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

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No. F.DE.15(288) / PSB / 2019 / 1575 -1579 Dated: 04/04/19

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."

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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, **The Heritage School (School ID-1413276), Plot No.8, Sector-23, Rohini, Delhi-110085** 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 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 13 August 2018 at 11 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 FY 2014-2015, FY 2015-2016 and FY 2016-2017 revealed that the school has incurred expenditure on construction of building and flooring out

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of school funds and has capitalised building totalling to INR 2,90,83,477 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 2,90,83,477 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. 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.*"

   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 2 cars totalling to INR 37,47,577. During the personal hearing, the school explained that the same were purchased for meeting the needs of the school. Thus, it has been observed that the school has been purchasing costly vehicles and submitting proposal for increase of fee from students that translates to constituting capital expenditure as component of the fee structure of school and hence non-compliance of above direction.

   Further, the above capital expenditures were incurred by the school without complying the requirements prescribed in Rule 177 of DSER, 1973. Thus, the amount spent by the school on purchase of vehicle of INR 37,47,577 has been 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 recover this amount from the Society within 30 days from the date of this order.

3. The school was directed by the Directorate through its Order no. F. DE-15/ACT-I/WPC-4109/PART/ 13/861 dated 8 August 2017 to make earmarked equivalent investments against the provision for retirement benefits with LIC (or any other agency) within 90 days.

   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
   qualifying insurance policies."

   Based on the documents submitted by the school, it was noted that the school has obtained actuarial valuation of its liability towards gratuity (INR 2,82,74,242) and leave encashment (INR 33,18,838) for FY 2016-2017 and has recorded equivalent liability in the books of the account as on 31 March 2017.

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During the personnel hearing, the school mentioned that it has deposited INR 1.65 crores with LIC (INR 1.43 crores in its group gratuity scheme and INR 22 lakhs in leave encashment scheme) during FY 2017-2018 & FY 2018-2019 and submitted the evidence of payment.

Based on the evidence of actual amount deposited with LIC during FY 2017-2018 & 2018-2019, INR 1.43 crores towards gratuity and INR 22 lakhs towards leave encashment have been considered while deriving the fund position of the school for FY 2017-2018 (enclosed in the later part of the order). Thus, amount budgeted by the school for FY 2017-2018 has not been included as part of budgeted expenses for FY 2017-2018 while deriving the fund position of the school for FY 2017-2018 (enclosed in the later part of the order). Further, the school is directed to ensure that investments equivalent to the amount of liability determined by the actuary should be made in 'plan-assets' in accordance with Accounting Standard 15 in the succeeding financial years.

B. Other Discrepancies

1. 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 charges, Science fee, Computer

Fees, Online Education and Digital Communication, Tour 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 Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/861 dated 8 August 2017 issued to the school post evaluation of the fee increase proposal for FY 2016-2017. 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
Science Fees	3,47,130	3,14,074	33,056
Computer Fees	27,720	1,66,115	(1,38,395)
Online Education & Digital communication	61,01,440	41,04,817	19,96,623
Information Technology fees	19,06,700	11,44,790	7,61,910
Transportation charges^	19,40,090	24,81,730	(5,41,640)
Tour Income	1,82,61,760	1,69,94,012	12,67,748

^ 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 instead of the year in which the same is purchased.

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 online education & digital communication and Information Technology 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 Online education & digital communication, Information Technology 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 surplus in earmarked levies was due to some planned activities, which could not be done in the FY 2016-2017, hence the surplus was appearing in online Education & Digital communication and Information Technology fees. Also, the school will open separate bank accounts for earmarked levies in FY 2018-2019 to ensure fee is collected on no-profit no-loss basis. Accordingly, total fees (including earmarked fee) have been included in the budgeted income and budgeted expenses (included those for earmarked purposes) have

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been considered 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. Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 which states "*Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up gradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund, will be kept in a separately maintained Development Fund Account.*"

   As per para 67 of the Guidance Note on Accounting by Schools issued by Chartered Accountants of India, "*The financial statements should disclose, inter alia, the historical cost of fixed assets.*" Further, para 58(i) of the Guidance Note states "*A school should charge depreciation according to the written down value method at rates recommended in Appendix I to the Guidance Note.*"

   Directorate order F. DE-15/ACT-I/WPC-4109/PART/13/861 dated 08 August 2017 issued post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 noted that the school has made additions of INR 38,93,868 and deduction of INR 40,65,582 in Depreciation reserve fund, which could not be correlated with the fixed assets as reflected in Fixed assets schedule.

   Further, based on the presentation made in the audited financial statements for FY 2016-2017 submitted by the school, it was noted that the school reported purchase of assets from depreciation reserve fund and reflected the same as deduction from depreciation reserve. Further, the school reflected a transfer of INR 43,13,697 from general reserve to depreciation reserve fund. However, the school did not provide any details regarding how the funds has been allocated from general reserve. Further, reasonable justification for non-maintenance of the depreciation reserve fund, equivalent to the deprecation charged in the revenue accounts could not be explained by the school. Thus, the school is directed to maintain depreciation reserve fund in compliance to the above mentioned order.

