851

70

70

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

No. F.DE.15 (247)/PSB/2019 | 1390-1394 Dated: 29|03|19

Order

WHEREAS, this Directorate vide its order No. DE.15 (318)/PSB/2016/19786 dated 17.10.2017 issued 'Guidelines for implementation of 7th Central Pay Commission's recommendations in private unaided recognized Schools in Delhi' and directed that the 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, needs to submit their online fee increase proposal for the academic session 2017-18. Accordingly, vide circular no. 19849-19857 dated 23.10.2017, the fee increase proposals were invited from all aforesaid Schools till 30.11.2017 and this date was further extended to 14.12.2017 vide Directorate's order No. DE.15 (318)/PSB/2016/20535 dated 20.11.2017 in compliance of directions of Hon'ble High Court of Delhi vide its order dated 14.11.2017 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 19.01.2016 in writ petition No. 4109/2013 in the matter of Justice for All versus GNCTD and others wherein it has been directed by the Hon'ble Delhi High Court that the Director of Education will ensure the compliance of conditions, if any, in the letter of allotment regarding prior approval of Director of education for the increase of fee by all the recognized unaided Schools which are allotted land by DDA.

AND WHEREAS, the Hon'ble High Court of Delhi 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 27.04.2004 passed in Civil Appeal No. 2699 of 2001 titled Modern School V. 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) of Delhi School Education Act, 1973 read with rule

852

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 pursuance to order dated 23.10.2017 of this Directorate, **G.D. Goenka Public School, J Block, Sarita Vihar, New Delhi - 110076(School Id: 1925427)** had submitted the proposal for increase in fee for the academic session 2017-18 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 expert Chartered Accountants at HQ level who have evaluated the fee 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 vide email dated April 05, 2018. Further, School was also provided opportunity of being heard on May 14, 2018 to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussions, School was further asked to submit necessary documents and clarifications 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 evaluated thoroughly by the team of Chartered Accountants. The key findings noted are as under:

Financial Irregularities:

I. As per clause 2 of public notice dated May 4, 1997, school not to charge Building Fund and Development Charges when the building is complete or otherwise as it is the responsibility of society who has established the school to raise such funds from their own resources or donations from other associations because immovable property of the school becomes the property of the society. Additionally, the Hon'ble Supreme Court of India held in the matter of *Modern School vs Union of India and Others* that the capital expenditure will be a charge on savings and therefore, capital expenditure cannot constitute a component of the financial fee structure of the School. Further, as per Rule 177 of DSER, 1973, 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 management committee for meeting capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely award of scholarships to students, establishment of any other recognised school, or 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. And the aforesaid savings shall be arrived at after providing for the following, namely:

853

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 developmental nature;
c) The expansion of the school building or for the 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.

However, on review of the financial statements of the school it has been observed that fixed assets worth of Rs. 16,82,42,314 and secured loan of Rs. 15,54,13,296 were transferred by the society to school account on 01.04.2015 and the balance amount of Rs. 1,28,29,018 was credited in society account. The aforesaid transfer includes Building of Rs. 15,31,12,690.

In addition to the aforesaid transfer, the total addition under fixed assets was Rs. 8,08,16,659 from FY 2014-15 to 2016-17. Out of which Rs. 2,14,60,313 were further transferred by the society.

Thus, in view of the aforesaid judgement and the provisions, payment of loan and interest thereon is not allowed to be made out of the School funds as these loans were for capital expenditure. Further, the responsibility of Building lies with the Society and as per the aforesaid public notice it will be the property of the society. It is also important to note that major part of the aforesaid assets was procured out of the secured loan upon which the school has paid Rs. 1,83,32,903 towards principal repayment and Rs. 3,47,73,239 towards interest during the period of evaluation. And to meet the funds requirement for payment of loan and interest cost, the school raised fresh secured loan of Rs. 2,01,00,000 in FY 2015-16 and unsecured loan of Rs. 45,00,000 in FY 2016-17 and received the contribution from the society for Rs. 4,54,49,207. Thus, the loan liability which was Rs. 1,37,32,865 as on 31.03.2015 has been increased to Rs. 16,39,43,537 as on 31.03.2017. Based on the aforesaid provisions, the school is directed not to utilize school funds for repayment of loan and interest on the aforesaid loan in future. Further, the school is directed to make adjustment in General reserve for interest charged in the Income and Expenditure account.

II. In respect of earmarked levies, school is required to comply with:
- Clause 22 of order dated 11.02.2009, which specifies that earmarked levies shall be charged from user students on 'no profit no loss' basis;
- Rule 176 of DSER, 1973, which provides that 'income derived from collections for specific purpose shall be spent only for such purpose';
- Judgement of Hon'ble Supreme Court of India in the case of Modern School Vs Union of Others, which specifies that schools, being run as non-profit organizations, are supposed to follow fund-based accounting.

