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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(52)/PSB/2019/ 769-72 Dated: 21/01/19

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

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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, **New Green Fields School (School ID-1925266), Alaknanda (Kalkaji), New Delhi-110019** 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 21 Aug 2018 at 4:00 PM and 4 Sep 2018 at 3:00 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. Clause 2 of Public Notice dated 4 May 1997 which states that, "*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.

   Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 867 dated 8 Aug 2017 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school had purchased a building near the existing school building for running nursery and prep classes for INR 4,88,79,888 during FY 2014-2015, which was contravention of Clause 2 of Public Notice dated 4 May 1997 and was done without complying the requirement of Rule 177 of the DSER, 1973. Though the financial statements of the school

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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).

It was not noted that the school had not recovered the amount as specified in the aforementioned order and had filed a writ petition against the aforementioned order with the Hon'ble High Court of Delhi (Ref: WP(C) No.11445/2017). Accordingly, the amount of INR 4,88,79,888 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.

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.

Based on the details and breakup submitted by the school regarding 'Inter Unit Balances-Receivable' and 'Inter Unit Balances-Payable' reported in the audited financial statements of the school for FY 2016-2017 and taken on record, it was noted that the school had receivable balance from society of INR 1,06,86,688 on account of gratuity fund, INR 62,12,142 receivable on account of centralised transportation service and a payable balances of INR 1,019 towards ESI payable and INR 2,33,117 to Junior school in Malviya Nagar resulting in a net receivable balance from the society of INR 1,66,64,694, which have resulted in indirect transfer of school funds to the society.

Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 867 dated 8 Aug 2017 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school had transferred amount totalling to INR 1,58,35,565 towards gratuity fund to the Society as on 31 March 2016 and the same is receivable from the society. However, the school recorded receipt of INR 41,51,785 from the society during FY 2016-2017 and balance receivable from the society on account of gratuity fund of INR 1,06,86,688 in its audited financial statements for FY 2016-2017. Thus, the total amount recovered and recoverable reported by the school was less by INR 9,97,092 (i.e. INR 1,58,35,565 minus INR 1,06,86,688 minus INR 41,51,785) towards which the school provided no explanation or reconciliation.

Further, the school submitted audited financial statements of the Transport Division for FY 2016-2017 and the same was taken on record. It was noted that the audited financial statements of the Transport Division for FY 2016-2017 reported a payable balance to the school of INR 62,14,383, which was different from the amount reflected as receivable from transport division in the audited financial statements of the school of INR 62,12,142. This indicates that the balance reported in either of the audited financial statements (of school or the transport division) is incorrect.

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Accordingly, the amount of INR 1,76,61,786 (i.e. INR 1,66,64,694 and INR 9,97,092) recoverable from the society 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 reconcile the amount receivable from Transport Division and ensure that there is no difference between the amount reported in financial statements of the school and the transport division.

3. Rule 177 of DSER,1973 states *"(1) Income derived by an unaided recognised school by way of fees shall be utilised in the first instance, for meeting the pay, allowances, and other benefits admissible to the employees of the school. Provided that savings, if any from the fees collected by such school may be utilised by its managing committee for meeting for meeting the capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely:*
   (a) award of the scholarships to students,
   (b) establishment of any other recognised school, or
   (c) assisting any other school or educational institution, not being a college, under the management of the same society or trust by which the first mentioned school is run.

   (2) The savings referred to in sub-rule (1) shall be arrived at after providing for the following, namely :-
   (a) pension, gratuity and other specified retirement and other benefits admissible to the employees of the school,
   (b) the needed expansion of the school or any expenditure of a development nature,
   (c) the expansion of the school building or for the expansion or construction of any building or establishment of hostel or expansion or construction of any building or establishment of hostel or expansion of hostel accommodation,
   (d) co-curricular activities of the students,
   (e) reasonable reserve fund, not being less than ten percent, of such savings."

   From the audited financial statements of FY 2016-2017, it was observed that the school had paid INR 72,000 as scholarships to students, which as per above mentioned rule is inappropriate considering that the school has not complied with the requirements of sub-rule 2 of Rule 177. The school explained that the scholarships were given to meritorious students.

