1626

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

No. F.DE.15(25)/PSB/2018/ 2019/ 912 - 916 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."

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

1629

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, **Poorna Prajna Public School (School ID-1720138), Vasant Kunj, New Delhi-110070** 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 23 August 2018 at 4:00 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.

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 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 had incurred expenditure on construction of building and laying of road out of school funds and has capitalised expenditure on building totalling to INR 4,47,65,875 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.

1128

During personal hearing, it was explained that the school received funds from the Bangalore and Delhi branches of the Society for construction of building. The school provided ledger account of Society's head office in Bangalore for FY 2016-2017, basis which it was noted that there was a payable balance of INR 63,27,058 as on 1 April 2016 against which the school made payment of INR 60 lakhs during FY 2016-2017. Further, after adjustment of an inter-branch transaction with Delhi branch, the ledger account reflected a closing balance of INR 9,07,312. However, the school did not provide any details of transactions with the Delhi branch of the Society. From the audited financial statements of the school, it was noted that while the balance of INR 85,54,816 was appearing as payable to the Delhi branch of the Society since FY 2013-2014, the school made an adjustment to the balance amount payable to the Delhi branch and reflected the balance amount payable to the Delhi branch as INR 1,74,24,526. The final closing balance of the Society (combined for Bangalore and Delhi branches) as on 31 Mar 2017 was reflected as INR 1,76,95,230 in the audited financial statements of the school. However, in absence of appropriate details regarding funds received/balance of Delhi branch, only the amount payable as per ledger account of Bangalore branch has been adjusted from the cost of building capitalised by the school.

Accordingly, the balance of INR 4,38,58,563 (INR 4,47,65,875 minus INR 9,07,312) 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.

Further, Clause 14 of this DoE's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states "*Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixtures and equipment.*"

In respect of the expenditure incurred by the school on construction of building, it was noted that the school utilised an amount of INR 18,05,952 (included in the INR 4,47,65,875 mentioned above) from development fund, which was a non-compliance of the directions included in above order as development fund can be utilised only towards purchase of furniture, fixture and equipment. As cost of construction of building has already been adjusted from the fund position of the above, no further adjusted from fund position is directed against mis-utilisation of development fund. The school is directed to ensure that development fund is utilised only towards purchase of furniture, fixture and equipment and not towards construction of building.

2. 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."*

On review of the audited financial statements for FY 2016-2017 and submissions of the school, it was noted that the school has created the provision for liability towards gratuity in its financial statements for FY 2016-2017 in accordance with the actuarial valuation of its liability towards Gratuity as on 31 Mar 2017 of INR 1,23,03,661. However, the school has not made any provision for leave encashment in its books of account while the school had obtained actuarial valuation towards its liability for leave encashment as on 31 Mar 2017 of INR 54,38,010.

Further, it was noted that the school has not deposited any amount in investment that qualifies as 'Plan Assets' as per Accounting Standard 15.

The school is directed to record provision for the leave encashment liability in its books of account as per actuarial valuation. Also, the school should invest 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 1,23,03,661 towards gratuity and INR 54,38,010 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 total amount of liability determined by the actuary has been considered, the amount budgeted by the school towards gratuity and leave encashment has not been considered while deriving the fund position of the school (enclosed in the later part of the order).

3. 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, dearly the income accruing to the school by way of fees, fines, income from building rent, interest, development fees, collections for specific purposes, endowments, gifts, donations, contributions to Pupils' Fund and other miscellaneous receipts, and also, in the case of aided schools, the aid received from the Administrator.*"

   Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 74 dated 23 Dec 2016 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school has rented out part of the school premises to Canara Bank. The rent is being paid to the parent society 'Udupi Sri Admar Mutt Education Council.' The rent against the premises should be collected by the school and the rent collected in past should be recovered from the Society.

   During personal hearing, the school explained that the rental agreement has been entered between the society and Canara Bank. Therefore, rental income is credited to the Society's Delhi Branch bank account. The rent received is always used exclusively for the purposes of the school. Previously, the school maintained separate books of account. The Delhi Head Office accounts have been merged with the school accounts to incorporate rental income in the school books from FY 2016-2017.

1630

The Audited Financial Statements of the school for FY 2016-2017 (after merging of Delhi Branch) reflected rental income of INR 12,63,648. However, the school did not provide details of rental incomes in previous years. Basis the income reported in FY 2016-2017, the school is directed to recover the rent for past three financial years (i.e. FY 2013-2014, FY 2014-2015 and FY 2015-2016) of INR 37,90,944 (i.e. INR 12,63,648*3) from the Society within 30 days from the date of this order. Accordingly, the rental income of INR 37,90,944 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.

