholarships paid to students out of school fund of INR 1,11,400 is hereby added to the fund position of the school (enclosed in 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. Also, scholarship budgeted by the school as expenditure for FY 2017-2018 has not been considered while deriving the fund position of the school (enclosed in the later part of this order).

4. 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."

   The school has neither obtained an actuarial certificate regarding its liability towards retirement benefits of the staff nor has it recorded any liability in its financial statements of FY 2016-2017. Also, the school has not deposited any amount in investments that qualifies as 'Plan Assets' as per Accounting Standard 15.

   According to the school, the provision for staff retirement benefits are accounted for as and when payment is made. The valuation of the gratuity is done by the Trust itself.

   The school is directed to obtain actuarial valuation of its liability towards gratuity and leave encashment and report the same in its financial statements as provision for retirement benefits. The school should also start creating investment against retirement benefits in accordance with Accounting Standard 15 from subsequent years to ensure that the value of investments become equivalent to the amount of liability determined by the actuary to protect statutory liability towards staff of the school.

   In absence of actuarial valuation, provision in financial statements and investment in plan-assets, no amount has been adjusted towards retirement benefits while deriving the fund position of the school (enclosed in the later part of the order).

5. 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.*"

   Further, Clause 14 of this DoE'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.*"

   During review of financial statements of the school for FY 2016-2017, it was noted that the school had purchased school bus of INR 20,20,328 and reflected the same as utilization of development fund, which was a non-compliance of the directions included in above order as development fund can be utilised only towards purchase of furniture, fixture and equipment.

   Further, 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 breakup of income and expense submitted by the school towards transport service was evaluated and it was noted that the school was charging transport fee, which was adequate to cover revenue (operating) expenses for providing the transport service to students (surplus reflected by school against transport fee was INR 60,215 during FY 2016-2017 and INR 67,318 during FY 2015-2016). From the breakup of expenses incurred towards transport facility, it was also noted that the school had not apportioned depreciation of vehicles used for providing transportation service to the transport fee collected. Thus, the school had no reserve for purchase/replacement of bus.

Also, it was noticed that the school has not complied with the requirements of Rule 177 of DSER, 1973, but has purchased a capital asset (bus) and utilised school funds for providing service only specific users of the bus service.

Accordingly, the amount spent by the school on purchase of bus of INR 20,20,328 is hereby added to the fund position of the school (enclosed in 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 of the date of this order.

The school is directed to ensure capital assets are not procured from school funds unless savings are derived in accordance with Rule 177. Also, the school must ensure that the development fund is utilized only towards purchase, upgradation and replacement of furniture, fixtures and equipment.

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 has been noted that the school charges earmarked levies in the form of Transport Fees, Science fee, computer fee, computer aided learning fee, activity fee and, Diary, I-card, worksheets, 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), which has been met from other fees/income. This was also mentioned in DOE's order No. F. DE-15/ACT-I/WPC-4109/PART/13/166-170 dated 26 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**
Science Fee & Computer Fee	10,57,505	10,07,484	50,021
Computer Aided Learning Fees	23,99,400	20,77,593	3,21,807
Diary/I-card/Worksheets, etc.	9,28,760	8,37,166	91,594
Abacus Activity Fees	3,01,800	3,29,300	(27,500)
Dance Activity Fees	1,43,800	1,15,500	28,300
Robotics Activity Fees	91,400	*-	91,400
Vedic Maths Fees	1,65,200	47,000	1,18,200
Transport Fee^	56,88,575	56,28,360	60,215

* School did not provide details/breakup of expense incurred against the earmarked levy

^ 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. Also, the school incurred expenditure on purchase of a bus during FY 2016-2017, which is not included in the above expenditure. Refer Financial Finding No. 5.

1813

Further, the school had reported surplus earned from earmarked fees collected from students such as Abacus Activity Fees, Dance Activity Fees, Robotics Activity Fees and Vedic Maths Fees under 'Miscellaneous Receipts' in its audited financial statements for FY 2016-2017 instead of reporting total income and total expenses separately for these heads. The school explained that it has been following this practice of reflecting only the surplus arrived from these minor earmarked levies. However, the school provided breakup of income and expenses (except expenses incurred against Robotics Activity Fees) in relation to the above 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 Computer aided learning fees, Diary/I-card/Worksheets and Activity fees etc. 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 Computer aided learning fees, Diary/I-card/Worksheets and Activity 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 annual charges, as applicable collected from the students. The school explained that it works on the principles of no-profit and no-loss and separate ledgers of the earmarked levies have been maintained, which itself show that each earmarked levy has been kept separately and expenses are used only for the purpose for which these are collected. While the school has explained its position and the way it has been preparing its ledger account, it has not maintained separate fund account for each earmarked levy. 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, 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. Also, the school is directed to disclose all incomes and expenses in its financial statements.

