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

No. F.DE.15 (1576)/PSB/2023/ 8268 – 8272 **Dated:** 25/09/23

Order

WHEREAS, **JM International School, Sector-6, Dwarka, Delhi - 110075 (School Id:1821214)** (hereinafter referred to as **"the School"**), run by the **Ferry Educational Society** (hereinafter referred to as the "**Society**"), is a private unaided school recognized by the Directorate of Education, Govt. of NCT of Delhi (**hereinafter referred to as "DoE"**), under the provisions of Delhi School Education Act & Rules, 1973 (**hereinafter referred to as "DSEAR, 1973"**). The school is statutorily bound to comply with the provisions of the DSEAR, 1973 and RTE Act, 2009, as well as the directions/guidelines issued by the DoE from time to time.

AND WHEREAS, the manager of every recognized school is required to file a full statement of fees every year before the ensuing academic session under section 17(3) of the DSEAR, 1973 with the Directorate. Such statement is required to indicate estimated income of the school to be derived from fees, estimated current operational expenses towards salaries and allowances payable to employees etc. in terms of rule 177(1) of the DSEAR, 1973.

AND WHEREAS, as per section 18(5) of the DSEAR, 1973 read with sections 17(3), 24 (1) and rule 180 (3) of the above DSEAR, 1973, responsibility has been conferred upon to the DoE to examine the audited financial Statements, books of accounts and other records maintained by the school at least once in each financial year. Sections 18(5) and 24(1) and rule 180 (3) of DSEAR, 1973 have been reproduced as under:

Section 18(5): *'the managing committee of every recognised private school shall file every year with the Director such duly audited financial and other returns as may be prescribed, and every such return shall be audited by such authority as may be prescribed'*

Section 24(1): *'every recognised school shall be inspected at least once in each financial year in such manner as may be prescribed'.*

Rule 180 (3): *'the account and other records maintained by an unaided private school shall be subject to examination by the auditors and inspecting officers authorised by the Director in this behalf and also by officers authorised by the Comptroller and Auditor-General of India.'*

Thus, the Director (Education) has the authority to examine the full statement of fees filled under section 17(3) of the DSEA,1973 and returns and documents submitted under section 18(5) of DSEA,1973 read with rule 180(1) of DSER,1973.

AND WHEREAS, besides the above, the Director (Education) is also required to examine and evaluate the fee increase proposal submitted by the private unaided recognized schools for some of the schools which have been allotted from Director (Education) before any increase in fee.

AND WHEREAS, the Hon'ble Supreme Court in the judgment dated 27.04.2004 held in Civil Appeal No. 2699 of 2001 titled Modern School Vs. Union of India and others has conclusively decided that under sections 17(3), 18(4) read along with rules 172, 173, 175 and 177, the DoE has the authority to regulate the fee and other charges, with the objective of preventing profiteering and commercialization of education.

AND WHEREAS, it was also directed by the Hon'ble Supreme Court, that the DoE in the aforesaid matter titled Modern School Vs. Union of India and Others in paras 27 and 28 in case of private unaided schools situated on the land allotted by DDA at concessional rates that:

"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 High Court of Delhi vide its judgement dated 19.01.2016 in writ petition No. 4109/2013 in the matter of Justice for All versus Govt. of NCT of Delhi and Others, has reiterated the aforesaid directions of the Hon'ble Supreme Court and has directed the DoE to ensure compliance of terms, if any, in the letter of allotment regarding the increase of the fee by recognized unaided schools to whom land has been allotted by DDA/ land owning agencies.

AND WHEREAS, accordingly, the DoE vide order No. F.DE.15 (40)/PSB/2019/4440-4412 dated 08.06.2022, directing all the private unaided recognized schools, running on the land allotted by DDA/other land-owning agencies on concessional rates or otherwise, with the condition to seek prior approval of DoE for increase in fee, to submit their proposals, if any, for prior sanction, for increase in fee for the academic session 2022-23.

AND WHEREAS, in pursuance to order dated 08.06.2022 of the DOE, the school submitted its proposal for increase of fee for the academic session 2022-23. Accordingly, the order dispenses the proposal for increase of fee submitted by the school for the academic session 2022-23.

AND WHEREAS, in order to examine the proposals submitted by the schools for fee increase for justifiability or not, the DoE has evaluated the fee increase proposals of the School carefully in accordance with the provisions of the DSEAR, 1973, and other Orders/ Circulars issued from time to time by the DoE.