Basis explanation provided by the school, the school is directed to keep clear distinction between the financial transactions of the society and the school and should not merge transactions of the society with that of the school. However, the school should ensure compliance with DSEA, 1973 and DSER, 1973 (including Rule 175) by reporting all incomes earned from the school premises.

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:*

   (a) award of the scholarships to students,
   (b) establishment of any other recognised school, or
   (c) 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 1,27,000 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 1,27,000 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

1631

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. As per direction no. 2 included in the Public Notice dated 4 May 1997, *"Not to charge building fund and development charges when the building is complete or otherwise as 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"*.

   Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 74 dated 23 Dec 2016 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school has collected donations from parents and public amounting to INR 17.16 lakhs in FY 2014-2015, which is in contravention of the section 13 of the Right to Children to Free and Compulsory Education Act, 2009 which states that, *"no fee shall be collected by the school/trust in the name of capitation fee which means any kind of donation or contribution."*

   During personal hearing, the school explained that the donation collected from parents and public amounting to INR 17.16 lakhs has been used for the purpose of creation of Infrastructure of the school.

   However, the school did not provide any detail of students/parents/donors from whom the donations were collected. Infrastructure/ Construction of the school building is the responsibility of the society, thus, the school should not have collected any donation from parent as it is not in accordance with the aforementioned orders. The school is directed to submit complete details of persons from whom donations were collected (together with amount collected), specifically identifying parents of students studying in the school and submit the same with the Compliance Report of the school. Also, the school is directed to not to collect any such funds for construction of building or otherwise.

6. Clause 17 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 and Clause No. 3 of Directorate's order No. DE.15/ Duggal.Com/203/99/23033-23980 dated 15 Dec 1999 states *"No admission fee of more than two hundred rupees per student, at the time of admission shall be charged. Admission fee shall not be charged again from any student who is once given admission as long as he remains on the rolls of the school."*

   From the audited financial statements for FY 2016-2017, it was noted that the school had collected readmission fee from students totalling to INR 22,600 during FY 2016-2017, which is a non-compliance of direction included in aforementioned orders.

   The school is directed to refund/adjust the amount of INR 22,600 collected from students during FY 2016-2017 and anytime thereafter within 30 days from the date of this order and not to collect re-admission fees from any student with immediate effect. For the purpose of evaluation of the fee hike proposal for FY 2017-2018, the above-mentioned fee has been adjusted from the budgeted income while deriving the fund position of the school (enclosed in the later part of this order).

1632

B. Other Discrepancies

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

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

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

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

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

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

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

   From the information provided by the school and taken on record, it has been noted that the school charges earmarked levies in the form of Transport Fees, Insurance and ICT charges from students. However, the school has not maintained separate fund accounts for Transport charges and Insurance, while it maintained fund account for ICT charges. The school has been generating surplus/(deficit) 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, which was also mentioned in DOE's order No. F. DE-15/ACT-I/WPC-4109/PART/13/74 dated 23 December 2016. Details of

1633

calculation of surplus/deficit, based on breakup of expenditure provided by the school for FY 2016-2017 is given below:

Earmarked Fee	Income (INR)	Expenses (INR)	Surplus/(Deficit) (INR)
	A	B	C=A-B
Transportation Charges^	48,42,725	50,05,000	(1,62,275)
ICT Charges	27,59,038	8,42,031	36,62,719
Insurance	-*	-*	-*

^ 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.

* The school did not provide any details regarding collection and utilisation of earmarked fee. During personal hearing school explained that the amount of collection of this levy has been merged with tuition fee in its books of account. Also, the school did not provide details of amount paid to insurance company towards insurance of students and break-up between tuition fee and insurance reflected as Tuition Fee in the Income and Expenditure Account for FY 2016-2017.

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 ICT charges 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 ICT 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 the school has started fund based accounting for ICT charges in FY 2016-2017 and regarding transport charges, the school will start fund based accounting in FY 2017-2018. However, as school has not segregated funds collected in respect of earmarked levies, total fees (including earmarked fee) have been included in the budgeted income and budgeted expenses (included those for earmarked purposes) while deriving the fund position of the school (enclosed in the later part of this order).

The school is hereby directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from students. Unintentional surplus/deficit, if any, generated from earmarked levies has to be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies during subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on no-profit no-loss basis and not to include fee collected from all students as earmarked levies. Also, the school is directed to disclose all incomes and expenses in its financial statements.

1634

2. Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states *"Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixtures and equipment."* It was noted that the school had incurred an expenditure on library books of INR 81,753 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. Further, the school utilised an amount of INR 18,05,952 from development fund for construction of building, which was also a non-compliance of the directions included in above order as development fund can be utilised only towards purchase of furniture, fixture and equipment. Refer Financial Finding No. 1.