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Also, the school enclosed consolidated fixed assets schedules with its audited financial statement for FY 2016-2017 for assets purchased against development fund and those purchased against general reserve. Further, the school reported fixed assets purchased from development fund and general fund at written down value in the fixed asset schedule and on the face of the Balance Sheet, which is not in accordance with the disclosure requirements of the guidance note citied above.

Further, it was noted that the school had incurred capital expenditure on Building of INR 31,84,834, on EPDM flooring of INR 9,10,304 and INR 37,47,577 on vehicles totalling to INR 78,42,715 during FY 2016-2017 and reflected the same as utilisation of development fund in the audited financial statements for FY 2016-2017, which is not in accordance with the direction included in above order.

The school is instructed to make necessary rectification entries relating to development fund, fixed assets and depreciation reserve to comply with the accounting treatment indicated in the Guidance Note. Further, the school should present the fixed assets at historic cost in the financial statements for FY 2016-2017. Also, the school is directed to follow DOE instructions/directions and ensure that development fund is utilised only towards purchase, upgradation and replacement of furniture, fixture and equipment.

3. Rule 107 - "Fixation of Pay' of the DSER, 1973 states "(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 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 in accordance with 7th CPC prepared by the school and placed on record, it was noted that gross salary of principal was computed as INR 3,21,271 (grade pay of INR 10,000) for the month of December 2017, which appeared excessive in comparison to the salary paid to principals in government schools. The school explained that the principal is working for a long time with the school and received annual increments as per her 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. As per the affiliation bye-laws prescribed by Central Board of Secondary Education (CBSE), there should be 1.5 teachers per section to teach various subjects. Information relating to teaching staff, students enrolled and sections were obtained from the school and included in table below:

Particulars	Number
No. of Section (all classes) {A}	56
Teaching staff during FY 2016-2017 {B}	118
No. of teachers as prescribed by CBSE (No. of sections X 1.5) {C=A*1.5}	84
Derived overstaffing at school (basis CBSE norms) {D=B-C}	34
Derived Teacher-Section Ratio {E=B/A}	2.11

The above calculations indicate that the school has a Teacher-Section Ratio of 2.11, which is higher than the ratio prescribed by CBSE. During the personal hearing, the school informed that in order to provide quality education the school has appointed teachers based on needs of the students. The school prepares plans for each lesson in detail, which is discussed with in-charge of the subjects and quality output is delivered to students after lot of brainstorming. Also, the school tries to document learning curve and patterns of the students and work on the weaknesses of students, for which additional time is required.

As salary expense is the major component of the total cost of the school, the school is required to make an assessment of the staff to ensure effective utilisation of the same in accordance with the norms specified by CBSE.

5. The school has prepared a Fixed Assets Register (FAR) that only captures asset name, Number of assets, party name and amount. The school should also include details such as invoice number, manufacturer's serial number, location, purchase cost, other costs incurred, depreciation, asset identification number, etc. in the FAR to facilitate identification of asset and documenting complete details of assets at one place.

   During the personal hearing, school mentioned that it will make recommended changes in FAR from FY 2018-2019 onwards. The school is directed to update the FAR with relevant details mentioned above. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

6. Order no. F. DE-15/ACT-I/WPC-4109/PART/13/861 dated 08 August 2017 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that, there was no process in relation to calling of quotations from vendor, approval process, gate inward control and payment, only oral communication is done with the prospective suppliers and no documentation was done for the same.

   On review of the documentation relating to sample of procurement processes carried out by the school during FY 2016-2017, it was noted that the school was not preparing any comparative statement for evaluating the quotations received from vendors and was not getting the same approved from the purchase committee. Further, it was noted that the school does not have a process of maintaining gate inward and outward register and stamping the invoice at entry gate.

Accordingly, the school is directed to follow proper procurement process and maintain proper documentation in relation to procurements and purchases done by the school. Compliance of the same shall be validated at the time of evaluation of subsequent fee increase proposal. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

7. Direction no. 3 of the public notice dated 4 May 1997 published in the Times of India states "*No security/ deposit/ caution money be taken from the students at the time of admission and if at all it is considered necessary, it should be taken once and at the nominal rate of INR 500 per student in any case, and it should be returned to the students at the time of leaving the school along with the interest at the bank rate.*"

   Clause 18 of Order no F.DE/15(56)/Act/2009/778 dated 11 Feb 2009 states "*No caution money/security deposit of more than five hundred rupees per student shall be charged. The caution money, thus collected shall be kept deposited in a scheduled bank in the name of the concerned school and shall be returned to the student at the time of his/her leaving the school along with the bank interest thereon irrespective of whether or not he/she requests for refund.*"

   It was noticed that the school had not refunded caution money to the students along with interest at the time of leaving the school. Further, school had not treated un-claimed caution money as income in the next financial year after the expiry of 30 days, which should have been done.