854

On review of the earmarked levies charged by the school for FY 2014-15, 2015-16 and 2016-17, it is noted that the school was charging earmarked levies in the name of Transport charges, orientation charges and meal charges from the students but the same has not been charged on 'no profit no loss' basis as the school has earned surplus against orientation charges and meal charges and has incurred deficit against the receipts of transport charges during the period under evaluation. Therefore, the school is directed to make adjustment in General reserve for the surplus/ deficit earned on aforesaid earmarked levies and to follow fund based accounting in respect of earmarked levies.

III. As per Para 99 of Guidance note on "Accounting by school" issued by ICAI, relating to restricted fund, "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".

Taking cognisance from the above para, school should have considered the development fund utilisation account as deferred income to the extent of cost of assets purchased out of development fund and should have transferred the amount to the credit of Income & Expenditure account in proportion to the depreciation charged from this deferred income account. However, it is noted that school has not created 'Development Fund Utilization Account' for the assets purchased out of the development fund and thus, has not transferred any amount from this utilisation account to the credit of income and expenditure account in proportion of depreciation charged during the year. Thus, the school is directed to follow para 99 of the Guidance Note-21: Accounting by schools as issued by ICAI.

Instead of following aforesaid para 99, the school, upon purchase of fixed assets out of the development fund, has transferred the amount utilised for purchase of fixed assets to General Reserve fund account resulting in overstatement of General Reserve Fund balance. It has also been observed that the School has utilised Depreciation Reserve Fund account for purchase of fixed assets and transferred the equal amount to General Reserve account resulting in overstatement of General Reserve account. Hence, the school is directed to make necessary adjustments in General Reserve Account, Development fund account, Depreciation reserve account and Development Fund Utilisation account in accordance with the Para 99 of the Guidance Note-21 "Accounting by School" issued by ICAI. The details of fixed assets purchased out of development fund and depreciation reserve fund are as follows:

(Figures in Rs.)

Particulars	As per Audited FS for FY 2016-17
Fixed Assets purchased out of Development Fund in last year	37,66,319
Fixed Assets purchased out of Development Fund in FY 2016-17	52,46,815
Fixed Assets purchased out of Depreciation Reserve Fund	20,34,040
Total	**1,10,47,174**

IV. On review of development fund and general reserve account for FY 2016-17, the School has not provided any detail or clarification regarding transfer of Rs. 2,02,750 from General fund to development fund despite of repetitive reminder sent to school. Therefore, the school is directed to submit the clarification about this transaction within the stipulated time mentioned in the order. The summary of transactions in Development fund and General reserve during FY 2016-17 are as under:

(Figures in Rs.)

Particulars	Development Fund	General Reserve
Opening Balance as on 01.04.2016	7,181	(1,87,05,590)
Add: Receipts during the year	50,53,250	-
Add: Amount transferred from General Fund	2,02,750	-
Add: Development Fund utilized for Capital Expenditure for last year	-	37,66,319
Add: Development Fund utilized for Capital Expenditure	-	52,46,815
Add: Depreciation Reserve Fund utilized for Capital Expenditure	-	20,34,040
Add: Excess of Income over expenditure	-	(2,41,94,192)
Sub-total	**52,63,181**	**(3,18,52,608)**
Less: Transferred to Development Fund	-	2,02,750
Less: Utilized for Capital Expenditure during the year	52,46,815	-
Less: Bank Charges	700	-
Closing Balance as on 31.03.2017	**15,666**	**(3,20,55,358)**

V. On review of the financial statements of the FY 2015-16, 2016-17 and budgeted expenditure for FY 2017-18, it appears that under the following head of expenditure the school incurred or proposed excessive expenditure. Therefore, the school management is directed to take reasonable steps and monitor over these expenditures. The details of such expenditure are as under:

856

(Figures in Rs.)

Particulars	As per audited Income and Expenditure Account for FY 2015-16	As per audited Income and Expenditure Account for FY 2016-17	As per budget submitted for FY 2017-18
Rents, Rates and Taxes	2,20,345	3,17,323	10,15,000
Promotional Expenses	17,46,886	47,13,029	51,80,000
Orientation Expenses	57,24,724	39,90,453	52,50,000
Refreshment & Meal Expenses	25,87,427	37,41,575	48,50,000
School Function & Activity Expenses	21,29,241	19,12,259	21,00,000

Other Irregularities:

I. On review of audited financial statements for FY 2015-16 and 2016-17, it is noted that in FY 2015-16, the fixed assets were presented at gross value in the financial statement and in FY 2016-17, the assets purchased out of Development fund was presented at gross value and whereas other fixed assets were presented at net of depreciation. Thus, the School is directed to use the uniform accounting policy in respect of accounting of fixed assets and presentation of fixed assets.

II. On review of the audited financial statements of School for the FY 2015-16 and 2016-17, it is noted that the ratio of establishment costs was lower than the other expenditure of the school. This implies that the School is incurring more expenditure towards other activities instead of incurring expenditure for salaries and salaries related cost. Therefore, School management is directed to monitor relevance and exercise the control over these expenditures. The details of establishment expenses and other expenses as a percentage of total expenditure are as follows:

(Figures in Rs.)

Particulars	As per Income and Expenditure account for FY 2015-16	As per Income and Expenditure account of FY 2016-17
Establishment Expenses	3,11,09,349	3,90,95,653
Other Expenses	4,87,14,778	5,97,79,732
Total Expenditure	7,98,24,127	9,88,75,385
Establishment Expenses as a % of total expenditure	39%	40%
Other Expenses as a % of total expenditure	61%	60%

After detailed examination of all the material on record and considering the clarification submitted by the School, it was finally evaluated/ concluded that:

857

i. The total funds available for the FY 2017-18 amounting to **Rs. 7,74,96,216** out of which cash outflow in the FY 2017-18 is estimated to be **Rs. 9,36,69,945.** This results in deficit of **Rs. 1,61,73,729**. The details are as follows:

(Figures in Rs.)

Particulars	**Amount**
Cash and Bank balances as on 31.03.17 as per audited Financial Statements	(22,38,227)
Investments as on 31.03.17 as per audited Financial Statements	1,05,823
Less: Fixed Deposit with Bank in the joint name of Chairman of School and Secretary of CBSE	1,05,823
Total	**(22,38,227)**
Fees for 2016-17 as per audited Financial Statements (we have assumed that the amount received in 2016-17 will at least accrue in 2017-18)	7,86,13,400
Other income for 2016-17 as per audited Financial Statements	11,21,043
Estimated availability of funds for 2017-18	**7,74,96,216**
Less: Budgeted expenses for the session 2017-18 (after making adjustment) Refer Note 1 to 3	**9,36,69,945**
Estimated Deficit	**1,61,73,729**

Adjustments:

Note 1: The expenditure proposed by the school under the following heads appears to be excessive therefore, the same has not been considered in the evaluation of fee increase proposal.

(Figures in Rs.)

Particulars	**As per Budget Statement for FY 2017-18**	**As per Audited Financial Statements for FY 2016-17**	**Amount Allowed**	**Amount Disallowed**	**Remarks**
Salary & Allowance	3,74,99,498	3,11,79,235	3,42,97,159	32,02,340	Increase in proposed expenditure has been restricted to 10% only
Allied Staff Service Charges	1,48,50,074	72,12,679	79,33,947	69,16,127	Increase in proposed expenditure has been restricted to 10% only
Gratuity & Leave Encashment	20,57,824	-	-	20,57,824	Refer Note 3 (a)
Total	**5,44,07,396**	**3,83,91,914**	**4,22,31,105**	**1,21,76,291**	

Note 2: The school has budgeted Rs. 20,57,824 for Gratuity and leave encashment which has not been considered in the evaluation of fee increase proposal because it was not proposed on the basis of Actuarial Valuation Report.

Note 3: The proposed expenditure of Rs. 1,50,00,000 towards repayment of interest on loan taken for capital expenditures has not been considered in accordance with Rule 177 of DSER, 1973. Similarly, the school has proposed Rs. 1,28,00,000 for Transportation which is 134% over the previous years' expenditure. Therefore, excess amount in excess of 10% over the previous year expenditure has not been considered in the evaluation of fee increase proposal.

ii. It seems that the School may not be able to meet its budgeted expenses from the existing fees structure and accordingly, it should utilise its existing funds/ reserves. In this regard, Directorate of Education has already issued directions to the Schools vide circular no. 1978 dated 16/04/2010 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."

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 finding noted (appropriate instruction 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 material were put before the Director of Education for consideration and who after considering all the material on the record, found it appropriate to allow the increase in tuition fee by 15% from 01 April, 2019.

Accordingly, it is hereby conveyed that the proposal of fee increase for academic session 2017-18 of **G.D. Goenka Public School, J Block, Sarita Vihar, New Delhi - 110076(School Id: 1925427)** has been accepted by the Director of Education with effect from April 01, 2019 and the School is hereby allowed to increase the tuition fee by 15%. Further, the management of said school is hereby directed under section 24(3) of DSEAR 1973 to comply with the following directions:

1. To increase the tuition fee only by the prescribed percentage from the specified date.

2. To rectify all the financial and other irregularities as listed above and submit the compliance report within 30 days from the date of this order to the D.D.E (PSB).

8 59

3. To ensure implementation of recommendations of 7th CPC in accordance with Directorate order dated 25.08.2017.

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 and others. 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 utilize 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 the provision of section 24(4) of DSEA, 1973 and DSER, 1973.

This 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
G.D. Goenka Public School,
J Block, Sarita Vihar,
New Delhi - 110076(School Id: 1925427)

No. F.DE.15 (247)/PSB/2019 | 1390 - 1394 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 Addl. 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