AND WHEREAS, in the process of examination of fee increase proposal filed by the aforesaid School for the academic session 2022-23, necessary records and explanations were also called from the school through email. Further, the school was also provided an opportunity of being heard on 12th May 2023 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. In the aforesaid personal hearing, compliance of Order No. F.DE.15(272)/PSB/2019/1460-1464 dated 29.03.2019 issued for FY 2017-18 was also discussed with the school and the school's submissions were taken on record.

AND WHEREAS, on receipt of clarification as well as documents uploaded on the web portal for the fee hike post personal hearing, the fee hike proposal was evaluated by DOE and the key suggestions noted for improvement by the school are hereunder:

A. Financial Suggestions for Improvement

1. As per Clause 14 of Order No. F.DE. 15(56)/Act/2009/778 dated 11 Feb 2009 and Clause 7 of Order No. DE15/Act/Duggal.com/203/99/23033-23980 dated 15 Dec 1999 stated "Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up gradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund, will be kept in a separately maintained Development Fund Account.

   The Directorate vide order No. F.DE. 15(272)/PSB/2019/1460-1464 dated 29.03.2019 issued for FY 2017-18, directed the school to make adjustment in the development fund and in the development fund utilized account for amount spent on library books and to ensure utilization of development fund in accordance with clause 14 of order dated 11.02.2009 and to comply with para 99 of Guidance Note 21 issued by ICAI for presentation of the aforesaid accounts.

   On review of audited financial statements and compliance report submitted by the school, it is noted that the school has not utilized development fee for the purchase of library books from FY 2017-18 onwards. However, the school has not made adjustments for INR 2,45,757 (INR 1,89,156 + INR 56,601) in development fund and development fund utilized account for the purchase of library books during FY 2014-15 and FY 2015-16. Accordingly, the school is again directed to make adjustments in the development fund and development fund utilized account for the amount spent on library books. Further, on review of audited financial statements for FY 2019-20 to 2021-22, it is noted that the school has utilized development fund for purchase, up gradation and replacement of furniture, fixtures and equipment. School is directed to ensure compliance of the directions of the Directorate.

2. 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.

The Directorate vide order No. F.DE. 15/(272)/PSB/2019/1460-1464 dated 29.03.2019 issued for FY 2017-18, directed the school to prepare and present its financial statement as per the Guidance Note-21 issued by ICAI.

On review of audited financial statements for FY 2019-20 to FY 2021-22, it is noted that the school has maintained the 'Deferred Revenue Account' by taking the cost of fixed assets purchased out of development fund and depreciation reserve fund which is not in accordance with para 99 of Guidance Note 21. Further, the depreciation charged on all the assets whether purchased out of general fund or from development fund, or depreciation reserve fund, or mind spark fund, or smart class fund, etc., is credited to the income and expenditure account and debited to the 'Deferred revenue account'.

Further, the Directorate in its order no. F.DE. 15/(272)/PSB/2019/1460-1464 dated 29.03.2019 issued for FY 2017-18 directed the school to make adjustment in General fund and Deferred revenue account with the following amounts:

Particulars	FY 2014-15	FY 2015-16	FY 2016-17	Total
Development Fund utilized	60,38,885	60,82,568	23,04,655	1,44,26,108

However, the school has not made any adjustment as directed in the previous orders. Accordingly, the school is directed to comply with para 99 of Guidance Note 21 issued by ICAI and make adjustments in fund balances to arrive at correct position in the audited financial statements. Further, the school is also directed to disclose fixed assets purchased out of development fund separately on the face of balance sheet.

3. Clause 2 of the Public Notice dated 4 May 1997 states that "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 because the immovable property of the school becomes the sole property of the society". Accordingly, the costs relating to purchase of land and construction of the building had to be incurred and borne by the society and by the school from the school fund. Further, The Hon'ble High Court of Delhi in its Judgment dated 30 October, 1998 in case of Delhi Abibhavak Mahasangh concluded that" Tuition Fee cannot be fixed tore cover capital expenditure to be incurred on the properties of the Society". Also, clause (vii) 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 financial fee structure".

As per Rule 177 of DSER, 1973 income derived by an unaided recognized schools by way of fees shall be utilised in the first instance, for meeting the pay, allowance and other benefits admissible to the employee of the school. Provided that savings, if any from the fees collected by such school may be utilised by its managing committee for meeting capital or contingent expenditure of the school or for one or more the specified education expenses. Accordingly, based on the aforementioned public notice, the High Court Judgment and Order of the Directorate, the expenditure relating to construction of Building is to be met by the society and not from the funds of the School.