   Accordingly, in view of scholarship payments made by the school without complying with the requirements of Rule 177 of DSER, 1973, the amount of scholarships paid to students out of the school fund of INR 72,000 is hereby added to the fund position of the school (enclosed in later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the society within 30 days from the date of this order. Also, scholarship budgeted by the school as expenditure for FY 2017-2018 has not been considered while deriving the fund position of the school (enclosed in the later part of this order).

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4. Directorate's order no. F.DE-15/WPC-4109/Part/13/7914-7923 dated 16 Apr 2016 regarding fee increase proposals for FY 2016-2017 states "*In case, the schools have already charged any increased fee prior to issue of this order, the same shall be liable to be adjusted by the schools in terms of the sanction of the Director of Education on the proposal.*" The school had increased its fees (against all heads of fee except smart class fee) in the range between 7% to 20% during FY 2016-2017 without prior approval of the Directorate. Whereas, post evaluation of fee increase proposal for FY 2016-2017 submitted by the school, the fee increase proposal was rejected by DoE with the direction that in case increased fee has already been charged from the parents, the same shall be refunded/adjusted vide Order No. F.DE-15/ACT-I/WPC-4109/PART/13/867 dated 8 Aug 2017. Based on the information provided by the school, the school collected an additional sum of INR 58,04,940 on account of increased fee for FY 2016-2017. The school has not adjusted/refunded any amount from the fee collected from students during FY 2017-2018 or FY 2018-2019. Further, the increased fee has not been rolled back during FY 2017-2018 and FY 2018-2019 and has continued to charge increased fee from students.

   The school explained that the school does not have adequate liquid funds to refund the excess fees collected from the students during FY 2016-2017 and that the school has filed writ petition against the above mentioned order of Directorate in the Hon'ble High Court of Delhi (Ref. WP(C) No.11445/2017).

   Based on aforementioned order dated 8 Aug 2017, the amount of increased fee of INR 58,04,940 collected from students during FY 2016-2017 has been adjusted while deriving the fund position of the school for FY 2017-2018 (enclosed in the later part of this order) with the direction to the school to immediately adjust/refund the amount to the students and submit evidence of the same within 30 days from the date of this 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

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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, Smart Class Fees and Science Fees from students.

Based on the explanations provided by the school, it was noted that the school transfers the amount of transport fee collected from students to the "Transport Division" under the Society, which centrally manages the transportation facility of all three schools under the management of the Society that are within a radius of 9 kilometres and incurs expenditure in relation to the transportation service. As per the school, managing the transportation facility centrally has helped in optimization of the capital and operational cost. Further, the surplus derived from the operation of the transportation service is apportioned among the school in the proportion of the transport fee collections by the three schools. The school also submitted the audited financial statements of the transport division for FY 2016-2017 to substantiate the expenses incurred and surplus allocation among the schools. However, the school has not reported the collections of transport fee and expenditures in its audited financial statements, rather has reported only the surplus derived from the transport service apportioned by the 'Transport Division', which is an incorrect accounting practice and presentation in the financial statements. Also, the amount of surplus generated has been transferred to the Income and Expenditure Account instead of creating fund account for the same.

Further, the school has not maintained separate fund accounts for other earmarked levies collected by the school 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/13/867 dated 8 August 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 (INR)**
	A	**B**	**C=A-B**
Smart Class Fee	16,34,800	4,87,409	11,47,391
Science fee	2,18,240	61,639	1,56,601
Activity fee	47,22,650	*-	47,22,650
Maintenance fee	31,19,680	*-	31,19,680
Assignment Fee	31,19,680	*-	31,19,680
Total	**1,28,15,050**	**5,49,048**	**1,22,66,002**

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^ School had reported income together with the amount of concessions, which have been reduced from figures above to reflect net income accrued to the school.

* School did not provide details/breakup of expense incurred against the earmarked levy.

The school explained that tuition fee collected from students is not sufficient to meet the establishment cost and other fees/charges collected are not sufficient to meet other revenue expenses of the school. Thus, the surplus generated from earmarked levies has been applied towards meeting establishment cost and other revenue expenses of the school on account of which fund balance of earmarked levies 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 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.

Also, the school should reflect transport fee in the audited financial statements and transfer the surplus generated to transport fund similar to other earmarked levy.

2. Clause 14 of the Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states *"Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixtures and equipment."* However, it was noted that the school had incurred expenditure on purchase of library books of INR 83,484 and repairs of INR 1,33,308 during FY 2016-2017 and reflected the same as utilisation of development fund in the audited financial statements for FY 2016-2017, which is not in accordance with the direction included in above order.

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

3. Para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states *"Where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year."* Further, Para 102 of the aforementioned Guidance Note states *"In respect of funds, schools should*

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disclose the following in the schedules/notes to accounts: (a) In respect of each major fund, opening balance, additions during the period, deductions/utilisation during the period and balance at the end;

(b) Assets, such as investments, and liabilities belonging to each fund separately;
(c) Restrictions, if any, on the utilisation of each fund balance;
(d) Restrictions, if any, on the utilisation of specific assets."

Basis the presentation made in the audited financial statements for FY 2016-2017 submitted by the school, it was noted that the school transferred an amount equivalent to the purchase cost of the assets from development fund to capital fund, closing balance of which as on 31 Mar 2017 was equal to the written down value of all assets (purchased from both development fund and general reserve), which is not in accordance with the guidance note cited above. Capital fund ("Deferred income" as per guidance note) should be equivalent to the written down value of assets purchased from development fund and not all assets.

Also, the school has enclosed a consolidated fixed assets schedule giving details of all assets carried over by the school in its audited financial statement for FY 2016-2017 and has not prepared separate fixed assets schedules for assets purchased against development fund and those purchased against general reserve and has not made the disclosures as required per the guidance note.

This being a procedural finding, the school is instructed to make necessary rectification entries relating to capital fund/deferred income to comply with the accounting treatment indicated in the Guidance Note. Further, the school should prepare separate fixed assets schedule for assets purchased against development fund and other assets purchased against general reserve/ fund, which has to be annexed with the audited financial statements along with the requisite disclosures as per the guidance note.

4. The school was directed by this directorate through its Order No. F. DE-15/ACT-I/WPC-4109/PART/13/867 dated 8 August 2017 to make earmarked equivalent investments against provision for Gratuity and Leave Encashment (based on actuarial valuation) with LIC (or any other agency) within 90 days of the receipt of the said order, so as to protect the statutory liabilities.

   While the school obtained an actuarial valuation regarding its liability towards gratuity and leave encashment as on 31 Mar 2018, the school did not comply with the directions regarding making investment with LIC (or any other agency), but earmarked fixed deposits with bank against the same.

   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."

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The investment in the form of fixed deposits with bank maintained by the school in respect of the liability towards retirement benefits of the school does not qualify as 'Plan Assets' within the meaning of Accounting Standard 15 (AS-15).

Thus, the school should deposit the amount determined by the actuary in the investments that qualify as 'Plan Assets' within 30 days from the date of this order.

Accordingly, the entire liability towards retirement benefits as per actuarial valuation as on 31 Mar 2018 of INR 2,07,95,500 and INR 45,93,615 towards gratuity and leave encashment respectively have been considered while deriving the fund position of the school (enclosed in the later part of this order).

5. Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 867 dated 8 Aug 2017 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the fixed asset register has not been maintained by the school as required the order No. F.DE-15/Act-I/WPC-4109/Part/13/10348-10356 dated 20 July 2016.

   The school submitted Fixed Assets Register (FAR) only in respect of additions made during FY 2016-2017 that captured asset name, date, supplier name, Invoice number, quantity and amount. The school should also include details such as manufacturer's serial number, location, depreciation, asset identification number, etc. to facilitate identification of asset and documenting complete details of assets at one place.

   During the personal hearing, school mentioned that it will make recommended changes from FY 2018-2019 onwards. The school is directed to update the FAR with relevant details mentioned above. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

   The school is directed to ensure that the fixed asset register is updated with aforementioned details in respect of all assets included in the Balance Sheet and not just the additions. Compliance of the same shall be validated the time of evaluation of subsequent fee increase proposal.

6. As per Directorate's previous Order No. F. DE-15/ACT-I/WPC-4109/PART/13/867 dated 8 August 2017, the observation that during the course of discussion with parents, few parents have informed that donation of INR 5,000 was taken by the school for which no receipt was issued to them. This is contravention of Clause 8 of Public Notice dated 4 May 1997.

