135

135

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

1571

No. F.DE.15(724)/PSB/2019/ 1195- 1199 Dated: 29/03/19

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...

1572

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

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

AND WHEREAS, the Hon'ble Supreme Court in the above said Judgment also held that under section 17(3), 18(4) read along with rule 172, 173, 175 and 177 of Delhi School Education Rules, 1973, Directorate of Education has the authority to regulate the fee and other charges to prevent commercialization of education.

AND WHEREAS in response to this directorate's circular dated 23 Oct 2017 referred to above, **Nirmal Bhartia School (School ID-1821226), Sector-14, Dwarka, New Delhi-110078** 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 3 July 2018 at 10:00 AM to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted.

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. The Manager of the school is not entitled to any payment whatsoever from the school funds. However, from the records submitted by the school and taken on record, it was noticed that the school has been paying INR 5,000 per month to the Manager after his appointment from 1 April 2014 and termed the same as 'Travelling Expenses' for visit to the school. Thus, the school paid amount totalling to INR 1,80,000 during FY 2014-2015 to FY 2016-2017. During personal hearing, the school explained that it has paid lump sum amount every month to the Manager for arranging transport for visit to the school, but without obtaining any supporting documents.

Accordingly, based on the explanation provided by the school, the amount of 'Travelling Expenses' paid to the Manager takes the form of monthly allowance, which is not allowed as per the provisions of DSEA,1973 and DSER, 1973. Accordingly, the amount of INR 1,80,000 paid to the Manager during FY 2016-2017 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 Manager/ Society within 30 days from the date of this order. The school is further directed not to pay any amount to the Manager subsequently.

2. Para 57 of Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India, *"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."*

   Also, the school was directed by the Directorate through its Order no. F.DE-15/Act-I/WPC-4109/Part/13/898 dated 15 September 2017 to make earmarked investments equivalent to the provision for retirement benefits with LIC (or any other agency). Based on the documents submitted by the school and taken on record, it was observed that the actuarial valuation reports towards gratuity and leave encashment indicated actuarial liability as on 31 March 2016 of INR 40,86,325 and INR 21,82,081 respectively against which equivalent provision was created as on 31 Mar 2017. However, the school has invested amount totalling to INR 31,00,000 with LIC towards group gratuity scheme during FY 2018-2019.

   Based on the investments made by the school towards liability for gratuity, the amount actually deposited with LIC during FY 2018-2019 has been considered while deriving the fund position of the school (enclosed in the later part of this order) and the amount of provision budgeted by the school FY 2017-2018 has not been considered.

   The school is directed to deposit the amount determined by the actuary in respect of leave encashment and remaining amount (difference between provision and amount deposited) towards gratuity during FY 2018-2019.

3. 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.

   From the audited financial statements of FY 2016-2017, it was noted that the school transferred its debtors and creditors relating to construction of building to Society's ledger account. It was noted that while the liabilities (creditors) relating to construction of building in case would have been borne by the Society, being responsibility of the Society to construct school building, the amount of debtors (i.e. advance payments made by the school to contractors/suppliers on behalf of the society for construction of the school building) of INR 24,30,563, which in fact is money receivable by the School from the Society were also transferred to the Society. Accordingly, the amount of debtors transferred by the school to the Society results in indirect transfer of school funds to the Society.

This amount of INR 24,30,563 is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the Society within 30 days from the date of this order.

B. Other Discrepancies

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

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

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

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

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

   As per Section 17(3) of Delhi School Education Act, 1973 states "*the manager of every recognised school shall, before the commencement of each academic session, file with the Director a full statement of the fees to be levied by such school during the ensuing academic session, and except with the prior approval of the Director, no such school shall charge, during that academic session, any fee in excess of the fee specified by its manager in the said statement.*"