The Directorate in order no. F.DE. 15/(272)/PSB/2019/1460-1464 dated 29.03.2019 issued for FY 2017-18, directed the school to recover the amount of Rs 22,51,570 from society against Depreciation reserve fund utilization for construction of building. Further, the school was directed to make adjustment in depreciation reserve fund and general fund to determine the actual position of the fund balance.

However, the school in its compliance report has mentioned that the school has recovered the said amount from the society. On review of society ledger and audited financial statements for FY 2020-21, it is noted that the school has recovered the amount of INR 22,51,570 from the society and has also transferred the amount to General Fund Account. Therefore, the amount recovered from the society has been adjusted while deriving the fund position of the school.

4. As per Section18 (4) of DSEA,1973, income derived by Unaided Recognised School by way of fees should be utilized only for educational purposes as prescribed.

The Directorate in its Order No. F.DE. 15/(272)/PSB/2019/1460-1464 dated 29.03.2019 issued for FY 2017-18, noted that the school had bought Fortuner car of INR 28,12,814 by taking loan from Kotak Mahindra Prime Limited during FY 2015-16 and had paid INR 2,50,124 towards interest on the said loan. In the said order, the school was directed to recover the amount from the society and to make adjustment in General Fund for interest paid on principal amount of the loan.

On review of the society ledger for FY 2020-21 and the compliance report submitted by the school, it is noted that the school has sold the above car for INR 14,00,000 and has recovered the following amounts:

Particulars		**Amount (in INR)**
Value of Car (as per previous order)		**28,12,814**
Add:		
Interest up to 31.03.2016 (as per previous order)		2,50,124
Balance Interest (From 01.04.2016 to 31.08.2020) (Considered in fund position of the school)		2,64,351
Total Recoverable from Society		**33,27,289**
Recoveries		
Received on Sale of Car (Considered in fund position of the school)	19.01.2021	14,00,000
Received from Ferry Education Society (Considered in fund position of the school)	25.01.2021	19,27,289
Total Recoveries		**33,27,289**

Therefore, the amount recovered from the society has been adjusted while deriving the fund position of the school.

5. The Directorate's Order No. F.DE. 15/(272)/PSB/2019/1460-1464 dated 29.03.2019 issued for FY 2017-18, noted that the school has paid remuneration to Director amounting to INR 45,00,000 and the school was directed to recover this amount from the society and to make adjustment to General Fund for remuneration paid to director. However, the school has not recovered the amount from the society.

   The school in its compliance report has mentioned that the payment of remuneration to director has been discontinued by the school from 01/04/2020. This has been taken on record. However, the school has paid remuneration to director during FY 2019-20 amounting to INR 15,00,000. Therefore, the school is directed to recover INR 60,00,000 (INR 45,00,000 plus INR 15,00,000) from the society within 30 days from the date of issue of the order and the same has been considered as part of funds available with the school. Also, school is directed to make necessary adjustments in the general fund for the remuneration paid to director.

6. As per clause no. 3 of the public notice dated 04.05.1997 published in the Times of India "*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 11.02.2009 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 amount shall also be taken into account while projecting fee structure for ensuing academic year."

   The Directorate in its Order No. F.DE. 15/(272)/PSB/2019/1460-1464 dated 29.03.2019 issued for FY 2017-18, directed the school to ensure that the interest on caution money is paid to the students along with the caution money at the time of leaving the school and to treat unclaimed caution money as the income of the school in the audited financial statements.

On review of audited financial statements for FY 2019-20 to 2021-22, it is noted that the school has paid only the caution money to the students without interest at the time of leaving the school. Also, the school has adjusted the unclaimed caution money to receipts and payment account instead of income and expenditure account during FY 2019-20 which is not correct. Further, the school has not collected caution money since April 2015, therefore there is no liability of caution money in the audited financial statements as on 31.03.2022. Accordingly, the school is directed to adjust caution money to income and expenditure account. The compliance of the above shall be viewed at the time of evaluation of fee increase proposal of subsequent year.

7. Para 49 of Accounting Standard 15 'Employee Benefits' issued by The Institute of Chartered Accountants of India states *"Accounting for defined benefit plan is complex because actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses."*

Further, para 57 states "*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 recognized in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date*". Also, para 7 of the Accounting Standard defines Plan Assets as:

(a) Assets held by a long-term employee benefit fund; and
(b) Qualifying insurance policies.
The Directorate in the order no. F.DE. 15/(272)/PSB/2019/1460-1464 dated 29.03.2019 issued for FY 2017-18, directed the school to determine and provide for statutory liability towards gratuity and leave encashment as per the actuarial valuation report as required by AS-15 issued by The Institute of Chartered Accountants of India.

