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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(289) / PSB / 2019 / 1570-1574 Dated: 04/04/19

ORDER

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

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

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

"27....

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

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

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

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.

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AND WHEREAS in response to this directorate's circular dated 23 Oct 2017 referred to above, **The Heritage School (School ID-1720159), D-II, 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.

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 9 August 2018 at 3 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 Hon'ble High Court Judgement, the cost relating to land and construction of the school building has to be met by the society, being the property of the society and school funds i.e. fee collected from students is not to be utilised for the same.

The financial statements of the school for the FY 2014-2015 and 2015-2016 revealed that the school has incurred expenditure on construction of building out of school funds and has capitalized building totalling to INR 2,47,72,011 in the aforesaid financial years, which was not in accordance with the aforementioned provisions. Further, the above capital expenditure was incurred 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 minus outstanding loan amount as on

31 March 2017 (based of financial statements obtained for evaluation of the fee increase proposal for FY 2017-2018).

Instead of the society meeting its obligation towards construction of building, school funds were utilised for meeting the cost of construction of the building, which resulted in creation of capital assets from the fee collected from students.

During the personal hearing, the school explained that it had taken a loan of INR 1,50,35,432 during FY 2015-2016 from Punjab National Bank for construction of the building. From the audited financial statements of the school for the FY 2015-2016 and 2016-2017, it was noted that the school had made a total payment of INR 73,00,742 to the bank against the building loan which constitutes principal repayment of INR 41,57,997 and interest on loan of INR 31,42,745. Further, from the financial statements for FY 2016-2017, it was noted that the school has reflected an outstanding loan amount of INR 1,08,77,435 as on 31 March 2017.

Thus, based on above, net amount of INR 1,38,94,576 (additions to building of INR 2,47,72,011 minus outstanding loan amount of INR 1,08,77,435 as on 31 March 2017) spent from school funds towards construction of building and interest paid of INR 31,42,745 on building loan are 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 not to utilise school funds for payment of instalments of building loan during FY 2017-2018 and onwards.

2. Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/883-1982 dated 10 Feb 2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*"

From the audited financial statements of the school for FY 2016-2017, it was noted that the school had incurred capital expenditure on purchase of buses amounting to INR 56,75,426. Further, it was noted that the school had taken loan from bank for part funding of the buses and has made payment of INR 2,72,838 towards interest on bus loan and had reported outstanding loan amount of INR 35,86,090 as on 31 March 2017. Also, it was noticed that the school has not complied with the requirements of Rule 177 of DSER, 1973, but has purchased capital assets (buses) and utilised school funds for providing service only to specific users of the transport service. Further, the school has not created any fund against transport fee and has not accumulated any reserve for purchase of buses.

The school explained that the vehicles were purchased to meet the needs of the school towards providing transportation service to the students. Thus, it has been observed that the school has purchased vehicles and submitted proposal for increase of fee from students that translates to constituting capital expenditure as component of the fee structure of school.

Accordingly, the amount spent by the school on purchase of buses from school fund of INR 23,62,174 (Purchase cost of Buses of INR 56,75,426 plus Interest on term loan of

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Vehicles of INR 2,72,838 minus outstanding bus loan balance of INR 35,86,090) is liable to be recovered from the society. However, based on the details of income and expenses submitted by the school in relation to the transport facility provided by the school to the students for FY 2016-2017, it was noted that the school has generated a net surplus of INR 8,94,757 from the transport fee of INR 63,37,150 after meeting the expenses of INR 54,42,393. Though school has not created a transport fund, the amount of surplus of INR 8,94,757 reported by the school for FY 2016-2017 towards transport facility has been adjusted from the amount of INR 23,62,174 computed as utilised from school funds.

Accordingly, the net amount of INR 14,67,417 (INR 23,62,174 minus INR 8,94,757) is hereby added to the fund position of the school (enclosed in later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the Society within 30 days from the date of this order.

Further, the school is directed to ensure that capital assets are not procured from school funds unless savings are derived in accordance with Rule 177 or the cost of the capital assets is recovered by way of earmarked levy collected from the user students over the life of the asset. Thus, the instalments against bus loan payable to bank in FY 2017-2018 and onwards should be met out of surplus generated from transport fee or by the Society and school funds should not be utilised for payment of the same.

3. The school was directed by the Directorate through its Order no. F. DE-15/ACT-I/WPC-4109/PART/ 13/862 dated 8 August 2017 to make earmarked equivalent investments against the provision for retirement benefits with LIC (or any other agency) within 90 days.

