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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(94)/PSB/2019 / 1468 – 1472 Dated: 7/2/2019

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:-

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(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.......

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....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, **Masonic Public School (School ID-1720155), Vasant Kunj, 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 20 August 2018 at 02:00 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.*"

   Also, 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.

Accordingly, based on the aforementioned public notice and 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 the FY 2016-2017 revealed that the building of INR 3,83,19,486 was capitalised by crediting society's account, which is a notional transfer of building in the books of account of the school as building is the property of the Society.

Further, from the ledger account of the Society maintained in the books of account of the school for FY 2014-2015 and FY 2015-2016, it was noticed that the school had made payments to various vendors/contractors towards construction of building on behalf of the Society, which were then transferred to the Society's ledger account in the books of account of the school. Thus, these payments towards construction of building, which is a capital asset of the society resulted in indirect transfer of funds by the school to the Society. From the ledger accounts, it was noted that payments of INR 95,73,760 and INR 68,38,603 in FY 2014-2015 and FY 2015-2016 respectively were made by the school from the school funds towards building that were transferred to society's ledger account.

Further, these payments/expenditures of capital nature towards construction of building were done by the school without complying the requirements prescribed in Rule 177 of DSER, 1973. Though the financial statements of the school reflect opening block of building, adjustment in the fund position of the school has been done to the extent of additions made in the past three financial years (based of financial statements obtained for evaluation of the fee increase proposal for FY 2017-2018).Accordingly, this amount of INR 1,64,12,363 (INR 95,73,760 plus INR 68,38,603) 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, the school is directed to reverse the building along with the amount of depreciation charged on building from its books of account. which has been capitalised by crediting Society's ledger account in the books of account of the school.

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. Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 815 dated 3 July 2017 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school signed a Memorandum of Understanding (MoU) with the Society agreeing to pay rent of INR 4 lakhs, INR 6 lakhs, INR 7 lakhs per month respectively for the FY 2013-2014, FY 2014-2015 and FY 2015-2016 aggregating to rental payments over three years period of INR 2.04 crores, which is contravention to the clause No. 8 of Directorate's Order No. DE 15/Act/Duggal.com/

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203/99/23033/23980 dated 15 Dec 1999 and clause 23 of Order No. F.DE./15(56)/Act/2009/778 dated 11 Feb 2009.

During personal hearing, the school explained that it has not paid any amount to the society as rent against building. The school further mentioned that it has only made book entry in its books of accounts, which have been rectified after receiving the aforesaid order dated 3 July 2017 from Directorate.

The school submitted the ledger accounts of the society from its books of account from FY 2013-2014 to FY 2016-2017, which have been taken on record. From the ledger accounts c society for FY 2013-2014 to FY 2016-2017, it was noted that while the school reversed the rent from society's account, school had transferred funds totalling to INR 73 lakhs to the society, which was without any consideration for expenses/liability of the school. This amount of INR 73 lakhs is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the Society within 30 days from the date of this order.

Also, the school did not provide any details regarding the opening balance of amount payable to Society as on 1 Apr 2013. Further, it was noted that the school had recorded an expense of INR 53,76,880 towards property tax from FY 2005-2006 to 2015-2016 during FY 2016-2017 by crediting society's account. Thus, transfer of an expense incurred over a period of 10 years, which had already been paid by the society is not justified. Thus, the school is directed to reverse this expense along with other payable balance of the Society reflected in the books of account of the school.

3. 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 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."* Accounting Standard 15 further states *"Accounting for defined benefit plans is complex because actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses."* Further, according to para 7.14 of the Accounting Standard 15 *"Plan assets comprise:*

(a) assets held by a long-term employee benefit fund; and
(b) qualifying insurance policies."

