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

No. F.DE.15(53)/PSB/2019/ 778-782 Dated: 22/01/2019

ORDER

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

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

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

"27....

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

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

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

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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, **Mira Model School (School ID-1514087), B-Block, Janakpuri, Delhi-110058** 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 16 July 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 including details and information regarding feeder school (Mira Nursery School, Janakpuri), financial statements of which were prepared separately by the school and not included with 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. As per the Order no 15072-15871 dated 23 March 1999 "*All pre-primary schools being run by the registered society/ trust in Delhi as Branches of the recognized schools by the appropriate authority in or outside the school premises shall be deemed as one Institution for all Purposes*" Further, the Hon'ble High Court of Delhi in the matter of Social Jurist vs. the Govt. of NCT of Delhi & others concluded "*We do not find any proper reason or rationale to keep Pre-school apart and segregated by those regular schools where Preschool facilities exist and admission starts from that stage.*"

   During the process of evaluation of fee hike proposal, it was identified that Mira Model School (operating from class 1) was admitting most of the students directly from the pre-school – 'Mira Nursery', which on that basis has been considered as feeder school of Mira Model School. Accordingly, the conditions and requirements applicable to Mira Model School would apply in the same manner to Mira Nursery School. However, Mira Model School did not submit details including financial information and fee (existing and proposed) for students enrolled in Mira Nursery School along with its proposal for enhancement of fee for FY 2017-2018, which were subsequently obtained from the school.

The School is thereby instructed to ensure that complete details of the feeder school should be enclosed with any subsequent fee hike proposal including the financial information, similar to the main school.

Further, 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.*" Based on the fee structure of feeder school for FY 2015-2016, FY 2016-2017 and FY 2017-2018 submitted by the school and taken on record, it was noted that the feeder school had increased the fee during FY 2016-2017 and continued to collect increased fee during FY 2017-2018 without prior approval of the Directorate. Details of increase in fee is enclosed in table below:

Fee Head	**Frequency**	**Amount (FY 2015-2016)**	**Amount (FY 2016-2017)**	**Fee Increase (INR)**	**% increase**
		(A)	**(B)**	**(C)=(B-A)**	**(D)=(C/A)**
Tuition Fees	Quarterly	8,400	9,300	900	11%
Development Fees	Annually	4,500	5,500	1,000	22%
Annual Charges	Annually	4,000	5,000	1,000	25%
Computer Technology Fee	Annually	2,000	2,200	200	10%
Activities/Excursion Fee	Annually	2,000	2,200	200	10%

The school did not provide details of total increased fee collected from students of feeder school during FY 2016-2017 and FY 2017-2018. However, based on fee structure and details submitted by the school regarding number of students (non-EWS) enrolled with the feeder school, increase fee collection of INR 17,46,000 has been computed for FY 2016-2017. This amount of INR 17,46,000 has been considered while deriving the fund position of the school (enclosed in the later part of this order) with the direction to the school to refund/adjust the same within 30 days from the date of this order. The school is also directed to refund/adjust the excess fee collected for FY 2017-2018 and subsequently within 30 days from the date of this order.

2. As per the Directorate's Order No. DE 15/Act/Duggal.com/203/ 99/23033/23980 dated 15 Dec 1999, the management is restrained from transferring any amount from the recognized unaided school fund to society or trust or any other institution. The Supreme Court also through its judgement on a review petition in 2009 restricted transfer of funds to the society.

Based on the details submitted by the school regarding 'Amount Recoverable' reported in the audited financial statements of the school for FY 2016-2017 and taken on record, it was noted that the school had incurred certain expenses on behalf of the Society amounting to INR 18,00,827, which were reflected a receivable from the Society and resulted in indirect transfer of school funds to the society.