   During the personal hearing, the school informed that the school has maintained a separate account for caution money. However, interest on caution money was not refunded to students. The school also mentioned that the un-refunded caution money will be recorded as income in FY 2017-2018.

   The school is directed to ensure compliance with the aforementioned directions including refund of caution money along with interest to exiting students and treat un-claimed caution money as income after the expiry of 30 days from the date of communication with ex-students to collect the same.

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

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 2017-18 amounting to INR 20,86,92,612 out of which cash outflow in the year 2017-18 is estimated to be INR 21,10,48,941. This results in net deficit of INR 23,56,329. The details are as follows:

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Particulars	Amount (INR)
Cash and Bank Balance as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	34,64,625
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	45,69,093
Total Liquid Funds Available with the School as on 31 Mar 2017	**80,33,718**
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]	18,10,24,400
Add: Net fee arrears for FY 2016-2017 on account of fee increase approved by DoE vide order dated 8 August 2017 collected in FY 2017-2018 [Refer Note 2]	74,11,102
Add: Recovery from the society towards cost of cars purchased out of school funds [Refer financial finding No 2]	37,47,577
Add: Recovery of cost incurred on additions to building from the Society [Refer Financial Finding No. 1]	2,90,83,477
Gross Estimated Available Funds for FY 2017-2018	**22,93,00,274**
Less: Development fund as on 31 Mar 2017 (as per audited financial statements of FY 2016-2017)	33,19,162
Less: Depreciation Reserve [Refer Note 3]	-
Less: Caution Money (Net of transfer to income in FY 2017-2018) [Refer Note 4]	7,88,500
Less: Staff retirement benefits [Refer Other Finding No. 3]	1,65,00,000
Net Estimated Available Funds for FY 2017-2018	**20,86,92,612**
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 5]	18,63,84,941
Less: Arrears of salary as per 7th CPC from January 2016 to March 2018 (as included in the Budget Estimate for FY 2017-2018 by the school)	2,46,64,000
Estimated Deficit	**23,56,329**

Notes:

1. Fee and income as per audited financial statements of FY 2016-2017 (together with increase of 5% approved by DoE during 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.

2. The school was allowed by DoE to increase its fee by 5% vide Order No. F.DE-15/ACT-I/WPC-4109/PART/13/861 dated 8 Aug 2017. However, the school had not included net arrears for FY 2016-2017 (after adjustment of increased fee already collected in FY 2016-2017) collected in FY 2017-2018 in the budget statement for 2017-2018, which has been derived based on the percent increase approved and details provided by the school of amount of increased fee collected by the school during FY 2016-2017. This has been added to the available funds, as this would be additional collection by the school not included in the income of FY 2016-2017 (as per audited financial statements).

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

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maintained by the school has been adjusted for deriving the fund position of the school as per audited financial statements of FY 2016-2017, 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. Unclaimed caution money of INR 99,500, as declared by the school to be treated as income during FY 2017-2018, has been adjusted from the liability towards caution money as on 31 Mar 2017 of INR 8,88,000 (as per audited financial statements of FY 2016-2017) and net balance of INR 7,88,500 refundable to students has been considered for deriving the net estimated available funds with the school for FY 2017-2018.

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 21,82,61,000 (including arrears of salary as per 7th CPC for the period January 2016 to March 2017 of INR 2,46,64,000), 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 even though certain expenditures were increased substantially by the school as compared to FY 2016-2017. However, during review of budgeted expenses, discrepancies were noted in some of the expense heads, which were adjusted from the budgeted expenses. The same were discussed during personal hearing with the school. Therefore, the following expenses have been adjusted while considering the budgeted expenses for FY 2017-2018:

(Amount in lakhs)

Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Online Digital Communication Expenses	41.05	49.90	45.16	4.75	Reasonable justification/ explanation was not provided by the school for such increase in expense as compared with that incurred in FY 2016-2017. Accordingly, the expense has been restricted to 110% of the expense incurred during FY 2016-2017.
Provision for Gratuity & Leave Encashment	76.65	90.00	22.62	67.38	Refer Financial Finding No. 3
Total	**117.70**	**139.90**	**67.78**	**72.12**	

ii. 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

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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 though 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 5% with effect from April 2019.

Accordingly, it is hereby conveyed that the proposal of enhancement of fee of **The Heritage School (School ID-1413276), Plot No.8, Sector-23, Rohini, Delhi-110085** has been accepted by the Director of Education with effect from April 2019 and the school is hereby allowed to increase tuition fee by 5%. 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 fees only by the 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.
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
The Heritage School
School ID 1413276
Plot No.8, Sector-23, Rohini, Delhi-110085

No. F DE.15(288) / PSB / 2019 / 1575-1579 Dated: 04/04/19

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