   The school is directed to follow DOE instruction in this regard and ensure that development fund is utilised only towards purchase of furniture, fixture and equipment.

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.*"

   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."*

   Basis the presentation made in the audited financial statements for FY 2016-2017 submitted by the school, it was noted that the school transferred an amount equivalent to the purchase cost of the assets from development fund to general reserve instead of accounting treatment as indicated in the guidance note cited above. It was further noted that the school transferred an amount equivalent to the purchase cost of the assets from depreciation reserve also to general reserve without any detailed rationale for transferring the cost of assets twice to the general fund. Also, the school created depreciation reserve by transferring an amount equivalent to depreciation from development fund. Thus, the accounting treatment and reporting of depreciation reserve and development fund was incorrect.

   Also, the school prepared fixed asset schedule on the basis of written down value basis. The fixed asset schedule did not disclose opening gross block of the asset, closing gross block of the asset, opening depreciation reserve, closing depreciation reserve as on 31 March 2017. Further, the school has reported written down value on the face of Balance Sheet as on 31 March 2017.

   Also, the school has enclosed a consolidated fixed assets schedule giving details of all assets carried over by the school in its audited financial statement for FY 2016-2017 and

1635

has not prepared separate fixed assets schedules for assets purchased against development fund and those purchased against general reserve.

This being a procedural finding, the school is instructed to make necessary rectification entries relating to depreciation reserve, development fund and fixed assets to comply with the accounting treatment indicated in the Guidance Note. Further, the school should prepare separate fixed assets schedule for assets purchased against development fund and other assets purchased against general reserve/ fund and present the fixed assets at historic cost.

4. The school has prepared a Fixed Assets Register (FAR) in the format of stock register that only captured asset name, date and amount. The school should also include details such as supplier name, invoice number, manufacturer's serial number, location, purchase cost, other costs incurred, depreciation, asset identification number, etc. 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 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.

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 INR 500 per student in any case, and it should be returned to the students at the time of leaving the school along with the interest at the bank rate.*"

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

   The following were noted under DoE's order No. F. DE-15/ACT-I/WPC-4109/PART/13/74 dated 23 December 2016:

   - School had not refunded interest on security deposit to the students along with caution money refund and was directed to refund caution money along with interest to students.

   - The school had not reflected un-refunded caution money belonging to ex-students as income in the next financial year after the expiry of thirty days from communication with the students to collect their caution money and had also not taken this into account while projecting fee structure for ensuring academic year. The school was instructed to follow DOE's directions in this regard.

1636

During the personal hearing, school mentioned that it has stopped collecting caution money from students from FY 2017-2018 onwards and it would recognise the balance un-refunded caution money, if any, as income after 30 days of sending letters to the last known addresses of the students to collect their caution money.

The school is directed to refund the caution money along with interest to students at the time of leaving the school. Compliance of the directions will be validated at the time of evaluation of subsequent fee increase proposal.

The amount to be refunded to students after adjusting the income recorded by the school during FY 2017-2018 towards unclaimed caution money, as per the details provided by the school, has been considered while deriving the fund position of the school (enclosed in the later part of this order).

6. Para 18 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states that *"schools should follow recognition and measurement principles, within the framework of accrual basis of accounting, for the purpose of preparation of their financial statements."* During review of the audited financial statements of the school for FY 2016-2017, it was noted that the Notes to Account appended to the financial statements stated that cash basis of accounting is followed during the year. However, interest on fixed deposit with bank, gratuity expenses and audit fees are accounted on mercantile basis.

   Accordingly, the school is not following either cash basis of account or accrual system. The school is instructed to change its accounting policy to accrual basis of accounting.

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 15,24,59,243 out of which cash outflow in the year 2017-18 is estimated to be INR 9,87,20,886 This results in net surplus of INR 5,37,38,357. 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)	85,95,194
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	3,12,23,822
Total Liquid Funds Available with the School as on 31 Mar 2017	**3,98,19,016**
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]	8,76,18,631
Add: Recovery of additions to Building reflected in financial statement from the Society [Refer Financial Finding No. 1]	4,38,58,563
Add: Recovery from society towards rent collected by it [Refer Financial Finding No. 4]	37,90,944

