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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(58) / PSB / 2019 / 959 - 963 Dated: 23|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."

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, **S.S. Mota Singh Model School (School ID-1617186), Guru Harkrishan Nagar, New Delhi-110087** submitted its proposal for enhancement of fee for the academic session 2017-

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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 21 August 2018 at 2:00 PM to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted including details and information regarding feeder school (S.S. Mota Singh Model School (Nursery)), 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 SS Mota Singh Model School (operating from class 1) was admitting most of the students directly from the pre-school – 'SS Mota Singh Model School (Nursery)', which on that basis has been considered as feeder school of SS Mota Singh Model School. Further, it was confirmed by the school that feeder school is on the same land on which the main school is constructed, but the books of account of both the schools are maintained separately. Accordingly, the conditions and requirements applicable to SS Mota Singh Model School would apply in the same manner to the feeder school - SS Mota Singh Model School (Nursery). However, SS Mota Singh Model School did not submit details including financial information and fee (existing and proposed) for students enrolled in SS Mota Singh Model School (Nursery) 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	5,300	5,600	300	6%
Development Fees*	Quarterly	800	900	100	13%
Stationary charges	Quarterly	350	400	50	14%
Annual Fee	Annually	2,000	2,500	500	25%
Computer Fee	Quarterly	450	500	50	11%

* The feeder school has increased development fee and the resultant fee is more than 15% of the tuition fee collected from students and thus a non-compliance of clause 14 of order no. Order No. F.DE./15(56)/ACT/2009/778 dated 11 Feb 2009 and judgement of the Hon'ble Supreme Court in the case of Modern School.

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 8,55,000 has been computed for FY 2016-2017. This amount of INR 8,55,000 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. Rule 175 of DSER, 1973 states "*The accounts with regard to the School Fund or the Recognised Unaided School Fund, as the case may be, shall be so maintained as to exhibit, clearly the income accruing to the school by way of fees, fines, income from building rent, interest, ...*"

   From the notes enclosed with the audited financial statements of the school for FY 2015-2016, it was noted that the society had let out part of the school premises to Punjab & Sind Bank as extension counter, rent from which was received by the society and was not accounted for in the financial statements of the school.

   During the personal hearing, the school submitted that Punjab & Sind Bank vacated the school premises during FY 2015-2016. Based on the details provided by the school, total amount collected by the society from the bank was around INR 1 crores. Accordingly, INR

1 crores 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 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.

   Further, 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 Hon'ble Supreme Court also through its judgement on a review petition in 2009 restricted transfer of funds to the society.

   The audited financial statements of the school for FY 2016-2017 reflected a payable balance of INR 3,87,02,447 as on 31 March 2017. On further review of transactions recorded by the school in society's ledger in its books of account, it was noted that the school had capitalised building amounting to INR 4,70,08,415 and credited society's ledger account with the same amount, which was a notional transfer in the books. As building is the property of the society, the same should be reversed from the books of account of the school together with depreciation charged on the same.

   Further, society's ledger for FY 2014-2015, FY 2015-2016 and FY 2016-2017 reflected that the school had a recoverable balance of INR 26,68,997 from society as on 1 Apr 2014. Further, the school had transferred amounts totalling to INR 56,36,971 to the society during the aforementioned years without any provision of goods/services by the society. Thus, these transfers to funds were made in non-compliance of the order dated 15 Dec 1999 and Hon'ble Supreme Court's judgement. Accordingly, this amount of INR 83,05,968 (INR 26,68,997 plus INR 56,36,971) is hereby added to the fund position of the school (enclosed in the later part of the 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. 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.*" It was noted from the financial statements of the school for FY 2015-2016 that the school has incurred capital expenditure on purchase of car (Skoda) of INR 30,20,000. The school explained that the same was purchased to meet the needs of the school. Thus, it has been observed that the school purchased costly vehicle and submitted 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 of INR 30,20,000 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.

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 Examination Fee, Transportation Fee, Sports Fee, 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. The school was not able to provide breakup of expenditure reported in its audited financial statements for FY 2016-2017 to derive at the expenses incurred against earmarked levies collected from students. Thus, incomes and expenses reported in the audited financial statements for FY 2016-2017 has been included in table below for deriving the surplus from earmarked levies for FY 2016-2017:

Earmarked Fee	Income (INR)	Expenses (INR)	Surplus (INR)
	A	B	C=A-B
Examination Fee	21,53,990	-	21,53,990
Sports Fee	35,23,355	-	35,23,355
Transport Fee^	89,57,945	65,58,742	23,99,203
Science Fee	6,13,915	-	6,13,915
Computer Fee	1,02,91,187	-	1,02,91,187
Medical fee*	-	-	-

^ The expense includes depreciation on vehicles used for transportation of students in the expenses stated in table above for creating fund for replacement of vehicles. However, from the audited financial statements of FY 2016-2017, it could not be confirmed whether the expenses included salary of staff involved in transportation facility.