On review of audited financial statements for FY 2019-20 to 2021-22, the school has obtained actuarial valuation report for statutory liability towards gratuity and leave encashment. Also, during FY 2021-22, the school has made provision for gratuity and leave encashment in its books of accounts as per the actuarial valuation report. Further, the school has not made investments that qualify as plan assets (i.e., group gratuity and leave encashment policies of LIC or other insurer) to earmark funds towards statutory liability of gratuity and leave encashment.

Therefore, the school is directed to deposit the amount in the plan assets with LIC (or other agency) as determined in actuary valuation report for gratuity and leave encashment and ensure that the amount deposited in plan assets is equivalent to the provision for gratuity and leave encashment.

8. On review of audited financial statements for FY 2019-20 to 2021-22, it is noted that the school has been incurring conservancy expenses of INR 75,84,720 during FY 2019-20, INR 58,14,870 during FY 2020-21 and INR 75,84,720 during FY 2021-22 which appears to be on higher side considering the size of the school and nature of expenses. Based on further review of the ledger and contract with the vendor M/s R.K. Enterprises for the period 01.04.2021 – 31.03.2022, it is noted that the expenditure related to cleaning and housekeeping and maintaining the covered area of the school building which is spread over at basement, ground, first, second and third floors to upkeep, dustproof and spot free the school premises through mechanical as well as manual processes and awarded 39,000 sq ft area at INR 6 per sq ft. Separate charges fixed WC, urinals and washbasins in this contract. Further, the records shows that the school has engaged another vendor M/s Shivoy Facilities Services Pvt Ltd for same services for the similar contract period from 01.10.2021 to 31.03.2022. It is also pertinent to mention here that as per the ledgers submitted, the school has engaged both the vendors for similar work. Further, the school has utilised INR 2,09,84,310 in aggregate towards conservancy expenses and which comes to more INR 5.80 lacs per month and it is unreasonably on a higher side. The school failed to explain two different vendors for similar nature work. Also, no justification was given for not hiring necessary staff for such cleaning and upkeep activities in the school. Even, the school should have evaluated to hire manpower 10-12 personnel for this purpose which would not have cost more than INR 2,00,000 per month (@INR 20000 per person per month cost). In view of this, amount incurred on conservancy expenses not found to be justified and therefore 30% of the total conservancy expenses, being INR 62,95,293 (INR 2,09,84,310 * 30%) has been added to the fund availability of the school with the direction to the school to recover this amount from the society within 30 days from the date of issue of the order. Also, school is required to furnish complete justification for this expenditure and the same will be verified at the time of evaluation of fee proposal of the next academic year.

Further, the school has proposed INR 83,43,000 towards conservancy expenses in the budget for FY 2022-23. Accordingly, 30% of the conservancy expenses amounting to INR 25,02,900 has not been considered in the calculation of funds available with the school.

B. Other Suggestions for Improvement

1. The Directorate in the order No. F.DE. 15/(272)/PSB/2019/1460-1464 dated 29.03.2019 issued for FY 2017-18, noted that the school has utilised its development fund and depreciation reserve fund for purchase of fixed assets more than the funds available in FY 2014-15 and FY 2015-16 rendering development fund and depreciation reserve fund account balance a negative figure. The details are tabulated as below:

Particulars	**2014-15**	**2015-16**	**2016-17**
Development fund	(4,16,065)	(62,936)	49,44,753
Depreciation reserve Fund	(6,17,458)	(11,31,482)	(24,39,197)

The school in its compliance report has mentioned that "the school was in developing stage and expanding. The school was not having adequate infrastructure/ assets which were required to accommodate the full capacity of school's student strength with modern educational techniques/ tools and methodology. Most of the assets are required in the last quarter of the academic year for the next academic session and the development fee realizes in the next academic year resulting shortfall of funds." The submission of the school has been taken on record.

Further, on review of audited financial statements for FY 2019-20 to 2021-22, it is noted that the school has incurred huge amount of capital expenditure out of development fund and depreciation reserve fund. The details are given below:

Particulars	**FY 2019-20**	**FY 2020-21**	**FY 2021-22**
Fixed Assets purchased out of the Development Fund	43,22,325	3,87,900	1,23,13,179
Fixed Assets purchased out of Depreciation Reserve Fund	41,94,713	-	20,59,500

In view of above, the school is directed to submit Fixed Asset Register (FAR) for verification. An ideal Fixed asset register should capture asset name, date, quantity, supplier name, invoice number, manufacturer's serial number, location, purchase cost, other costs incurred, depreciation, identification number, etc. to facilitate identification of asset and documenting complete details of assets at one place. The compliance of the above shall be viewed at the time of evaluation of fee increase proposal of the subsequent year.