2. Para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states "*Where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which*

1834

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 transferred an amount equivalent to the purchase cost of the assets from development fund to general reserve instead of accounting treatment as indicated in the guidance note cited above. Further, the school adjusted depreciation for the year on entire fixed assets from development fund instead of charging the same in the Income and Expenditure Account of the school.

Also, 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.

Further, in accordance with Clause 14 of DoE's Order No. F.DE./15 (56) /Act /2009 / 778 dated 11 Feb 2009 states "*Development fee, not exceeding 15% .... 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 required to maintain development fund in a separate bank account. However, the school has not opened a separate bank account for deposit and utilisation of development fund till date. Accordingly, no interest has been credited by the school to development fund account.

The school is directed to follow directions in this regard and maintain development fund in a separate bank account and credit the interest income earned on investments made from development fund to the development fund account.

The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

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.*"

Further, 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.*"

The school has not maintained separate bank account for deposit of caution money collected. Also, the school had not refunded interest on caution money along with the refund of caution money. Also, the school has not recorded unclaimed caution money as income after expiry of 30 days from the date of communication to the ex-students to collect caution money.

During the personal hearing, the school mentioned that it would recognise the balance un-refunded caution money, if any as income after 30 days of sending letters to the last known addresses of the students to collect their caution money.

The school is directed to comply with directions in this regard issued from time to time including deposit of caution money in a separate bank account, refund of caution money to students at the time of their leaving along with interest thereon and recording unclaimed caution money as income after expiry of 30 days from the date of communication to the ex-students to collect their caution money.

The amount to be refunded to students after adjusting the income recorded by the school towards unclaimed caution money, as per details submitted by the school, has been considered while deriving the fund position of the school (enclosed in the later part of this order).

4. Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 166-170 dated 26 Dec 2016 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school is charging late fees of INR 20 per day for delay which is non-compliance to rule 166 of Delhi School Education Rules, 1973 which states that "*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.*"

   On review of the financial statements of FY 2016-2017 highlighted that the school had continued to charge late fees as highlighted in the aforementioned order. Accordingly, the school is directed to ensure compliance to the directions of the Directorate. The amount of fine collected by the school as per audited financial statements of the school has been considered while deriving the fund position of the school (enclosed in the later part of this order).

5. The school has prepared a Fixed Asset register (FAR) in the form of a stock register that only captures asset name, date and amount. The school should also include details such as supplier name, invoice number, manufacturer's serial number, location, purchase cost, other

costs incurred, depreciation, identification number, etc. to facilitate identification of asset and documenting complete details of assets at one place.

During the personal hearing, the school confirmed that it will update the FAR as per the recommendations in FY 2018-2019. Accordingly, the school is directed to update the FAR with details mentioned above. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

6. The school had increased its fees (tuition fees, development fees and annual charges) by 10% and increased earmarked levies by 7% to 9% 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 school was directed not to increase the fee vide Order No. F.DE-15/ACT-I/WPC-4109/PART/13/166-170 dated 26 Dec 2016. The school explained that the school is running in deficit and received the Directorate order No. F.DE-15/ACT-I/WPC-4109/PART/13/166-170 dated 26 Dec 2016 on 7 August 2018 due to which the instructions given in the said order could not be implied by the school. The school is strictly directed not to increase the fee of any class without prior approval of the Directorate.

   However, the fee collected by the school has been considered while deriving the fund position of the school for FY 2017-2018 (enclosed in the later part of the order).

   Further, from the fee structure for the FY 2016-2017 provided by the school, it was noted that the school has filed incorrect or incomplete details of fee in the fee hike proposal for academic session 2017-2018 submitted with the Directorate. The school has mentioned increased tuition fees, development fees and annual charges by 10% and earmarked levies by 7% to 9% for FY 2016-2017 in its proposal for academic session 2017-2018. The school is advised to be cautious while filing details with the Directorate going forward.