1637

Particulars	Amount (INR)
Add: Scholarship paid to students to be recovered from Society [Refer Financial Finding No. 5]	1,27,000
Gross Estimated Available Funds for FY 2017-2018	**17,52,14,154**
Less: FDR against specific funds (with CBSE)	2,84,825
Less: Staff Retirement Benefits- Gratuity [Refer Financial Finding No. 3]	1,23,03,661
Less: Staff Retirement Benefits- Leave Encashment [Refer Financial Finding No. 3]	54,38,010
Less: Development fund as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	36,48,315
Less: Caution Money (Net of transfer to income in FY 2017-2018) [Refer Note 2]	10,57,500
Less: Refund of re-admission fee collected from students [Refer Financial Finding No. 6]	22,600
Net Estimated Available Funds for FY 2017-2018	**15,24,59,243**
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 3]	7,90,77,431
Less: Arrears of salary as per 7th CPC from January 2016 to Mar 2018 (as per justification enclosed along with fee increase proposal submitted by the school for FY 2017-2018) [Refer Note 3]	1,96,43,455
Estimated Surplus as on 31 Mar 2018	**5,37,38,357**

Notes:

1. Fee and income as per audited financial statements of FY 2016-2017 has been considered with the assumption that the amount of income during FY 2016-2017 will at least accrue during FY 2017-2018 except readmission fee, which has been directed to be refunded to students as per Financial Finding No. 6.
2. Unclaimed caution money of INR 38,000 as proposed 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 10,95,500 (as per audited financial statements of FY 2016-2017) and net balance of INR 10,57,500 refundable to students has been considered for deriving the net estimated available funds with the school for FY 2017-2018.
3. Per the Budgeted Estimate for FY 2017-2018 submitted by the school along with proposal for fee increase, the school had estimated the total expenditure during FY 2017-2018 of INR 8,17,51,431 (excluding arrears of 7th CPC amounting to INR 1,96,43,455 that are considered separately), which in some instances was found to be unreasonable/ excessive. Based on the explanations and details provided by the school during personal hearing, 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:

Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Gratuity Provision	-	10,00,000	-	10,00,000	Refer Financial Finding No. 3
Transportation charges	50,05,000	-	50,05,000	(50,05,000)	The school did not include expenditure against

1638

Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
					transportation charges in the budget estimate for FY 2016-2017. Therefore, the amount incurred during FY 2016-2017 has been considered.
Scholarship & Awards	1,27,000	1,00,000	-	1,00,000	Refer Financial Finding No. 5
Repayment of Loan to USAMEC	-	65,79,000	-	65,79,000	Loan against construction of Building, which is the responsibility of the society has not been considered.
Total	**51,32,000**	**76,79,000**	**50,05,000**	**26,74,000**	

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

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

Whereas per 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 tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society. Thus, the additions to the building should not be met out of the fee collected from students and is required to be recovered from the society within 30 days from the date of this order.

And whereas 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, dearly the income accruing to the school by way of fees, fines, income from building rent, interest, development fees, collections for specific purposes, endowments, gifts,

1639

donations, contributions to Pupils' Fund and other miscellaneous receipts, and also, in the case of aided schools, the aid received from the Administrator." The school is directed to recover the rent collected by society pertaining to school premises from the Society within 30 days from the date of this order.

Whereas per point no. 22 of Order No. F.DE./15 (56)/Act/2009/778 dated 11 Feb 2009, user charges should be collected at 'no profit and no loss' basis and should be used only for the purpose for which these are collected. The school has continued to charge earmarked fee higher than the expenses incurred against computer and science fee whereas the expenses incurred are more than transport charges collected from students. The school has utilised the surplus earned for meeting the establishment expenses and deficit on transport charges. Accordingly, the school is advised to maintain separate fund in respect of each earmarked levy charged from the students in accordance with the DSEA & R, 1973 and orders, circulars, etc. issued thereunder. Surpluses/deficit under each earmarked levy collected from the students should be adjusted for determining the earmarked levy to be charged in the academic session 2018-2019.

Whereas per point no. 14 of Order No. F.DE./15(56)/ACT/2009/778 dated 11 Feb 2009, Development Fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up-gradation and replacement of furniture, fixture and equipment. Development Fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a depreciation reserve fund, equivalent to the deprecation charged in the revenue accounts and the collection under this head along with income generated from the investment made out of this fund, will be kept in a separately maintained development fund account. The school is advised to comply with the directions with regard to proper accounting and presentation of Development Fund in the School's financial statements and 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 has been 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 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 has sufficient funds for meeting the financial implications of 7th CPC salary and other expenses for the financial year 2017-2018. Therefore, Director (Education) rejects the proposal submitted by the school for enhancement of fee for the academic session 2017-2018.

Accordingly, it is hereby conveyed that the proposal for enhancement of fee for session 2017-2018 of **Poorna Prajna Public School (School ID-1720138), Vasant Kunj, New Delhi-110070** 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 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.

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.

1641

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
Poorna Prajna Public School
School ID 1720138
D-3, Vasant Kunj,
Delhi-110070

No. F.DE.15(25)/PSB/2018/ 2019/ 912-916 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