   Further, according to para 7.14 of the Accounting Standard 15 – 'Employee Benefits' issued by the Institute of Chartered Accountants of India, "*Plan assets comprise:*
   (a) assets held by a long-term employee benefit fund; and
   (b) qualifying insurance policies."

   Based on the documents submitted by the school, it was noted that the school has obtained actuarial valuation of its liability towards gratuity (INR 1,19,53,406) and leave encashment (INR 18,91,010) for FY 2016-2017 and has recorded equivalent liability in the books of the account as on 31 March 2017.

   During the personnel hearing, the school mentioned that it has deposited INR 95 Lakhs with LIC (INR 84 lakhs in group gratuity scheme and INR 11 lakhs in group leave encashment scheme) during FY 2017-2018 & FY 2018-2019 and submitted the evidence of payment.

   Based on the evidence of actual amount deposited with LIC during FY 2017-2018 & FY 2018-2019, INR 84 lakhs towards gratuity and INR 11 lakhs towards leave encashment have been considered while deriving the fund position of the school for FY 2017-2018 (enclosed in the later part of the order). Further, the school is directed to ensure that investments equivalent to the amount of liability determined by the actuary should be made in 'plan-assets' in accordance with Accounting Standard 15 in the succeeding financial years.

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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 charges, Science fee, online Education and Digital Communication charges, Audio Visual (AV) Charges, Tour Income 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 that has been utilised for meeting other expenses of the school, which was also mentioned in Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/862 dated 8 August 2017 issued to the school post evaluation of the proposal for FY 2016-2017. Details of

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

Earmarked Fee	Income (INR)	Expenses (INR)	Surplus (INR)
	A	B	C=A-B
Transport charges^	63,37,150	54,42,393	8,94,757
Science fee	3,63,050	1,47,479	2,15,571
Online Education and Digital Communication	22,55,540	21,09,685	1,45,855
Audio Visual (AV) Charges	14,09,620	4,43,775	9,65,845
Tour Income	30,95,725	28,99,940	1,95,785

^ 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.

On the basis of aforementioned orders, earmarked levies are to be collected only from the user students availing the service/facility. In other words, if any service/facility has been extended to all the students of the school, a separate charge should not be levied for the service/facility as the same would get covered either under tuition fee (expenses on curricular activities) or annual charges (expenses other than those covered under tuition fee). The school is charging online education & digital communication and audio visual 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 Information online education & digital communication and audio visual charges and details provided by the school in relation to expenses incurred against the same, the school should not charge such fee as earmarked fee with immediate effect and should incur the expenses relating to these from tuition fee and/or annual charges, as applicable collected from the students.

The school explained that earmarked activities are determined at "No profit no loss basis", however, there can be small incidental surplus or deficit as the collections are made on the basis of budget estimates. The surplus generated from earmarked levies has been applied towards meeting other revenue expenditure of the school 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.

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2. The Directorate of Education, in its Order No. DE.15/Act/Duggal.Com/ 203/99/23033-23980 dated 15 Dec 1999, indicated the heads of fee/ fund that recognised private unaided school can collect from the students/ parents, which include:

   - Registration Fee
   - Admission Fee
   - Caution Money
   - Tuition Fee
   - Annual Charges
   - Earmarked Levies
   - Development Fee

   Further, clause no. 9 of the aforementioned order states "*No fee, fund or any other charge by whatever name called, shall be levied or realised unless it is determined by the Managing Committee in accordance with the directions contained in this order ......*"

   The aforementioned order was also upheld by the Hon'ble Supreme Court in the case of Modern School vs Union of India & Others.

   It was noted that the school's fee structure include pupil fund, which is collected from all the students and based on details submitted by the school, utilised on activity expenses, function & festivals, music, sports, printing & stationery and welfare activities. Details of collection and utilization of pupil fund provided by the school for FY 2016-2017 is included hereunder:

Particulars	**Nature**	**Amount (In lakhs)**
Pupil Fund	Income	41.34
Activity Expenses	Expense	3.35
Function and festival	Expense	11.65
Music Expenses	Expense	1.94
Sports Expenses	Expense	4.44
Student workshop expenses	Expense	5.17
Printing & stationery	Expense	14.73
Net surplus		**0.06**

   Based on the fact that the fee head of 'Pupil Fund' has not been defined for recognised private unaided school and the purposes for which the school has utilised the same is covered under 'Annual Charges' collected by the school from students, the school is directed not to collect pupil fund from students with immediate effect. For the purpose of evaluation of the fee hike proposal for FY 2017-2018, the above-mentioned fee has been included in budgeted income while deriving the fund position of the school (enclosed in the later part of this order).

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

furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund, will be kept in a separately maintained Development Fund Account."