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 8,61,18,037 out of which cash outflow in the year 2017-2018 is estimated to be INR 9,33,22,212. This results in net deficit of INR 72,04,175. 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)	11,23,633
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	1,36,74,946
Bank overdraft against fixed deposit as on 31 Mar 2017 (as per audited financial statements of FY 2016-2017)	(23,21,640)
Total Liquid Funds Available with the School as on 31 Mar 2017	**1,24,76,939**

1817

Particulars	Amount (INR)
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]	7,35,58,583
Add: Recovery of additions to building reflected in financial statement for FY 2014-2015 & 2016-2017 from the Society [Refer Financial Finding No. 1]	13,92,054
Add: Recovery of rent received by the Society from Book shop, Canteen shop and Tailor shop [Refer Financial Finding No. 2]	53,94,240
Add: Scholarship paid to students to be recovered from Society [Refer Financial Finding No. 3]	1,11,400
Add: Recovery from society against purchase of bus [Refer Financial Finding No. 5]	20,20,328
Gross Estimated Available Funds for FY 2017-2018	**9,49,53,544**
Less: FDR submitted to DoE and CBSE (as per audited financial statements of FY 2016-2017)	10,25,347
Less: Development Fund [Refer Note 2]	71,61,160
Less: Staff retirement benefits [Refer Financial Finding No. 4]	-
Less: Caution Money (Net of transfer to income in FY 2017-2018) [Refer Note 3]	6,49,000
Net Estimated Available Funds for FY 2017-2018	**8,61,18,037**
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 4]	8,43,04,679
Less: Arrears of salary as per 7th CPC since January 16 (as included in the Budget Estimate for FY 2017-2018 by the school) [Refer Note 4]	90,17,533
Estimated Deficit	**72,04,175**

Notes:

1. Fee and income as per audited financial statements of FY 2016-2017 (excluding non-recurring income such as Profit on sale of assets) has 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 75,20,131 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

1918

position of the school, which is considered sufficient basis the spending pattern of the school in past.

3. Unclaimed caution money of INR 4,62,000, as declared by the school and treated as income by the school during FY 2017-2018, has been adjusted from the liability towards caution money as on 31 Mar 2017 of INR 11,11,000 (as per audited financial statements of FY 2016-2017) and net balance of INR 6,49,000 refundable to students has been considered for deriving the net estimated available funds with the school for FY 2017-2018.

4. Per the Budget Estimate 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 9,77,19,287 (including arrears of 7th CPC amounting to INR 90,17,533 that are 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, some of the expenses 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. However, during review of budgeted expenses, discrepancies were noted in some of the expense heads, which were adjusted from the budgeted expenses. 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
Transportation expenses in respect of vehicles owned by the school	21,20,068	26,35,063	23,32,075	3,02,988	Reasonable explanation or supporting documents not provided by the school for such percent increase over expenses incurred during FY 2016-2017. Thus, expenditure restricted to 110% of that incurred during FY 2016-2017.
Insurance charges	1,47,233	2,25,000	1,61,956	63,044	
Computer aided learning expenses	19,09,364	24,09,015	21,00,300	3,08,715	
Garden Expenses	1,97,314	2,50,000	2,17,045	32,995	
Laboratory Expenses	10,07,484	13,73,222	11,08,232	2,64,990	
Security Service, Cleaning & Maintenance expenses	21,86,946	30,00,000	24,05,641	5,94,359	
Student welfare expenses	3,45,189	4,00,000	3,79,708	20,292	
Scholarship	1,11,400	2,00,000	-	2,00,000	Refer Financial Finding No. 3
Depreciation	24,44,465	26,09,733	-	26,09,733	Depreciation, being non-cash item having no impact on the fund position of the school has not been allowed.
Total	**92,10,710**	**1,31,02,033**	**87,04,958**	**43,97,075**	

1817

i. It seems that the school may not be able to meet its budgeted expenses from the existing fee structure and accordingly, it should utilise its existing funds/reserves and other resources. In this regard, Directorate of Education has already issued directions to the schools vide circular no. 1978 dated 16 Apr 2010 that,

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

And whereas, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that along with certain financial 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 fee increase proposal of the school may be accepted.

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 it appropriate to allow increase in tuition fee by 15% with effect from April 2019.

Accordingly, it is hereby conveyed that the proposal of enhancement of fee of **Sanatan Dharam Public School (School ID-1411213), BU-Block, Pitampura, Delhi-110034** has been accepted by the Director of Education with effect from April 2019 and the school is hereby allowed to increase tuition fee by 15%. Further, the management of said school is hereby directed under section 24(3) of DSEA, 1973 to comply with the following directions:

1. To increase the tuition fee only by prescribed percentage from the specified date.
2. To rectify the financial and other irregularities as listed above and submit the compliance report within 30 days from the date of this order to D.D.E.(PSB).
3. To ensure implementation of recommendations of 7th CPC in accordance with Directorate's order dated 25 Aug 2017.
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.

1520

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.

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
Sanatan Dharam Public School
School ID-1411213
BU-Block, Pitampura, Delhi-110034

No. F.DE.15 (258) / PSB / 2019 / 1415-1419 Dated: 29/03/19

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