   The school explained that the no amount is collected from the parents without issuing a receipt and all receipts are accounted for in the books of account of the school. In case, the parents gave any amount to any third person or staff, the school is not aware about the same and will be able to take action in case of compliant from parent(s). The school is directed to ensure that no amount is collected by the school or any staff for admitting students in the school.

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7. 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 DoE's order No. F. DE-15/ACT-I/WPC-4109/PART/13/867 dated 8 August 2017:

   - The school had not reflected un-refunded caution money belonging to ex-students as income in the next financial year after the expiry of thirty days from communication with the students to collect their caution money and had also not taken this into account while projecting fee structure for ensuring academic year. The school was instructed to follow DOE's directions in this regard.
   - School had not maintained separate bank account for deposit of caution money collected and was directed to maintain separate bank account for collection of caution money and interest earned on the same, if any, is to be credited to the caution money account.
   - 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.

   During the personal hearing, school mentioned that the school had previously incorrectly transferred funds from caution money account to general reserve and that the amount reported as caution money payable in the audited financial statements of INR 8,01,866 is incorrect as the school has had collected caution money from 1,770 students which @ INR 500 per student amounts to INR 8,85,000. Further, the school explained that fixed deposits have already been earmarked against caution money and interest earned from the same has been allocated to caution money account, however, the school is not refunding interest along with caution money to students at the time of leaving the school.

   The school is directed to ensure compliance of directions include above especially ensuring that caution money is refunded along with interest to the students.

   Based on the response provided by the school, amount of INR 8,85,000 has been considered while deriving the fund position of the school (enclosed in the later part of the order).

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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 13,33,28,965 out of which cash outflow in the year 2017-2018 is estimated to be INR 7,89,16,795 This results in net surplus of INR 5,44,12,170. 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)	2,75,66,383
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	22,727,695
Total Liquid Funds Available with the School as on 31 Mar 2017	**5,02,94,078**
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]	6,52,80,914
Add: Recovery from the society of additions to the Building [Refer Financial Finding No. 1]	4,88,79,888
Add: Net amount recoverable from society/inter-units [Refer Financial Finding No. 2]	1,76,61,786
Add: Scholarship paid to students in non-conformity of prescribed Rules to be recovered from Society [Refer Financial Finding No. 3]	72,000
Gross Estimated Available Funds for FY 2017-2018	**18,21,88,666**
Less: FDR against specific funds (with DoE) (as per audited financial statements of FY 2016-2017)	8,91,205
Less: Staff Retirement benefits- Gratuity [Refer Other Finding No. 4]	2,07,95,500
Less: Staff Retirement benefits- Leave Encashment [Refer Other Finding No. 4]	45,93,615
Less: Development Fund balance as on 31 Mar 2017 (as per audited financial statements of FY 2016-2017)	1,58,89,441
Less: Caution Money balance as on 31 Mar 2017 [Refer Other Finding No. 7]	8,85,000
Less: Adjustment/Refund of increase fee collected by the school during FY 2016-2017 [Refer Financial Finding No. 4]	58,04,940
Less: Depreciation Reserve [Refer Note 2]	-
Net Estimated Available Funds for FY 2017-2018	**13,33,28,965**
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 3]	6,73,86,419
Less: Arrears of salary as per 7th CPC from Jan 2016 to Mar 2018 included in the Budget Estimate for FY 2017-2018 by the school [Refer Note 3]	1,15,30,376
Estimated Surplus as on 31 Mar 2018	**5,44,12,170**

Notes:

1. Fee and income as per audited financial statements of FY 2016-2017 has been considered with the assumption that the amount of income during FY 2016-2017 will at least accrue during FY 2017-2018 with adjustment of INR 82,06,900 towards concessions reported as expense in the Income & Expenditure Account and INR 58,04,940 towards increased fee collected in FY 2016-2017 refundable to the students during FY 2017-2018 (included as income in the audited financial statements of FY 2016-2017), which would not accrue during FY 2017-2018. Further, interest income of INR 8,64,616 reported directly under General Reserve for FY 2016-2017 has also been included as income for FY 2017-2018.

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2. 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 as per audited financial statement for FY 2016-2017 has been adjusted for deriving the fund position of the school, 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.