As per para 67 of the Guidance Note on Accounting by Schools issued by Chartered Accountants of India, *"The financial statements should disclose, inter alia, the historical cost of fixed assets."*

Directorate order F. DE-15/ACT-I/WPC-4109/PART/13/862 dated 08 August 2017 issued post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 submitted by the school noted that:

- The school has utilised development fund for construction of school building, which is a contravention of the above mentioned clause
- The school has made additions of INR 16,88,668 and had purchased assets amounting to INR 14,35,726 from Depreciation Reserve Fund, which could not be correlated with the fixed assets as reflected in Fixed assets schedule.

Based on the information provided by the school, the school had utilised development fund on purchase of assets other than furniture, fixture and equipment such as on buses and car during FY 2016-2017, which was not in accordance with the directions included in aforesaid order.

Further, based on the presentation made in the audited financial statements for FY 2016-2017 submitted by the school, it was noted that the school reported purchase of assets from depreciation reserve fund and reflected the same as deduction from depreciation reserve. Further, the school reflected a transfer of INR 22,52,821 from general reserve to depreciation reserve fund. However, the school did not provide any details regarding how the funds has been allocated from general reserve. Further, reasonable justification for non-maintenance of the depreciation reserve fund, equivalent to the deprecation charged in the revenue accounts could not be explained by the school. Thus, the school is directed to maintain depreciation reserve fund in compliance to the above mentioned order.

Also, the school reported fixed assets purchased from development fund and general fund at written down value in the fixed asset schedule and on the face of the Balance Sheet as on 31 Mar 2017.

This being a procedural finding, the school is instructed to make necessary rectification entries relating to development fund, fixed assets and depreciation reserve to comply with the accounting treatment indicated in the Guidance Note. Further, the school should present the fixed assets at historic cost in the financial statements for FY 2016-2017. Also, the school is directed to ensure that the development fund is utilized only for purchase, upgradation and replacement of furniture, fixtures and equipment, in accordance with the directions of this Directorate included in aforementioned orders.

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4. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/862 dated 08 August 2017 issued to the school post evaluation of the fee increase proposal for FY 2016-2017 noted that:

   - No tagging of the assets was done in Fixed Assets Register (FAR) and physically on fixed assets to identify their location because of which the assets could not be physically verified.
   - Item wise details are not mentioned in the FAR. Details of the assets sold/scrapped/shifted out of the school are not mentioned in the FAR.
   - Depreciation for the individual assets is not recorded in the FAR, only cost of the assets is available in the FAR and WDV of the assets is not available.

   On examination of the FAR submitted by the school and taken on record, it was noted that the FAR only captures asset name, date and quantity. The school should also include details such as supplier name, invoice number, manufacturer's serial number, location, purchase cost, other costs incurred, depreciation, 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 the recommended changes in the FAR from FY 2018-2019 onwards. The school is directed to update the FAR with relevant details mentioned above, set-up a process for periodic physical verification of assets and document the results of physical verification of assets. This being a procedural finding, no financial impact is warranted in the fund position of the school (included in the later part of the order).

5. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/862 dated 8 August 2017 issued to the school post evaluation of the proposal for FY 2016-2017 noted that the school has not disclosed its contingent liability with respect to legal cases against the school in its financial statements. As per the management estimate the contingent liability amount to INR 20.39 Lakhs.

   During the review of the audited financials statements for FY 2016-2017 and FY 2017-2018 and taken on record, it was noted that the school has still not disclosed the contingent liability. Accordingly, the school is directed to disclose its contingent liability in the audited financial statements. Compliance of the same shall be validated at the time of evaluation of subsequent fee increase proposal. This being a presentation/ disclosure related finding, no financial impact is warranted in the fund position of the school (included in the later part of the order).

6. 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 in Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/862 dated 8 August 2017 issued to the school post evaluation of the fee increase proposal for FY 2016-2017:

- The school has maintained a separate bank account for caution money but has not transferred the amount of caution money collected to this account. The balance of caution money account as on 31 March 2016 was INR 53,702, whereas the liability as per the financial statements was INR 5,63,500. This amount is likely to have been used for other purpose by the school.
- School had refunded caution money without any interest amount thereon and was instructed to refund caution money along with interest to students.

During the personal hearing, school mentioned that it has maintained caution money in separate account in a scheduled bank and has deposited the caution money in the respective caution money account. However, the school has not refunded interest along with refund of caution money to the students at the time of their exit from the school.

Thus, the school is directed to ensure compliance with the aforementioned directions including refund of interest along with caution money to exiting students.

Accordingly, the amount to be refunded to students as per audited financial statements as on 31 Mar 2017 has been considered while deriving the fund position of the school (enclosed in the later part of this order).

7. Para 58(i) of the Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India states "*A school should charge depreciation according to the written down value method at rates recommended in Appendix I to the Guidance Note.*" Further, Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/862 dated 08 August 2017 issued to the school post evaluation of the proposal for FY 2016-2017 noted that the school is charging depreciation as per the Income Tax Act, 1961 and not as per Guidance Note 21.

   From the audited financial statements of FY 2016-2017, it was noted that the school has not changed rates of depreciation in accordance with the aforementioned Guidance Note. The school is directed to ensure compliance in this regard. Compliance of the will be verified at the time of evaluation of fee hike proposal of subsequent academic session. This being a procedural finding, no financial impact is warranted in the fund position of the school (included in the later part of the order).

8. As per the affiliation [illegible] (CBSE), there should be 1.5 teacher per section to teach various subjects. Information relating to teaching staff, students enrolled and sections were obtained from the school and included in table below.

Particulars	Number
No. of Section (all classes) {A}	34
Teaching staff during FY 2016-2017 {B}	85
No. of teachers as prescribed by CBSE (No. of sections X 1.5) {C=A*1.5}	51
Derived overstaffing at school (basis CBSE norms) {D=B-C}	34
Derived Teacher-Section Ratio {E=B/A}	2.50

The above calculations indicate that the school has a Teacher-Section Ratio of 2.50, which is higher than the ratio prescribed by CBSE. During the personnel hearing, the school informed that in order to provide quality education, the school has appointed teachers based on needs of the students. Further, there are number of additional responsibilities that are given to the teachers on co-curricular aspects, which also have to be considered.

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

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 12,55,80,543 out of which cash outflow in the year 2017-2018 is estimated to be INR 12,81,76,600. This results in net deficit of INR 25,96,057. 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)	8,86,603
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	24,79,972
Total Liquid Funds Available with the School as on 31 Mar 2017	**33,66,575**
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]	10,69,35,427
Add: Net fee arrears for FY 2016-2017 on account of fee increase approved by DoE vide order dated 08 Aug 2017 collected in FY 2017-2018 [Refer Note 2]	74,18,000
Add: Recovery from the society of amount spent on additions to Building [Refer Financial Finding No. 1]	1,38,94,576
Add: Recovery from Society of interest paid on building loan [Refer Financial Finding No. 1]	31,42,745

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Particulars	Amount (INR)
Add: Recovery from the society towards cost of buses purchased out of school funds [Refer Financial Finding No. 2]	14,67,417
Gross Estimated Available Funds for FY 2017-2018	**13,62,24,740**
Less: Development Fund balance as on 31 Mar 2017 (as per audited financial statements of FY 2016-2017)	7,02,197
Less: Caution Money balance as on 31 Mar 2017 (as per audited financial statements of FY 2016-2017)	4,42,000
Less: Depreciation Reserve [Refer Note 3]	-
Less: Staff Retirement Benefits – Gratuity [Refer Financial Finding No. 3]	84,00,000
Less: Staff Retirement Benefits – Leave Encashment [Refer Financial Finding No. 3]	11,00,000
Net Estimated Available Funds for FY 2017-2018	**12,55,80,543**
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 4]	11,15,42,600
Less: Salary Arrears as per 7th CPC for the period Jan 2016 to March 2018 (as per Budgeted Receipt and Payment Account for FY 2017-2018)	1,66,34,000
Estimated Deficit	**25,96,057**

Notes:

1. Fee and income as per audited financial statements of FY 2016-2017 (together with increase of 10% approved by DoE during FY 2016-2017) has been considered (after adjustment of liabilities written back and Notice Pay Recovery collected during FY 2016-2017) with the assumption that the amount of income during FY 2016-2017 will at least accrue during FY 2017-2018.
2. The school was allowed by DoE to increase its fee by 10% vide Order No. F.DE-15/ACT-I/WPC-4109/PART/13/862 dated 8 Aug 2017. However, the school had not included net arrears for FY 2016-2017 (after adjustment of increased fee already collected in FY 2016-2017) collected in FY 2017-2018 in the budget statement for 2017-2018, which has been derived based on the percent increase approved and details provided by the school of amount of increased fee collected by the school during FY 2016-2017. This has been added to the available funds, as this would be additional collection by the school not included in the income of FY 2016-2017 (as per audited financial statements).
3. On evaluation of depreciation reserve, it was noted that the school had charged depreciation on fixed assets and had transferred the same to depreciation reserve on liabilities side of the Balance Sheet of the school. Also, the school is charging development fund from students for purchase, up-gradation and replacement of furniture, fixture and equipment. Though development fund maintained by the school has been adjusted for deriving the fund position of the school as per audited financial statements of FY 2016-2017, depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue accounts as per clause 14 of Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009) is more of an accounting head for appropriate accounting treatment of depreciation in the books of account of the school in accordance with Guidance Note 21 issued by the Institute of Chartered Accountants of India. Thus, there is no financial impact of depreciation reserve on the fund position of the school. Accordingly, it is not considered in table above.
4. Per the Budgeted Receipt and Payment Account for FY 2017-2018 submitted by the school along with proposal for fee increase, the school had estimated the total expenditure during FY 2017-2018 of INR 13,89,40,000(including 7th CPC arrears from Jan 2016 to March 2018 of INR