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Accordingly, this amount of INR 18,00,827 recoverable from the society 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 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 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 2016-2017 and FY 2015-2016 revealed that the school has incurred expenditure on construction of building and basketball ground out of school funds and has capitalised building and basketball ground amounting to INR 18,71,489 in the aforesaid financial year. Further, this capital expenditure was incurred on the building without complying the requirements prescribed in Rule 177 of DSER, 1973. Accordingly, the amount of INR 18,71,489 met out of the school funds 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.

4. 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 1,05,600 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.

Accordingly, 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 1,05,600 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).

5. Para 57 of Accounting Standard 15 – 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "*An enterprise should determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.*" 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.*"

   Also, Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/ 874 dated 22 August 2017 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017 noted that the school has not obtained actuarial valuation for creating provision for gratuity and leave encashment and the school was directed to make earmarked investments against provision for gratuity and leave encashment (to be based on actuarial valuation) with LIC (or any other agency) within 90 days of the receipt of the order.

   On review of the audited financial statements for FY 2016-2017 and submissions of the school, it was noted that the school had created provision for gratuity and leave encashment in its financial statements for FY 2016-2017 in accordance with the actuarial valuation of its liability as on 31 Mar 2017 of INR 4,55,50,158 and INR 1,40,93,308 respectively.

   However, the school has not deposited any amount in investment that qualifies as 'Plan Assets' as per Accounting Standard 15. The school explained that it is in the process of obtaining relevant insurance plan from LIC/ other insurer and will ensure compliance during FY 2018-2019.

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The school is directed to deposit the amount equivalent to the amount of liability determined by the actuary towards gratuity and leave encashment in the investments that qualify as 'Plan Assets' within 30 days from the date of this order.

Accordingly, amount of INR 4,55,50,158 towards gratuity and INR 1,40,93,308 towards leave encashment to be deposited 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, as the school has not deposited any amount in plan-assets and the amount of liability determined by the actuary as above has been considered, the amount budgeted by the school towards gratuity and leave encashment for FY 2017-2018 has not been considered while deriving the fund position of the school (enclosed in the later part of the order).

6. The School was directed through the Directorate's order No. F.DE-15/ACT-I/WPC-4109/PART/13/874 dated 22 August 2017 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017 to create 3 months' salary reserve in accordance with the provisions of the Right to Education Act, 2009. Accordingly, the school was directed to create and submit fixed deposit in the joint names of Deputy Director of Education and the Manager of the School equivalent to the amount of 3 months salary within 90 days of reciept of the aforementioned order.

   However, the school has not created and submitted fixed deposit in the joint name as directed in the aforementioned order. Thus, the school is directed again to create a fixed deposit with a bank in the joint names of Deputy Director of Education and the Manager of the School equivalent to the amount of 3 months salary, which is derived as INR 3,03,80,000 from the budgeted salary indicated by the school in its Budget Estimate for FY 2017-2018 and submit the same within 30 days from the date of this order.

   Accordingly, the amount of INR 3,03,80,000 has 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.*"

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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 Educational Tech Fee/Computer Fee from students while feeder school charges Computer/Technology Fee and Activities/Excursion Fee. However, the school/feeder school has not maintained separate fund accounts for these earmarked levies and the school/feeder school has been generating surplus from earmarked levies, which has been used for meeting other expenses of the school. This was also mentioned in DOE's order No. F. DE-15/ACT-I/WPC-4109/PART/13/874 dated 22 August 2017. Details of calculation of surplus, based on breakup of expenditure provided by the school for FY 2016-2017 is given below:

Earmarked Fee	Income (INR)	Expenses (INR)	Surplus (INR)
	A	B	C=A-B
Education Tech Fee/ Computer Fee	33,27,675	13,96,115	19,31,560
Computer/Technology Fee*	6,40,200	-	6,40,200
Activities/Excursion Fee*^	6,40,200	-	6,40,200

* These fees are collected by feeder school. Details of expenses against which were not segregated in the Income and Expenditure Account of the school.