3. Per the Budgeted Estimate for FY 2017-2018 submitted by the school along with proposal for fee increase, the school had estimated the total expenditure during FY 2017-2018 of INR 8,98,81,086 (including arrears of salary as per 7th CPC amounting to INR 1,15,30,376 that has been considered separately in table above), which in some instances was found to be unreasonable/ excessive. Based on the explanations and details provided by the school during personal hearing, most of the expense heads as budgeted were considered even though certain expenditures were increased substantially by the school as compared to FY 2016-2017. However, during review of budgeted expenses, discrepancies were noted in some of the expense heads, which were adjusted from the budgeted expenses. Therefore, the following expenses have been adjusted while considering the budgeted expenses for FY 2017-2018:

Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Gratuity and Leave Encashment	50,04,133	43,50,000	-	43,50,000	Refer Other Finding No. 4
Additional Gratuity and Leave Encashment due to VII CPC	-	3,00,000	-	3,00,000	
Smart Class Expenses	4,87,409	8,00,000	5,36,150	2,63,850	Reasonable explanation or supporting documents not provided by the school for such increase. Thus, expenditure restricted to 110% of that incurred during FY 2016-2017.
Sports & Other Activities	4,28,690	15,00,000	4,71,559	10,28,441	
Scholarship	72,000	72,000	-	72,000	Refer Financial Finding No. 3
Concession to Others	1,24,580	1,50,000	-	1,50,000	Concessions given to students have been adjusted from the budgeted income for FY

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Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
					2017-2018 (Refer Note 1 above). Thus, this amount has not been considered.
Depreciation	50,69,414	48,00,000	-	48,00,000	Depreciation, being non-cash item having no impact on the fund position of the school has not been allowed.
Total	**1,11,86,226**	**1,19,72,000**	**10,07,709**	**1,09,64,291**	

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

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

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. However, the school has recoverable balances from the society. Thus, the school is directed to recover these amounts from Society.

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 purchase to building should not be met out of the fee collected from students and is required to be recovered from the society.

Whereas per clause no. 22 of Order No. F.DE./15 (56)/Act/2009/778 dated 11 Feb 2009, user charges should be collected at 'no profit and no loss' basis and should be used only for the purpose for which these are collected. The school has continued to charge earmarked fee higher than the expenses incurred. The school has utilised the surplus earned for meeting the establishment and other revenue expenses of the school. Accordingly, the school is directed

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to maintain separate fund in respect of each earmarked levy charged from the students in accordance with the DSEA & R, 1973 and orders, circulars, etc. issued thereunder. Surpluses/deficit under each earmarked levy collected from the students should be adjusted for determining the earmarked levy to be charged in the academic session 2018-2019.

Whereas per point no. 14 of Order No. F.DE./15(56)/ACT/2009/778 dated 11 Feb 2009, Development Fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up-gradation and replacement of furniture, fixture and equipment. Development Fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a depreciation reserve fund, equivalent to the deprecation charged in the revenue accounts and the collection under this head along with income generated from the investment made out of this fund, will be kept in a separately maintained development fund account. The school is directed to comply with the directions with regard to proper accounting and presentation of Development Fund in the School's financial statements and utilisation of development fund only towards purchase of furniture, fixtures and equipment.

And whereas Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India defines Plan Assets (the form of investments to be made against liability towards retirement benefits) as:

(a) assets held by a long-term employee benefit fund; and

(b) qualifying insurance policies.

The school has been directed to ensure compliance with Accounting Standard 15 by making investments against the liability determined by the actuary in the mode specified under the said Accounting Standard.

And whereas, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that along with certain financial irregularities that were identified (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings which were also noted (appropriate instructions against which have been given in this order), the funds available with the school for implementation of recommendations of 7^{th} CPC and to carry out its operations for the academic session 2017-18 are sufficient. Accordingly, the fee increase proposal of the school may be rejected.

And whereas, recommendations of the team of Chartered Accountants along with relevant materials were put before Director of Education for consideration and who after considering all material on record has found that the school has sufficient funds for meeting the financial implications of 7^{th} 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.

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Accordingly, it is hereby conveyed that the proposal for enhancement of fee for session 2017-2018 of **New Green Field School (School ID-1925266), Alaknanda, (Kalkaji), New Delhi-110019** 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.

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

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To:
The Manager/ HoS
New Green Field School
School ID 1925266
Alaknanda (Kalkaji),
Delhi-110019

No. F.DE.15(52)/PSB/2019/267-72

Dated: 21/01/19

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