* The school has clubbed this fee with other head of income and has not provided the amount collected from students during FY 2016-2017 against this earmarked levy.

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 Examination Fee, Sports Fee, Computer Fee and Medical 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 Examination Fee, Sports Fee, Computer Fee and Medical Fee, 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/revenue expenditure on account of which fund balance of earmarked levies could not separate from the total funds maintained by the school. Accordingly, total fees (including earmarked fee) have been included in the budgeted income and budgeted expenses (including 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. Clause 14 of the Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states *"Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixtures and equipment. 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."*

Further, 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."*

It was noted that the feeder school was charging development fee, which is more than 15% of tuition fee from students. Also, refer financial finding no. 1. The school is strictly directed that development fee in no case can be collected from students more than 15% of the tuition fee and the same has to be adjusted/refunded to the students.

Basis the presentation made in the audited financial statements for FY 2016-2017 submitted by the school, it was noted that the school has not treated development fund as capital receipt instead treated it as revenue receipt and reported the same as an income in its Income and Expenditure Account. Thus, the school has not complied with direction included in aforementioned order and has also not complied with the accounting treatment indicated for the same in Guidance Note 21.

The school is instructed to treat development fund as capital receipt and make necessary entries relating to development fund to comply with the accounting treatment indicated in the Guidance Note. Also, the school should prepare separate fixed assets schedule for assets purchased against development fund and other assets purchased against general reserve/ fund. The school is directed not to charge development fee from students till the time it ensures compliance with the above directions.

As development fund is treated as revenue receipt and no fund balance has been reflected by the school in its audited financial statements for FY 2016-2017, no impact of same has been considered in the fund position of the school (enclosed in the later part of this order).

3. 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.

   From the information provided by the school, it was noted that the school has earmarked fixed deposits with bank towards retirement benefits amounting to INR 4.6 crores, which does not qualify as 'Plan Asset'. Accordingly, the school is directed to deposit amount equivalent to liability arrived by the actuary in investments that qualify as plan assets as per Accounting Standard 15 within 30 days from the date of this order to protect statutory liabilities.

4. The school has not prepared Fixed Asset register (FAR) in proper format and has captured only the asset name, date of purchase and the amount in the FAR. The school has not included complete details in the FAR such as serial number, location, invoice number, supplier, identification number, other costs, depreciation, etc. to facilitate identification of asset and documenting complete details of assets at one place .

   During personal hearing, the school confirmed that it will update the FAR with details above in FY 2018-2019. 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.

5. Part IV of Appendix III - 'Instructions for preparing Income and Expenditure Account' of Guidance Note 21 issued by the Institute of Chartered Accountants of India specifies "*Any item under which income or expense exceeds 1 per cent of the total fee receipts of the School or INR 5,000, whichever is higher, should be shown as a separate and distinct item against an appropriate account head in the Income and Expenditure Account. These items, therefore, should not be shown under the head 'miscellaneous income' or 'miscellaneous expenses'.*"

   From the audited Income and Expenditure Accounts of the school and feeder school for the FY 2016-2017, it was noted that the school/feeder school has not segregated all items

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of income and expenses that exceeded 1% of the total fee receipts and had clubbed 'Development Fee', 'Medical Fee' under the head 'Other Fees' and reported 'Others' as expenses, which is more than 1% of the total fee receipts. The school is directed to ensure that all subsequent financial statements are prepared in accordance with the requirements of Guidance Note No. 21 issued by ICAI.

6. Based on information submitted by the school, it was noted that the school was not following adequate procurement procedures which involves obtaining minimum no. of quotations, approving comparative summary, etc.

   During personal hearing, it was mentioned by the school that it is following adequate procedure to ensure transparency in procurement, however, required documents are not properly maintained for validation. The school confirmed that it will initiate a proper process along with appropriate documentation from FY 2018-2019 onwards.

   Accordingly, the school is hereby advised to follow proper procurement process and maintain proper documentation to validate the same. Compliance will be verified at the time of evaluation of subsequent fee increase proposal.