While the school has invested in group gratuity scheme of the LIC of India and based on the intimation provided by LIC, the liability of the school towards gratuity was derived by LIC as on 1 April 2017 on the basis of actuarial assumptions. However, the provision for gratuity in the books of account of the school was not in accordance with the actuarial valuation computed by LIC. The school reflected excess provision for gratuity in its financial statements as detailed in table below:

Particulars	Amount (INR)
Gratuity liability determined by LIC as on 1 April 2017 (as per LIC's intimation) (A)	41,49,114
Provision of gratuity as on 31 March 2017 (as per audited financial statements for FY 2016-2017) (B)	51,60,028
Excess Provisioning of liability as on 31 March 2017 (B-A)	**10,10,914**

Also, the school had not made any provision for leave encashment and has not obtained actuarial valuation for its liability towards staff leave encashment. The school is directed to obtain actuarial valuation for liability towards leave encashment and deposit the amount in investments that quality as 'plan-asset' as per Accounting Standard 15 within 30 days from the date of this order. The school is also directed to accurately disclose its liabilities on account of gratuity and leave encashment along with corresponding investments in the financial statements.

Further, based on the documentary evidence submitted by the school, it was noted that the school has deposited amount totalling to INR 51,60,028 with LIC in group gratuity scheme during FY 2017-2018. Accordingly, the amount deposited with LIC in group gratuity scheme of INR 51,60,028 has been considered while deriving the fund position of the school for FY 2017-2018 (enclosed in the later part of the order).

B. Other Discrepancies

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

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

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

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

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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 from students. However, the school has not maintained separate fund account for transport fee. It was also noted that the school has been incurring loss (deficit) from transport facility, which has been met from other fees/income. Details of calculation of deficit, based on breakup of expenditure provided by the school for FY 2016-2017 is given below:

Earmarked Fee	Income (INR)	Expenses (INR)	(Deficit) (INR)
	A	B	C=A-B
Transport Fee	51,33,075	55,69,744	(4,36,669)

However, it was noted that the school had not included the details of transport fee charged from students in its proposal for enhancement of fee for FY 2017-2018.

As the school has not maintained separate fund account for the earmarked levy collected from students, the fund balance of earmarked levy could not be 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) have been considered while deriving the fund position of the school (enclosed in the later part of this order).

The school is strictly 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 levy has to be utilized or adjusted against earmarked fee collected from the users in the subsequent year. Further, the school should evaluate costs incurred against the earmarked levy and propose the revised fee structure for earmarked levy during subsequent proposal for enhancement of fee ensuring that the proposed levy is calculated on no-profit no-loss basis. Also, the school should include details of earmarked levies collected from students in the proposal for fee increase submitted to the Directorate.

2. As per 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. 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."

The school was directed to treat development fees as capital receipt and open separate bank account for deposit and utilisation of development fund in the directorate's order no. F. DE-15/ACT-I/WPC-4109/PART/13/815 dated 3 July 2017 issued post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 submitted by the school.

The school has not yet opened separate bank nor has it earmarked any fixed deposits against development fund to ensure availability of funds for incurring capital expenditure on furniture, fixture and equipment.

On review of the audited financial statements of the school for FY 2016-2017, it was noted that the school was not treating development fees as capital receipt. instead treated it as revenue receipts by including the same as income in the Income and Expenditure Account. It was further noted that the school purchase assets amounting to INR 63,47,888 during FY 2016-2017 against development fee collection of INR 39,25,799 during the year. Accordingly, the school spent INR 24,22,089 (INR 63,47,888 minus INR 39,25,799) more than the amount of development fee collected from students. Further, these capital expenditures were done by the school in excess of development fee received from the students without complying the requirements prescribed in Rule 177 of DSER, 1973. Even for FY 2017-2018, the school has budgeted excessive capital expenditure.

The school is strictly directed to follow DOE instruction in this regard by opening a separate bank account/depositing funds in fixed deposit with bank, ensuring that development fee is treated as capital receipt by creating development fund and transferring depreciation charged in revenue account to depreciation reserve. Development fund so created should be utilised only towards purchase of furniture, fixture and equipment. The school is directed not to charge development fee from students till the time school complies with above directions.

Accordingly, no adjustment towards development fund has been made while deriving the fund position of the school (enclosed in the later part of the order).