1,66,34,000), which in some instances was found to be unreasonable/ excessive. Based on the explanations and details provided by the school during personal hearing, some of the expenses heads as budgeted were considered, while other expense heads were restricted to 110%/130% of the expense incurred during FY 2016-2017 giving consideration to general rise in cost/inflation especially because FY 2017-2018 is the year of implementation of 7th CPC where additional financial burden of increase salary of staff is already there. The same were discussed during personal hearing with the school. Therefore, the following expenses have been adjusted while considering the budgeted expenses for FY 2017-2018.

(Amount In Lakhs)

Expense Heads	FY 2016-2017	FY 2017-2018	Amount Allowed	Amount Disallowed	Remarks
Provision for Gratuity & Leave Encashment	36	45	-	45	Refer Financial Finding No. 3.
Interest on Loan	17.78	15.50	-	15.50	Refer Financial Finding No. 1.
Advertisement	1.15	5.00	1.27	3.74	Reasonable explanation or supporting documents not provided by the school for such percent increase. Thus, expenditure restricted to 110% of that incurred during FY 2016-2017.
Repair & Maintenance	86.91	115.00	95.60	19.40	
Provisions Depreciation	22.53	24.00	-	24.00	Depreciation, being non-cash expense does not result in cash outflow. Hence, it is disallowed.
Total	**164.37**	**204.5**	**96.87**	**107.64**	

Also, the school has planned to incur capital expenditure on buses and Astro turf during FY 2017-2018. The school is directed not to incur such capital expenses, being requirement of Rule 177 of DSER, 1973 not complied by the school.

ii. It seems that the school may not be able to meet its budgeted expenses from the existing fee structure and accordingly, it should utilise its existing funds/reserves and other resources. In this regard, Directorate of Education has already issued directions to the schools vide circular no. 1978 dated 16 Apr 2010 that,

"All schools must, first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase."

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And whereas, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that though certain financial irregularities that were identified (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings which were also noted (appropriate instructions against which have been given in this order), the fee increase proposal of the school may be accepted.

And whereas, recommendations of the team of Chartered Accountants along with relevant materials were put before Director of Education for consideration and who after considering all material on record has found it appropriate to allow increase in tuition fee by 5% with effect from April 2019.

Accordingly, it is hereby conveyed that the proposal of enhancement of fee of **The Heritage School (School ID-1720159), D-II, Vasant Kunj, Delhi-110070** has been accepted by the Director of Education with effect from April 2019 and the school is hereby allowed to increase tuition fee by 5%. Further, the management of said school is hereby directed under section 24(3) of DSEA, 1973 to comply with the following directions:

1. To increase the tuition fees only by the prescribed percentage from the specified date.
2. To rectify the financial and other irregularities as listed above and submit the compliance report within 30 days from the date of this order to D.D.E.(PSB).
3. To ensure implementation of recommendations of 7th CPC in accordance with Directorate's order dated 25 Aug 2017.
4. To ensure that the salaries and allowances shall come out from the fees whereas capital expenditure will be a charge on the savings in accordance with the principles laid down by Hon'ble Supreme Court of Delhi in its Judgment of Modern School vs Union of India. Therefore, school not to include capital expenditure as a component of fee structure to be submitted by the school under section 17(3) of DSEA, 1973.
5. To utilise the fee collected from students in accordance with the provisions of Rule 177 of the DSER, 1973 and orders and directions issued by this Directorate from time to time.

Non-compliance of this order or any direction herein shall be viewed seriously and will be dealt with in accordance with the provisions of section 24(4) of Delhi School Education Act, 1973 and Delhi School Education Rules, 1973.

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This order is issued with the prior approval of the Competent Authority.

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

To:
The Manager/ HoS
The Heritage School
School ID 1720159
D-II, Vasant Kunj, Delhi-110070

No. F.DE.15(289) / PSB / 2019 / 1570-1574 Dated: 04/04/19

Copy to:

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

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