2. As per Rule 176 of the DSER, 1973 "*Income derived from collections for specific purposes shall be spent only for such purpose.*"

Clause 22 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11.02.2009 states that *Earmarked levies shall be charged from the user student only. Earmarked levies for the services rendered shall be charged in respect of facilities involving expenditure beyond the expenditure on the earmarked levies already being charged for the purpose. They will be calculated and collected on 'no profit no loss' basis and spent only for the purpose for which they are being charged. All transactions relating to the earmarked levies shall be an integral part of the school accounts*

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 the 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).

On review of audited financial statements for FY 2019-20 to 2021-22, it is noted that the school charges earmarked levies in the name of Transport Fee, Asset Program Fee, Curriculum Support Program Fee, Science Lab Practical Charges, Meal Program Fee, Mind Spark Program Fee, Computer Charges, Smart Class Charges and the school is maintaining separate fund accounts for earmarked levies. Further, the school has been generating surplus from earmarked levies, which has been utilized for meeting other expenses of the school or has been incurring losses (deficit), which has been met from other fees/income. earmarked levies on no-profit-no-loss basis.

The Directorate in its Order No. F.DE. 15/(272)/PSB/2019/1460-1464 dated 29.03.2019 issued for FY 2017-18, noted that the school has not followed fund-based accounting in respect of earmarked levies and has generated surplus/ incurred deficit on these earmarked levies and the school was directed to follow fund-based accounting and not to charge Mind spark program fee and Curriculum Support Program Fee. However, the school has complied with the above direction except non-charging of mind spark program fee and curriculum support program fee.

Further, as per the Duggal Committee report, there are four categories of fee that can be charged by a school. The first category of fee comprised of "registration fee and all One Time Charges" levied at the time of admission such as admission and caution money. The second category of fee comprise of "Tuition Fee" which is to be fixed to cover the standard cost of the establishment and also to cover expenditure of revenue nature for the improvement of curricular facilities like library, laboratories, science and computer fee upto class X and examination fee. The third category of the fee should consist of "Annual Charges" to cover all expenditure not included in the second category and the fourth category should consist of all "Earmarked Levies" for the services rendered by the school and to be recovered only from the 'User' students. These charges are transport fee, swimming pool charges, Horse riding, tennis, midday meals etc.

Based on the above-mentioned provisions, earmarked levies are to be collected only from the user students availing of 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 charging of unwarranted fee or charging of any other amount/fee under different heads other than prescribed and accumulation of surplus fund thereof prima-facie is considered as collection of capitation fee in other manner and form. Therefore, the school is directed not to charge Asset Program Fee, Curriculum Support Program Fee, Meal Program Fee, Mind Spark Program Fee and Smart Class Charges from the students.

Further, during FY 2019-20 to 2021-22, it is noted that the school has been operating its transport facility at huge deficit as expenses incurred by the school (even excluding the salaries of staff involved in transport facility) are more than the fee collected from students. The school must re-evaluate transport expenses incurred by it and optimise the same for matching it with income generated from transport facility. The school is strictly directly not to transfer the financial impact (i.e. deficit from transport facility) from the inefficient operation of transport facility to students not availing transport facility i.e. it must not adjust the deficit from school funds. Thus, the school is instructed to operate transport facility on strict no-profit no-loss basis.

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. 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.

3. It was noted that the school was not complying with the DOE Order No.F.DE.15/Act-I/08155/2013/5506-5518 dated 04.06.2012 and condition mentioned at S. No. 18 in the land allotment letter which provides for 25% reservation to children belonging to EWS category.

Particulars	FY 2019-20	FY 2020-21	FY 2021-22
Total strength	1424	1,419	1,381
EWS students	223	240	261
% of EWS student to Total strength	**16%**	**17%**	**19%**

As per table above, it can be noted that the school has not been complying with the directions of the Directorate and conditions of land allotment letter. Similar observations were also noted in Directorate's Order No. F.DE. 15/(272)/PSB/2019/1460-1464 dated 29.03.2019 issued for FY 2017-18. Therefore, the concerned DDE (District) is requested to look into this matter and ensure compliance with the above directions.