Also, the school is strictly directed to restrict its capital expenditure to the extent of development fee collection and any further capital expenditure should be incurred only out of savings derived in accordance with Rule 177 of DSER, 1973.

3. As per para 67 of the Guidance Note on 'Accounting by Schools' issued by Institute of Chartered Accountants of India, *"The financial statements should disclose, inter alia, the historical cost of fixed assets."* Further, Notes to Part II of Appendix III to the aforementioned Guidance Note states *"Under each head, the original cost, the additions thereto and deductions therefrom during the year, depreciation written off or provided during the year, and the total depreciation written off or provided up to the end of the year should be stated."*

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From the audited financial statements of the school for FY 2016-2017, it was noted that while the school was creating depreciation reserve by transferring the amount of depreciation charged on the assets to the depreciation reserve account, the school prepared fixed asset schedule on the basis of written down value basis. Further, the fixed asset schedule enclosed with the audited financial statements of the school for FY 2016-2017 did not disclose opening gross block of the asset, closing gross block of the asset, opening balance of depreciation reserve and closing balance of depreciation reserve.

The school is hereby directed to report historic cost of assets and depreciation reserve for each head of fixed assets as prescribed in the Guidance Note on Accounting by Schools in the fixed asset schedule (segregated for assets purchased out of general reserve and those purchased against development fund) annexed to the financial statements. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

4. 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 transferred an amount equivalent to the amount of depreciation for the year indicated as additions to 'Depreciation Reserve Fund' t 'Depreciation Reserve Contra' created on the Assets side of the Balance Sheet, which was not in accordance with the requirements of the Guidance Note. Also, development fund was not accounted for as per the accounting treatment indicated in the guidance note cited above.

   This being a procedural finding, the school is instructed to make necessary rectification entries relating to development fund and depreciation reserve to comply with the accounting treatment indicated in the Guidance Note.

5. As per clause 1 of Order No. DE./15(150)/Act/2010/ 4854-69 dated 9 Sep 2010, "*Caution money/ security deposit shall not be charged/ collected beyond INR 500 (Rupees five hundred only) per student.*"

   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.*"

Clause 3 and 4 of Order no. DE/15/150/Act/2010/4854-69 dated 9 Sep 2010 stated "*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 school provided a break-up of the caution money payable as on 31 March 2017 per its books of account. From the breakup provided by the school, it was noticed that the school collected caution money at varying rates (including more than INR 500 from certain students) from the students as per details below:

No. of Students (A)	Caution Money collected (INR) (B)	Total Amount (INR) (C) = (A)*(B)
94	250	23,500
1,445	500	7,22,500
282	1,000	2,82,000
Total Caution Money payable as per audited financial statements as on 31 Mar 2017		**10,28,000**

Further, the following were noted in DoE's order No. F. DE-15/ACT-I/WPC-4109/PART/13/815 dated 3 July 2017 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017:

- School had not refunded interest on caution money along with refund of caution money to exiting students and was instructed to include interest earned on caution money in the refund amount.
- 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 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.

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From the details provided by the school, it was noted that the school has yet not refunded interest along with caution money to students. Also, the school had not treated un-claimed caution money as income after the expiry of 30 days from the date the students were informed to collect their caution money from school.

During the personal hearing, the school mentioned that it has decided to refund/ adjust the caution money collected from students in past during FY 2018-2019. Thus, based on the explanation provided by the school, the school should refund/adjust caution money within FY 2018-2019 and record unclaimed caution money as income after the expiry of 30 days from the date of sending communication to students to collect caution money. The school is also directed not to collect caution money more than INR 500 from students in future.

Accordingly, the amount to be refunded to students as per the audited financial statement for FY 2016-2017 has been considered while deriving the fund position of the school (enclosed in the later part of this order).

6. Order No. F.DE.-15/ACT-I/WPC-4109/PART/13/815 dated 3 July 2017 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school is not maintaining fixed assets register in proper format and manner.