1575

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, Science fees, Computer fees, Work Education, Insurance, etc. from students. However, the school has not maintained separate fund accounts for these earmarked levies (except transport fee) and the school has been generating surplus from earmarked levies, which has been utilised for meeting other expenses of the school or has been incurring losses (deficit) which has been met from other fees/income, which was also mentioned in DOE's order No. F. DE-15/ACT-I/WPC-4109/PART/13/898 dated 15 September 2017. Details of 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**
Science Fees	2,65,320	3,74,156	(1,08,836)
Computer Fees	20,86,300	21,20,786	(34,486)
Insurance Fees	1,92,500	1,88,400	4,222
Work Education	4,17,600	5,20,926	(1,03,326)
Club Fee*	10,38,750	10,60,359	(21,059)
Misc. Receipts*#	22,800	600	22,200
NIE Newspaper*#	65,700	60,900	4,800
Swimming Pool*#	7,75,100	8,72,159	(97,059)
Educational Tours-Students*#	13,88,200	13,06,560	81,640
Transport Fee^	1,37,42,245	1,72,22,289	(34,80,044)

^ While the school has started fund based accounting for transport fund, the school had not apportioned depreciation on vehicles used for transportation of students (which is also not included in the expenses stated in table above) for creation of 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 reported surplus/(deficit) earned from earmarked fee collected from students under 'Other Expenses for Activities' in its audited financial statements for FY 2016-2017 instead of

reporting total income and total expenses separately for these heads. The school explained that it has been following this practice of reflecting only the surplus arrived from these minor earmarked levies. However, the school provided breakup of income and expenses in relation to the above earmarked levies.

The school had not reflected these earmarked levies in its fee structure nor had it reported these in the proposal for enhancement of fee for FY 2017-2018.

Further, it was noted that the school has been charging PTA fees from students and depositing it in a separate bank account. While the school reflected bank balance corresponding to unutilised PTA fee in the Balance Sheet as on 31 Mar 2017, corresponding PTA fund balance was not reported by the school on the liability side of the Balance Sheet.

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 Computer Fees and Insurance 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 Computer Fees and Insurance 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 annual fee collected from students is not sufficient to meet the revenue expenses of the school. Thus, the surplus generated from earmarked levies has been applied towards meeting revenue expenses of the school on account of which fund balance of earmarked levies could not separated from the total funds maintained by the school. Accordingly, total fees (including earmarked fee) have been included in the budgeted income and budgeted expenses (included those for earmarked purposes) have been considered 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 and submit details of all earmarked levies collected from students in the proposal/fee structure submitted to the Directorate.

1577

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.*" Also, Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/ 898 dated 15 September 2017 issued to school post evaluation of the proposal for enhancement of fee for FY 2016-2017 noted that development fund was utilised for purchase of capital expenditures other than furniture, fixture and equipment.

   It was noted that the school had used development fund for purchase of library books of INR 65,495 and expenditure on renovation and building maintenance work of INR 28,76,266 during FY 2016-2017, which was a non-compliance of the directions included in above order.

   The school is directed to ensure that the development fund is utilized only towards purchase, upgradation and replacement of furniture, fixture and equipment. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

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

   Basis the presentation made in the audited financial statements for FY 2016-2017 submitted by the school, it was noted that the cost of assets purchased by the school was deducted from the balance of development fund and the fixed assets purchased were not reported in the Balance Sheet of the school, while a schedule of fixed assets purchased from development fund was annexed to the financial statements. Further, it was noted that the depreciation in respect of these assets purchased from development fund was charged to Income and Expenditure Account with corresponding amount reported as addition to depreciation reserve. Thus, the school was creating depreciation reserve only in respect of assets purchased out of development fund. This is an incorrect accounting treatment, which is not in accordance with that indicated in the guidance note cited above.

   Also, the school reported net balance of development fund (i.e. development fee received minus assets purchased during the year) as additions to the development fund in the schedule to the financial statements for FY 2016-2017, which was an incorrect presentation, as the financial statements did not reflect correct amounts against transactions undertaken by the school. The amount of development fee received should have been reported as additions to development fund and assets purchased out of development fund should have been reflected as deletions/utilisation of development fund.