4. On examination of the financial statements submitted by the school, it is noted that the entire set of financial statements (all pages including Schedules) are signed or initialled (as appropriate) by Chairman only. However, the entire set of financial statements (all pages including Schedules) should be signed or initialled (as appropriate) by two representatives of the school authorised in this regard as per Bye laws or other governing documents. The compliance of the above shall be viewed at the time of evaluation of fee increase proposal of subsequent year.

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 FY 2022-23 amounting to INR **9,48,47,275** out of which cash outflow in the FY 2022-23 is estimated to be INR **9,96,27,208.** This results in deficit of INR **47,79,933** for FY 2022-23 after all payments. The details are as follows:

Particulars	Amount (in INR)
Cash and Bank balances as on 31.03.22 as per Audited Financial Statements	3,02,005
Investments as on 31.03.22 as per Audited Financial Statements	6,61,752
Liquid Funds as on 31.03.2022	9,63,757
Add: Recovery from the society on account of remuneration paid to Director (Refer Financial Suggestion No. 5)	60,00,000
Add: Recovery from the society on account of car and interest on car loan (Refer Financial Suggestion No. 4)	33,27,289
Add: Recovery from the society on account of utilisation of depreciation reserve fund on construction of building (Refer Financial Suggestion No. 3)	22,51,570
Add: Recovery from the society on account of the unreasonableness of conservancy expenses (Refer Financial Suggestion No. 8)	62,95,293
Add: Fees for FY 2021-22 as per Audited Financial Statements (Refer Note 2 Below)	9,59,02,704
Add: Other Income for FY 2021-22 as per Audited Financial Statements (Refer Note 2 Below)	7,16,067
Add: Additional Income of Annual Charges and Development Fund (Refer Note 4 Below)	33,45,438
Less: Arrears of Annual Charges and Development Charges of FY 2020-21 collected in FY 2021-22 (Refer Note 3 Below)	1,77,14,232
Total Available Funds for FY 2022-23	**10,10,87,886**
Less: Fixed Deposit in the joint name of Dy Director Education and Manager of the school as on 31.03.2022 (Refer Note 1 Below)	6,61,752
Less: Proceeds from sale of car (Refer Financial Suggestion No. 4)	14,00,000

Particulars	Amount (in INR)
Less: Amount recovered from society (Refer Financial Suggestion No.3 & 4)	41,78,859
Net Available Funds for FY 2022-23 (A)	**9,48,47,275**
Less: Budgeted expenses for the session 2022-23 (Refer Note 5 and 6 Below)	**9,96,27,208**
Total Estimated Expenditure for FY 2022-23 (B)	**9,96,27,208**
Net Deficit (A-B)	**47,79,933**

Note 1: The detail of fixed deposit held by the school as per the audited financial statements for the FY 2021-22 is provided below:

Particulars	Amount (in INR)	Remarks
FDR in the joint name of Dy Director Education and Manager of the school	6,61,752	Deducted while calculating available funds of the school.
Total	**6,61,752**	

Note 2: All the fee and other income as per audited financial statements for the FY 2021-22 has been considered with the assumption that the amount received in FY 2021-22 will at least accrue during FY 2022-23.

Note 3: The Arrears of Annual Charges and Development Charges of FY 2020-21 collected in FY 2021-22 as per the school's submission are as under:

Fee heads	Arrears of FY 2020-21 collected in FY 2021-22
Annual Charges	1,06,81,354
Development Fee	70,32,878
Total	**1,77,14,232**

Note 4: The Department vide its Order No.F.No.PS/DE/2020/55 dated 18.04.2020 and Order No.F.No.PS/DE/2020/3224-3231 dated 28.08.2020 had issued guidelines regarding the chargeability of fees during the pandemic COVID 2019. The department in both the above-mentioned orders directed to the management of all the private schools not to collect any fee except the tuition fee irrespective of the fact whether running on the private land or government land allotted by DDA/other land-owning agencies and not to increase any fee in FY 2020-21 till further direction.

The department in pursuance of the order dated 31.05.2021 in WPC 7526/2020 of Single Bench of the Hon'ble High Court of Delhi and interim order dated 07.06.2021 in LPA 184/2021 of the Division Bench of Hon'ble High Court of Delhi and to prevent the profiteering and commercialization, again directed to the management of all the petitioners private unaided recognized schools through its Order No. F. No. DE.15 (114) /PSB /2021 /2165-2174 dated 01.07.2021:

(i) *"to collect annual school fee (only all permitted heads of fees) from their students as fixed under the DSEAR,1973 for the academic year 2020-21, but by providing deduction of 15% on that amount in lieu of **unutilized facilities** by the students during the relevant period of academic year 2020-21".* And if the school has collected the fee in excess to the direction issued by the Hon'ble Court, the same shall be refunded to the parents or adjusted in the subsequent month of fee or refund to the parents.