During personal hearing, school explained that the fixed asset register has been maintained in proper format and manner, but did not submit the same for verification.

The school is directed to maintain fixed asset register which should include details such as asset name, date of purchase, 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. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

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 6,76,56,028 out of which cash outflow in the year 2017-2018 is estimated to be INR 6,01,09,538. This results in net surplus of INR 75,46,490. 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)	40,72,025
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	6,72,163
Total Liquid Funds Available with the School as on 31 Mar 2017	**47,44,188**

Particulars	Amount (INR)
Add: Fees and other incomes for FY 2017-2018 (as per audited financial statements of FY 2017-2018 submitted by the school)	4,55,17,493
Add: Recovery from society against payments made towards construction of building [Refer Financial Finding No. 1]	1,64,12,363
Add: Recovery from society towards funds transferred against building rent [Refer Financial Finding No. 2]	73,00,000
Gross Estimated Available Funds for FY 2017-2018	**7,39,74,044**
Less: FDR against specific funds (with CBSE)	1,29,987
Less: Development fund [Refer Other Finding No. 2]	-
Less: Staff Retirement Benefits [Refer Financial Finding No. 3]	51,60,028
Less: Caution Money (as per audited financial statements of FY 2016-2017)	10,28,000
Less: Depreciation Reserve Fund [Refer Note 1]	-
Net Estimated Available Funds for FY 2017-2018	**6,76,56,028**
Less: Expenses for FY 2017-2018 [Refer Note 2]	4,64,83,660
Less: Arrears of salary as per 7th CPC from January 2016 to Mar 2018 (as per separate calculation submitted by the school)	1,36,25,878
Estimated Surplus as on 31 Mar 2018	**75,46,490**

Notes:

1. On evaluation of depreciation reserve, it was noted that the school had charged depreciation on fixed assets and had transferred the same to depreciation reserve on liabilities side of the Balance Sheet of the school. Also, the school is charging development fund from students for purchase, up-gradation and replacement of furniture, fixture and equipment. Depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue accounts as per clause 14 of Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009) is more of an accounting head for appropriate accounting treatment of depreciation in the books of account of the school in accordance with Guidance Note 21 issued by the Institute of Chartered Accountants of India. Thus, there is no financial impact of depreciation reserve on the fund position of the school. Accordingly, it is not considered in table above.

2. The school submitted the audited financial statements of FY 2017-2018. Based on the audited financial statements for FY 2017-2018, the school had incurred total expenditure (both revenue and capital) during the FY 2017-2018 of INR 5,76,57,734 (excluding arrears of salary as per 7th CPC amounting to INR 1,36,25,878 based on calculations provided by the school, which has not been paid/accrued by the school). Most of the expense heads as per the audited financial statements of FY 2017-2018 have been considered with the following adjustments before considering in the fund position of the school for FY 2017-2018.

Expense Heads	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Depreciation	53,21,571	64,09,506	-	64,09,506	Depreciation being a non-cash expense does not result in cash outflow. Hence, it has not been considered.

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Expense Heads	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Purchase of Buses	-	47,64,569	-	47,64,569	The school does not have any reserve from transportation service and has not complied with all requirements of Rule 177. Thus, this has not been considered.
Total	**53,21,571**	**1,11,74,075**	-	**1,11,74,075**	

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 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 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

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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 comply with the directions with regard to maintaining separate bank account, treating development fund as capital receipt, 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 states "Accounting for defined benefit plans is complex because actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses." Further, the Accounting Standard 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 ensure compliance with Accounting Standard 15 including measurement of its liability towards retirement benefits of the staff by a qualified actuary and making the investment against the liability so determined 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 the school for implementation of recommendations of 7th CPC and to carry out its operations for the academic

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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 **Masonic Public School (School ID-1720155), Vasant Kunj, Delhi-110070** 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
Masonic Public School,
B-1, Vasant Kunj,
School ID 1720155
Delhi-110070

No. F.DE.15(94)/PSB/2019 | 1468-1472 Dated: 7/2/2019

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