During Personal hearing, the School explained that the assets purchased out of development fund are reflected in Part –II of the Schedule -7 of financial statements for FY 2016-2017, and the same cannot again be added to the cost of Fixed Assets as funds from the Development Account were utilized to purchase these assets. If the school shows these fixed assets, bought from the development fund, as a part of fixed assets reflected in the Balance Sheet, then a similar amount will also have to be shown in the capital Revenue to balance the Balance Sheet, but such a presentation is not in accordance with the generally accepted Accounting Principles in India. Thus, the assets are reflected in the schedule, but the same cannot be presented on the face of the Balance Sheet. The disclosures are, therefore, in accordance with Standard Accounting Policies.

The explanation of the school is reverse of what has been prescribed under Guidance Note 21 issued by the Institute of Chartered Accountants of India.

The School is directed to correctly prepare and present development fund, depreciation reserve and fixed assets in its financial statements in accordance with Guidance Note 21 issued by the Institute of Chartered Accountants of India and make necessary adjustments for rectifying the discrepancies noted above. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

4. 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.*"

   Further, 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.*"

1579

Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/898 dated 4 September 2017 noted that the 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.

During personal hearing, the school mentioned that the school has created separate fixed deposit for caution money in FY 2017-2018 and has started adjusting the caution money already collected from existing students against the fee due in FY 2018-2019 and is not charging the same in future. Thus, based on the explanation provided by the school, the school should refund total caution money within FY 2018-2019 and should not collect it subsequently. The amount to be refunded to students after adjusting the income to be recorded by the school towards unclaimed caution money, as declared by the school, has been considered while deriving the fund position of the school (enclosed in the later part of this order).

5. The school has prepared a Fixed Assets Register (FAR) that only captures supplier name, date and invoice value. The school should also include details such as asset 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 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.

6. As per the affiliation bye-laws prescribed by Central Board of Secondary Education (CBSE), there should be 1.5 per teacher per section to teach various subjects. Information relating to teaching staff, students enrolled and sections were obtained from the school, which is tabulated below:

Particulars	**Number**
No. of Section (all classes) [A]	27
Teaching staff during FY 2016-2017 [B]	69
No. of teachers as prescribed by CBSE (No. of sections X 1.5) [C=A*1.5]	40.5
Derived overstaffing at school (basis CBSE norms) [D=B-C]	28.5
Derived Teacher-Section Ratio [E=B/A]	2.56

During Personal hearing, it was explained that the number of students are less in their school in comparison to other schools, and the school provides quality education and give individual attention to the children.

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 and comply with the affiliation bye-laws prescribed by CBSE.

7. As per the provisions of Rule 107 - 'Fixation of Pay' of DSER, 1973, "(1) *The initial pay of an employee, on the first appointment shall be fixed ordinarily at the minimum of the scale of pay. Provided that a higher initial pay, in the specified scale of pay, may be given to a person by a appointing authority....*

(2) The pay of an employee on promotion to higher grade or post shall be determined by the same rules as are applicable to the employee of government school."

It was noted that the gross salaries and grade pay of certain staff of the school were more than the salaries and grade pay as applicable to comparable staff in government schools. Salary and grade pay of the noted staff are detailed below:

Designation	**Grade Pay of staff under 6th CPC (INR)**	**Gross Salary of staff as per 7th CPC for March 2018 (INR)**
Principal	12,000*	4.35 lakhs per month
Head of the Junior School (Teaching staff)	4,800	1.72 lakhs per month
Head of the Senior School (Teaching staff)	5,400	1.50 lakhs per month

* The school indicated the grade pay of INR 12,000 for Principal in the staff statement as on 21 Dec 2015, while there as per Pay Commission, there is no grade pay beyond INR 10,000.

The school should prepare a reconciliation of computed salary (along with grade pay) with the salary on the date of joining of the principal and subsequent increments awarded to her. The compliance of the above will be examined at the time of evaluation of proposal for enhancement of fee for subsequent academic session.

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 12,17,90,424 out of which cash outflow in the year 2017-18 is estimated to be INR 12,28,11,599. This results in net deficit of INR 10,21,175. 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)	90,08,893

1581

Particulars	Amount (INR)
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	7,02,619
Total Liquid Funds Available with the School as on 31 Mar 2017	**97,11,512**
Add: Fees and other incomes for FY 2017-2018 (as per the audited financial statements of FY 2017-2018 submitted by the school)	11,50,96,954
Add: Net fee arrears for FY 2016-2017 on account of fee increase approved by DoE to be collected in FY 2017-2018 [Refer Note 1]	32,55,755
Add: Recovery of amount paid to Manager [Refer Financial Finding No. 1]	1,80,000
Add: Recovery of amount of debtors transferred to Society [Refer Financial Finding No. 3]	24,30,563
Gross Estimated Available Funds for FY 2017-2018	**13,06,74,784**
Less: FDR against specific funds (with DOE and CBSE) (as per audited financial statement of FY 2016-2017)	7,02,619
Less: Development Fund balance as on 31 Mar 2017 (as per audited financial statements of FY 2016-2017)	47,19,241
Less: Caution Money (Net of transfer to income in FY 2017-2018) [Refer Note 2]	3,62,500
Less: Staff Retirement benefits [Refer Financial Finding No. 2]	31,00,000
Net Estimated Available Funds for FY 2017-2018	**12,17,90,424**
Less: Expenses for FY 2017-2018 [Refer Note 3]	10,99,97,826
Less: Arrears of salary as per 7th CPC since January 16 (as included in the Budget Estimate for FY 2017-2018 by the school) [Refer Note 3]	1,28,13,773
Estimated Deficit	**10,21,175**

Notes:

1. The school was allowed by DoE to increase its fee by 5% vide Order No. F.DE-15/ACT-I/WPC-4109/PART/13/898 dated 15 Sep 2017. However, the school had not included net arrears to be collected against fee increase of FY 2016-2017 in the budgeted income of FY 2017-2018. Thus, the amount of INR 32,55,755, as declared by the school to be collected from students, has been added to the available funds, as this would be additional collection by the school during FY 2017-2018.

2. Unclaimed caution money of INR 1,88,750, as declared by the school to be treated as income during FY 2017-2018, has been adjusted from the liability towards caution money as on 31 Mar 2017 of INR 5,51,250 (as per audited financial statements of FY 2016-2017) and net balance of INR 3,62,500 refundable to students has been considered for deriving the net estimated available funds with the school for FY 2017-2018.

3. 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 12,73,90,491 (excluding arrears of salary as per 7th CPC amounting to INR 1,28,13,773 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

1582

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:

Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Depreciation	1,54,10,029	1,24,32,607	-	1,24,32,607	Depreciation being a non-cash expense does not result in cash outflow. Hence, it has not been considered.
Fee Receivable written off	-	2,12,431	-	2,12,431	Being a non-cash expense does not result in cash outflow. Hence, it has not been considered.
Provision for Gratuity (As per Actuarial Valuation)	4,97,243	24,92,480	-	24,92,480	Refer Financial Finding No. 2
Provision for Leave Encashment (As per Actuarial Valuation)	(14,82,269)	5,95,147	-	5,95,147	
Provision for Teacher Reserve Fund	-	16,60,000	-	16,60,000	As 2017-2018 is the year of implementation of salary scales recommended by 7th CPC, this provision has not been considered.
Total	**1,44,25,003**	**1,73,92,665**	-	**1,73,92,665**	

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.*"

1583

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 exist (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings 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 7.5% with effect from April 2019.

Accordingly, it is hereby conveyed that the proposal for enhancement of fee of **Nirmal Bhartia School (School ID-1821226), Sector-14, Dwarka, New Delhi-110078** has been accepted by the Director of Education with effect from April 2019 and the school is hereby allowed to increase tuition fee by 7.5%. 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 fee only by 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.

1584

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
Nirmal Bhartia School
School ID 11821226
Dwarka, Delhi-110078

No. F.DE.15(224)/PSB/2019/ 1195 -1199 Dated: 29/03/19

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