(ii) The amount so payable by the concerned students be paid in six equal monthly installments w.e.f. 10.06.2021.

From review of the audited financial statements for the FY 2021-22 and based on the further information provided by the school post personal hearing, it has been noted that the school has reported 100% of the tuition fees and 85% annual charges and development fees collected by the school in FY 2020-21 and 2021-22. Therefore, the income collected by the school during the FY 2021-22 with respect to annual charges and development fees have been grossed up for FY 2022-23. The detailed calculation has been provided below:

Particulars	Income as per Audited Income & Expenditure Account for the FY 2021-22	Income Considered while deriving the fund position for the FY 2022-23	Remarks
Tuition fee	58,998,971	58,998,971	As per the details provided by the school, Annual Charges and Development Charges collected in FY 2021-22 at the rate of 85% and thus, difference amount of INR 33,45,438 has been considered.
Annual Charges	11,518,947	13,551,702	
Development Charges	7,438,534	8,751,216	
Total	**77,956,452**	**81,301,890**	

Note 5: All budgeted expenditure proposed by the school amounting to INR 15,02,74,000 has been considered while deriving the fund position of the school except the following:

Head of Expenditure	2022-23 (in INR)	Amount disallowed (in INR)	Remarks
Contingency Reserve for Salary	15,00,000	15,00,000	The school has not made investments equivalent to contingency reserve for salary, hence not considered
Gratuity & Leave Encashment	32,50,000	32,50,000	Refer Financial Suggestion No. 7
Conservancy Expenses	83,43,000	25,02,900	Refer Financial Suggestion No. 8
Capital Expenditure	1,00,03,000	12,51,784	Restricted to development fee expected to be received in FY 2022-23
Electricity Expenses	50,00,000	28,00,293	Restricted to 110% of Expenditure incurred in FY 2022-23
School Function Expenses	17,00,000	13,32,816	
Staff Transportation Expenses	29,04,000	13,20,000	
Student's Excursion, Trips & Picnics	8,83,000	8,83,000	The school has proposed new head of expenditure for which no justification was provided by the school, hence not considered
Refreshment Program	75,18,000	75,18,000	Neither Income nor expense has been considered on the assumption that earmarked levies are collected on no profit no loss basis
Computer charges	15,07,000	15,07,000	
Science Lab Expenses	9,79,000	9,79,000	
Curriculum Support program	82,33,000	82,33,000	
Mind Spark Program Expenses	37,12,000	37,12,000	
Smart class Expenses	69,27,000	69,27,000	
Transport expenses	69,30,000	69,30,000	

Head of Expenditure	2022-23 (in INR)	Amount disallowed (in INR)	Remarks
Total	6,93,89,000	5,06,46,792	

Note 6: In accordance with Section 10(1) of Delhi School Education Act 1973, scales of pay and allowance, medical facilities, pension gratuity, provident fund, and other prescribed benefits of the employees of a recognized private school shall not be less than those of the employees of the corresponding status in schools run by the appropriate authority.

Further, Directorate of Education has adopted the Central Civil Serviced (Revised Pay) Rules, 2016 vide Circular No 30-3(17)/(12)/VII pay Comm./2016/11006-11016 dated 19.08.2016 and No. 30-3 (17)/(12)/VII pay Comm./Coord./2016/12659-12689 dated 14.10.2016 for employees of Government Schools.

Further, in exercise of the powers conferred under clause (xviii) of Rule 50 of the Delhi School Education Rules, 1973, vide Competent Authority order No DE.15 (318)/PDB/2016/18117, dated 25.08.2017, the managing committees of all Private unaided Recognized Schools have already been directed to implement central Civil Services (Revised Pay) Rule, 2016 in respect of the regular employees of the corresponding status with effect from 01.01.2016 (for the purpose of pay fixation and arrears). Further, guidelines/detailed instructions for implementation of 7th CPC recommendations in Private Un-aided Recognized Schools of Delhi has been issued vide DOE order dated 17.10.2017.