^ This fee has been clubbed along with Tuition fee in the Income & Expenditure Account and has not been segregated. School charges same amount for this levy as that of Computer/Technology

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Fee. Thus, amount equal to Computer/Technology Fee has been mentioned as income in table above.

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 Education Tech Fee/Computer Fee 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 Education Tech Fee/Computer Fee and details provided by the school in relation to expenses incurred against the same, the school should not charge such fee as earmarked fee 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 tuition fee collected from students is not sufficient to meet the establishment cost and annual charges are also not sufficient to meet other revenue expenses of the school. Thus, the surplus generated from earmarked levies has been applied towards meeting establishment cost on account of which fund balance of earmarked levies could not separated 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, 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. Para 58(i) of the Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India states *"A school should charge depreciation according to the written down value method at rates recommended in Appendix I to the Guidance Note."* Also, Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/ 874 dated 22 August 2017 issued to school post evaluation of the proposal for enhancement of fee for FY 2016-2017 noted that the school had not charged depreciation on assets as per the rates prescribed under Appendix-I of the Guidance Note.

From the audited financial statements of FY 2016-2017, it was noted that the school did not charge depreciation at the rates specified in Appendix I to the Guidance Note on fixed assets, which was a contravention of the directions issued by this Directorate. During Personal hearing, the school explained that the books of account are maintained in

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accordance with the Income Tax Act, 1961 and the rates of depreciation prescribed thereunder are used.

The school is directed to make necessary adjustments and ensure that the depreciation is charged on fixed assets at the rates prescribed in Appendix I to the Guidance Note. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

3. Para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states *"Where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year."*

   Basis the presentation made in the audited financial statements for FY 2016-2017 submitted by the school, it was noted that the school had not adjusted the amount of assets purchased from the balance of development fund indicating no utilisation of development fund, which is not in accordance with accounting treatment indicated in the guidance note cited above. Further, this practice of the school has resulted in accumulation of development fund, while the school has purchased furniture, fixtures and equipment.

   The school is instructed to follow the accounting treatment indicated in the Guidance Note and ensure compliance with the same.

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

   The school did not prepare Receipt and Payment Account for FY 2016-2017 and did not enclose the same as part of the audited financial statements of the school. The school is hereby directed to ensure that Receipt and Payment Account as per the prescribed format annexed with the aforementioned order of the Directorate is prepared for each financial year and is submitted to the Directorate. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

5. 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*

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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.*"

Further, Clause 3 and 4 of Order no. DE/15/150/Act/2010/4854-69 dated 9 Sep 2010 states "*In case of those ex-students who have not been refunded the Caution Money/Security Deposit, the schools shall inform them (students) at their last shown address in writing to collect the said amount within thirty days. After the expiry of thirty days, the un-refunded Caution Money belonging to the ex-students shall be reflected as income for the next financial-year & it shall not be shown as liability. Further, this income shall also be taken into account while projecting fee structure for ensuing Academic year.*"

The following were noted in DoE's order No. F. DE-15/ACT-I/WPC-4109/PART/13/874 dated 22 August 2017 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017:

- School had not maintained separate bank account for deposit of caution money collected and was directed to maintain separate bank account for collection of caution money and interest earned on the same, if any, is to be credited to the caution money account.

- School had refunded caution money to students upon request and should be returned to the students at the time of leaving the school.

During the personal hearing, school mentioned that the school has opened a separate bank account for deposit of caution money during FY 2017-2018 and has refunded caution money to the students who exited during FY 2017-2018 onwards.

As confirmed by the school in its explanation, the school is directed to use the bank account opened for exclusive use of deposit and refund of caution money. Further, the school should refund caution money to students along with interest at the time of their leaving the school. Compliance of the same will be validated at the time of evaluation of subsequent fee increase proposal.

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 2017-2018 amounting to INR 16,41,46,580 out of which cash outflow in the year 2017-2018 is estimated to be INR 13,10,45,529. This results in net surplus of INR 3,31,01,051. 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)	2,23,67,384
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	13,97,97,303
Total Liquid Funds Available with the School as on 31 Mar 2017	**16,21,64,687**
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]	10,24,21,168
Add: Recovery from Society of expenses incurred by the school on behalf of the Society [Refer Financial Finding No. 2]	18,00,827
Add: Recovery of amount for addition to Building reflected in financial statement for FY 2016-2017 from the Society [Refer Financial Finding No. 3]	18,71,489
Add: Scholarship paid to students to be recovered from Society [Refer Financial Finding No. 4]	1,05,600
Gross Estimated Available Funds for FY 2017-2018	**26,83,63,772**
Less: FDR against specific funds (with CBSE) (as per audited financial statements of FY 2016-2017)	5,24,006
Less: Refund/Adjustment of increased fee collected by feeder school during FY 2016-2017 [Refer Financial Finding No. 1]	17,46,000
Less: Staff Retirement Benefits – Gratuity [Refer Financial Finding No. 5]	4,55,50,158
Less: Staff Retirement Benefits – Leave Encashment [Refer Financial Finding No. 5]	1,40,93,308
Less: Salary Reserve [Refer Financial Finding No. 6]	3,03,80,000
Less: Development fund [Refer Note 2]	1,03,66,220
Less: Depreciation Reserve Fund [Refer Note 3]	-
Less: Caution Money (Net of transfer to income in FY 2017-2018) [Refer Note 4]	15,57,500
Net Estimated Available Funds for FY 2017-2018	**16,41,46,580**
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 1 and 5]	10,43,20,334
Less: Arrears of salary as per 7th CPC from January 2016 to March 2018 (as per separate calculation submitted by the school for FY 2017-2018) [Refer Note 5]	2,67,25,195
Estimated Surplus as on 31 Mar 2018	**3,31,01,051**

Notes:

1. Fee and income as per audited financial statements of FY 2016-2017 of the school has been considered with the assumption that the amount of income during FY 2016-2017 will at least accrue during FY 2017-2018 with adjustment for development fee which has not been considered since the school has not provided details of expenditure to be incurred against development fee in FY 2017-2018. However, in respect of the Feeder School of Mira Model School, the school only provided the audited financial statements for FY 2016-2017 and did not provide details of expenses incurred/budgeted for FY 2017-2018. Thus, the incomes and expenses of the feeder school (Mira Nursery School) as per audited financial statements for

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FY 2016-2017 after adjusting for excess fee of INR 17,46,000 to be adjusted/refunded have been considered. Further, the school did not submit details of budgeted capital expenditures for FY 2017-2018 on account of which development fee and corresponding expenditures have not been included in table above.

2. The Hon'ble 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 7,04,63,961 in its audited financial statements of FY 2016-2017. Accordingly, the accumulated reserve of development fund created by the school by collecting development fee more than its requirement for purchase, upgradation and replacements of furniture and fixtures and equipment has been considered as free reserve available with the school for meeting the financial implication of 7th CPC to be implemented by the school. However, development fund equivalent to amount collected in one year (FY 2016-2017) from students has been considered for deriving the fund position of the school, which is considered sufficient basis the spending pattern of the school in past.

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

4. Unclaimed caution money of INR 2,40,000, 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 17,97,500 (as per audited financial statements of FY 2016-2017) and net balance of INR 15,57,500 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 (Mira Model School) had estimated the total expenditure during FY 2017-2018 of INR 13,74,94,873 (including arrears of salary as per 7th CPC amounting to INR 2,67,25,195 that has been dealt with separately), which in some instances was found to be unreasonable/ excessive. Based on the explanations and details provided by the school during personal hearing, most of the expense heads as budgeted were considered 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. Therefore, the following expenses have been adjusted while considering in the budgeted expenses for FY 2017-2018:

Expense Heads	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Provision for Gratuity	1,15,65,861	60,00,000	-	60,00,000	Refer Financial Finding No. 4

Expense Heads	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Provision for Leave Encashment	37,97,011	20,00,000	-	20,00,000	
Scholarship	1,05,600	1,13,520	-	1,13,520	Refer Financial Finding No. 2
Depreciation	11,00,875	11,04,895	-	11,04,895	Depreciation being a non-cash expense does not result in cash outflow. Hence, it has not been considered.
Total	**1,65,17,388**	**91,66,456**	-	**91,66,456**	

In respect of the feeder school (Mira Nursery School), the school only provided financial statements for FY 2016-2017 Thus, the expenses reported in the audited financial statements of the feeder school for FY 2016-2017 totalling to INR 27,17,112 (except depreciation of INR 51,959) have also been considered in budgeted expenses for FY 2017-2018 above.

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

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

Whereas per the order no. 15072-15871 dated 23 March 1999 "*All pre-primary schools being run by the registered society/ trust in Delhi as Branches of the recognized schools by the appropriate authority in or outside the school premises shall be deemed as one Institution for all Purposes*". Further, the Hon'ble High Court of Delhi in the matter of Social Jurist vs. the Govt. of NCT of Delhi & others concluded "*We do not find any proper reason or rationale to keep Pre-school apart and segregated by those regular schools where Preschool facilities exist and admission starts from that stage.*" Therefore the school is directed to ensure that complete details of the feeder school should be enclosed with any subsequent fee hike proposal including the financial information, similar to the main school.

Whereas per direction no. 2 of Public Notice dated 4 May 1997, it is the responsibility of the society who has established the school to raise funds from their own sources or donations from the other associations for construction of building because the immovable property of the school becomes the sole property of the society. Further, Hon'ble High Court of Delhi in its judgement dated 30 Oct 1998 in the case of Delhi Abibhavak Mahasangh concluded that

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tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society. Thus, the cost of additions to building should not be met out of the fee collected from students and is required to be recovered from the society.

And whereas per the Directorate's Order No. DE 15/Act/Duggal.com/203/99/23033/23980 dated 15 Dec 1999, the management is restrained from transferring any amount from the recognized unaided school fund to society or trust or any other institution. The Hon'ble Supreme Court also through its judgement on a review petition in 2009 restricted transfer of funds to the society. Thus, the school is directed to recover the amount transferred to the society.

And whereas per clause 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 is directed to maintain separate fund in respect of each earmarked levy charged from the students in accordance with the DSEA & R, 1973 and orders, circulars, etc. issued thereunder. Surplus/deficit under each earmarked levy collected from the students should be adjusted for determining the earmarked levy to be charged in the academic session 2018-2019.

And whereas per clause 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 and 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 & presentation of Development Fund in the School's financial statements and utilisation of development fund only towards purchase of furniture, fixtures and equipment.

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

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

(b) qualifying insurance policies.

The school is directed to make the investment against the liability determined by the actuary 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 noted (appropriate instructions against which have been given in this order), the funds available with

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the school for implementation of recommendations of 7^{th} CPC and to carry out its operations for the academic session 2017-18 are sufficient. Accordingly, the fee increase proposal of the school may be rejected.

And whereas, recommendations of the team of Chartered Accountants along with relevant materials were put before Director of Education for consideration and who after considering all material on record has found that the school has sufficient funds for meeting the financial implications of 7^{th} 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 **Mira Model School (School ID-1514087), B-Block, Janakpuri, Delhi-110058** has been rejected by the Director of Education. Further, the management of said school is hereby directed under section 24(3) of DSEA, 1973 to comply with the following directions:

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

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

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

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

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

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

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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
Mira Model School,
B-Block, Janakpuri
School ID 1514087
Delhi-110058

No. F.DE.15(53)/PSB/2019/ 778 - 782 Dated: 22/01/2019

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

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