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 14,73,03,906 out of which cash outflow in the year 2017-18 is estimated to be INR 12,51,86,821. This results in net surplus of INR 2,21,17,085. The details are as follows:

Particulars	Amount (INR)
Cash and Bank Balance as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	1,01,39,425
Bank Overdraft Balance as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	(18,54,162)
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	6,43,00,000
Total Liquid Funds Available with the School as on 31 Mar 2017	**7,25,85,263**
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]	10,11,14,567
Add: Recovery from society against purchase of car [Refer Financial Finding No. 4]	30,20,000
Add: Recovery of amount transferred to society [Refer Financial Finding No. 3]	83,05,968
Add: Recovery from society against rent received for letting out school premises [Refer Financial Finding No. 2]	1,00,00,000
Gross Estimated Available Funds for FY 2017-2018	**19,50,25,798**
Less: Retirement Benefits	4,50,26,052
Less: Caution Money as on 31 March 2017	18,40,840

Particulars	Amount (INR)
Less: Refund of excess fee collected from students [Refer Financial Finding No. 1]	8,55,000
Net Estimated Available Funds for FY 2017-2018	**14,73,03,906**
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 2]	9,10,84,933
Less: Salary arrears as per 7th CPC	2,37,39,213
Less: Expenses of feeder school for FY 2017-2018 (as per trial balance from the books of account of feeder school for FY 2017-2018 submitted by the school)	1,03,62,675
Estimated Surplus as on 31 Mar 2018	**2,21,17,085**

Notes:

1. Fee and income as per audited financial statements for FY 2016-2017 of the school and feeder 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 the adjustment for unclaimed caution money of INR 8,12,303, being non-cash income reported in the audited financial statements and increased fee collected by the feeder school from students during FY 2016-2017 computed as INR 8,55,000 as per Financial Finding No. 1, which has to be adjusted/refunded by the school.

2. Per the Budgeted Receipt and Payment Account for FY 2017-2018 submitted by the school along with proposal for fee increase, the school (S.S. Mota Sr. Secondary School) had estimated the total expenditure during FY 2017-2018 of INR 12,28,95,357 (excluding expenses of feeder school, but including arrears of salary as per 7th CPC amounting to INR 2,37,39,213 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, adjustment with regard to excessive salary budgeted by the school has been made while considering the budgeted expenses for FY 2017-2018.

Expense Head	FY 2016-2017	FY 2017-2018	Amount Disallowed	Amount Allowed	Remarks
Salary Expense	6,07,36,021	7,43,83,563	84,01,478	6,59,82,085	Based on the salary calculation as per 7th CPC provided by the school, the amount of increase due for the months of Dec 2017 to March 2018 amounted to INR 52,46,064, which has been added to the salary expense of FY 2016-2017 and amount of INR 6,59,82,085 has been allowed as expense for FY 2017-2018, as salary arrear till Nov 2017 were separately budgeted by the school.

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*

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shortfall before proposing a fee increase." The school has sufficient funds to carry on the operation of the school for the academic session 2017-2018 on the basis of existing fees structure and after considering existing funds/reserves.

Whereas per 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.

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 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 has not maintained any details regarding expenses incurred against earmarked levies. Accordingly, the school is instructed to maintain separate fund in respect of each earmarked levy charged from the students in accordance with the DSEA & R, 1973 and orders, circulars, etc. issued thereunder. Surpluses/deficit under each earmarked levy collected from the students should be adjusted for determining the earmarked levy to be charged in the academic session 2018-2019.

And whereas per 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 directed to treat development fee as capital receipt and 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. The school should not collect development fee till the time compliance is ensured with above directions.

And whereas, in the light of above evaluation which is based on the provisions of DSEA, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was

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recommended by the team of Chartered Accountants that along with certain financial irregularities that were identified (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings which were also noted (appropriate instructions against which have been given in this order), the funds available with the school for implementation of recommendations of 7th CPC and to carry out its operations for the academic session 2017-18 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 have sufficient funds for meeting the financial implications of 7th CPC salary and other expenses for the financial year 2017-2018. Therefore, Director (Education) rejects the proposal submitted by the school for enhancement of fee for the academic session 2017-2018.

Accordingly, it is hereby conveyed that the proposal of enhancement of fee for session 2017-2018 of **S.S. Mota Singh Model School (School ID-1617186), Guru Harkrishan Nagar, New Delhi-110087** has been rejected by the Director of Education. Further, the management of said school is hereby directed under section 24(3) of DSEAR 1973 to comply with the following directions:

1. Not to increase any fee/charges FY 2017-2018 and to refund/adjust the increase fee charged for the academic session 2017-2018 and 2018-2019 in the fee of subsequent months as per 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
S.S. Mota Singh Model School
School ID 1617186
Guru Harkrishan Nagar, Delhi-110087

No. F.DE.15(58) / PSB / 2019 / 959 - 963 Dated: 23/01/2019

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