As per school's reply during hearing, it was held that the school has implemented 7th CPC recommendations w.e.f. 01.08.2019. Further, salary arrears amounting to INR 1,14,35,223 has neither been proposed in the budget for FY 2022-23 nor been provided in the audited financial statements. Therefore, salary arrears upto Aug 2019 has not been considered while evaluating the funds availability position of the school.

ii. In view of the above examination, it is evident that the school does not have adequate funds to carry on its operation for the academic session 2022-23 on the existing fee structure. In this regard, Directorate of Education has already issued directions to the schools vide order 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 the provisions of DSEAR, 1973, guidelines, orders and circulars issued from time to time by this Directorate, the proposal of the school for the session 2022-23 have been evaluated and certain financial suggestions have been identified (appropriate financial impact has been taken on the fund position of the school) and certain procedural suggestions which were also noted (appropriate instruction against which have been given in the order) that the sufficient funds are not available with the school to carry out its operations for the academic session 2022-23.

AND WHEREAS, it is noticed that the school has incurred INR 1,36,95,293 in contravention of Rule 177 and other provisions of DSEAR, 1973 and other orders issued by the departments from time to time. Therefore, the school is directed to recover the aforesaid amount from society/ management. The receipts along with copy of bank statements showing receipt of the above-mentioned amount should be submitted with DoE, in compliance of the same, within 30 days from the date of issue of the order. Non-compliance with this direction shall be viewed seriously as per the provision of DSEA&R, 1973 without providing any further opportunity of being heard.

AND WHEREAS, it is relevant to mention charging of any arrears on account of fee for several months from the parents is not advisable, not only because of the additional sudden burden fall upon the parents/students but also as per the past experience, the benefit of such collected arrears is not passed to the teachers and staff in most of the cases as was observed by the Justice Anil Dev Singh Committee (JADSC) during the implementation of the 6th CPC.

AND WHEREAS, the fee proposal of the school along with relevant materials were put before the Director of Education for consideration and who after considering all the material on the record, and after considering the provisions of section 17(3), 18(5), 24(1) of the DSEA, 1973 read with Rules 172, 173, 175 and 177 of the DSER, 1973 has found that sufficient funds are not available with the school for meeting financial implication for the academic session 2022-23. Keeping this in view, and exercising the powers conferred under Rule 43 of DSER, 1973, the Director (Education) has accepted the proposal submitted by the school and allowed an increase in fee by 6% to be effective from 01 April 2023.

AND WHEREAS, considering the financial situation and existing deficiencies and keeping in view that salary and other employee's benefits can be paid to the teachers and staff smoothly, the fee hike is allowed to the school with the suggestions for improvement. Further, school is hereby directed that the additional income received on account of increase fee should be utilized at first instance only for payment of salary and salary arrears and submit the compliance report within 30 days from the date of issue of the order.

AND WHEREAS, the act of the school of charging unwarranted free or any other amount/fee under head other than the prescribed head of fee and accumulation of surplus fund thereof tantamount to profiteering and commercialization of education as well as charging of capitation fee in other form.

AND WHEREAS, the school is directed, henceforth to take necessary corrective steps on the financial and other suggestion noted during the above evaluation process and submit the compliance report within 30 days from the date of issue of the order to the D.D.E (PSB).

Accordingly, it is hereby conveyed that the proposal for fee hike of **JM International School, Sector-6, Dwarka, Delhi - 110075 (School Id: 1821214)** filed by the school in response to the Order No. F.DE.-15(40)/PSB/2019/4440-4412 dated 08.06.2022 for the academic session 2022-23, is accepted by the Director (Education) with the above conclusion and suggestions and the school is allowed to increase the fee by 6% for session 2022-23 to be effective from 01.04.2023.

Further, the management of said School is hereby directed under section 24(3) of DSEA&R 1973 to comply with the following directions:

1. To increase the fee by 6% from the specified date i.e. 01.04.2023.
2. To ensure payment of salary is made in accordance with the provision of Section 10(1) of the DSEA, 1973. Further, the scarcity of funds cannot be the reason for non-payment of salary and other benefits admissible to the teachers/ staffs in accordance with section 10 (1) of the DSEA, 1973. Therefore, the Society running the school must ensure payment to teachers/ staffs accordingly.
3. 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 the 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 is issued with the prior approval of the Competent Authority.

25/9/23

(BIMLA KUMARI)
Deputy Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi

To
The Manager/ HoS
JM International School,
Sector-6, Dwarka,
Delhi-110075 (School Id:1821214)

No. F.DE.15 (1576)/PSB/2023 / 8268-8272 Dated: 25/09/23

Copy to:

1. P.S. to Principal Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. DDE (South West-B) ensure the compliance of the above order by the school management.
4. In-charge (I.T Cell) with the request to upload on the website of this Directorate.
5. Guard file.

25/9/23

(BIMLA KUMARI)
Deputy Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi