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

No. F. DE-15/ACT-I/WPC-4109/PART/13/ 871 Dated: 22/8/2017

ORDER

Whereas, the request of ASN Senior Secondary School, Mayur Vihar, Phase-I, Delhi for increase in fee for the academic session 2016-17 was rejected by Director (Education) vide order No.F.DE.15/Act-1/WPC-4109/PART/13/451-455 dated 02.02.2017 with the specific direction to rectify the deficiencies as illustrated in the said order and submit compliance report to Dy. Director of Education concerned within thirty days.

And whereas, the Director (Education) had referred to the representation of ASN Senior Secondary School against the fee hike rejection order of this Directorate and had decided to give an opportunity to the school to be heard in person.

And whereas, a committee was constituted to hear the case of the school in detail with a view to assist the Director of Education to dispose of the representation.

And whereas, in this connection, an opportunity of being heard was provided to the Manager/HoS of ASN Senior Secondary School on 17.05.2017 at 03.00PM at Conference Hall, Ludlow Castle School Sports Complex, Civil Lines, Delhi-110054.

And whereas, the submissions of the schools were heard by the above said committee on 17.05.2017 at 03.00PM and during the hearing, the issues raised in the representation of the school were discussed at length. The submissions made by the school are taken on record and analyzed in accordance with the provisions of Delhi School Education Act and Rules, 1973 and directions issued there-under.

Financial discrepancies:-

S. No.	Detail of discrepancy	Submissions of the school	Remarks
1.	As per Clause 2 of Public Notice dated 04.05.1997 'The school should not charge building fund and development charges when the building is complete or otherwise as 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'. In	The financial expert committee has wrongly interpreted Rule 177 of DSEA & R, 1973. The sub-rule (2) quotes that the legitimate use of school fund to be done before arriving at any surplus which means the expenditure	The school is instructed to follow DoE instructions in this regard.

	contravention to this the school has constructed building from the school funds. Rs. 27,46,249, Rs.23,55,592 and Rs. 59,00,143 have been spent on the construction of building during FY 2015-16, FY 2014-15 and FY 2013-14 respectively as represented by the Fixed Asset schedule forming part of the Balance sheet of school for the respective financial years. This is also a contravention of Rule 177 of DSEA & R 1973 which states that the Surplus earned by the school can be utilized for the expansion of the school building but the school is continuously having a deficit for the last three years.	on school building is a legitimate use of school fund before computing the surplus under the said rules.	
2.	As per the Provisional Balance sheet of the school for FY 2015-16, Rs. 3,66,93,928 has been provided towards Provision for Gratuity & Leave encashment till March 31, 2016 by the school. The provision is not as per actuarial valuation as required by the Guidance note of ICAI. It has a bearing on the profitability of the school which cannot be quantified in absence of the relevant information. The reserve is not represented by any investments.	The actuarial valuation comes to Rs. 4.71 crores as compared to Rs. 3.67 crores as provided in books.	The school is instructed to follow DoE instructions in this regard.
3.	Certain anomalies have been noted in the accounting practices. These are enumerated below. (i) As per the Provisional Balance Sheet of the School for FY 2015-16, Fixed Assets have been shown at Original Cost of Rs. 13,66,34,222 without any corresponding accumulated depreciation against it. As per the calculations shown in Fixed Asset schedule attached with the Balance sheet accumulated depreciation as on 31.03.2016 would be Rs. 6,52,56,363. (ii) No depreciation is charged in the Income & Expenditure a/c. As per the FA schedule mentioned herein Depreciation for the FY 2015-16 would be Rs 1,21 cr. (iii) Accounts under the nomenclature Depreciation Reserve Fund and Depreciation Reserve Fund – Transport Fund disclosed in the balance sheet collectively amounts	School has not charged depreciation in Income and Expenditure Account to avoid overstatements of deficit suffered by the school consequently avoiding burdening of the school to cover even the non-cash loses. If considered, it will increase the deficit by Rs 6.52 crores. The balances in these accounts denotes unspent amount lying in the respective funds meant to be used for designated purposes which duly reconciles with available bank balance against it.	Improper justification. Funds do not match with corresponding investments.

		to Rs. 10,88,535. No specific rationale was found for carrying amount in these accounts apparently linked to depreciation reserve (iv) There are transfers to the General reserve from multiple earmarked and capital funds for Rs. 2.14 crores mentioned as utilised for Fixed Assets. As per FA schedule additions during FY 2015-16 is 2.05 crores (v) Transfers to the General fund in FY 2014-15 and FY 2013-14 are Rs 1.63 cr and Rs 1.86 cr. Cumulative impact for the 3 years under review would be Rs 5.63 cr (vi) Transfer of earmark levies and capital receipts to revenue is prohibited under provision of DSE Rules,1973 and multiple notifications of DOE (vii) Considering the above practices which are inconsistent with the GAAP and violates statutory provisions mentioned above, it cannot be concluded if the financial statements of the school present a 'True and Fair View' of financial position and profitability of the school.	The basic principle of fund based accounting states that once the restriction or condition of a restricted fund is satisfied such amount is transferred to general or capital fund. This is line with basic accounting practice that the liability side of Balance Sheet should depict the actual liabilities of the organization i.e., only the unspent fund balance should appear as liability. As explained above, all irregularities regarding anomalies in accounting practices are merely difference of opinion and not any violation as such.	Considered. The school is directed to follow proper accounting practices and prepare its financial statements accordingly.

Other discrepancies:

S. No.	Detail of discrepancy	Submissions of the school	Remarks
1.	The school does not have a consistent policy for collection of tuition fees which is received by the school with different time schedules like yearly, quarterly or monthly.	The policy adopted by the school for collection of fee is in line with directions of Hon'ble High Court of Delhi, wherein school is bound to provide liberty to the parent for payment schedule which may be yearly, monthly or quarterly as per parents'	Considered.

		convenience.	
2.	As per the Schedule 'S' – Current Liabilities & Provisions of the Audited Financial Statements of FY2014-15, the provision for Gratuity and Leave encashment amounts to Rs. 3,13,40,313. In the 'Significant Accounting Policies and Notes to Accounts' forming part of the Audited Financials it is stated that 'Provision for Gratuity & Earned Leaves have not been made and are accounted for on cash basis, if any'. Practice adopted for the provision of gratuity and leave encashment is not in line with the notes on accounts.	The gratuity and earned leave are accounted for on cash basis till FY 2014-15 and thereafter the school adopted the policy to create provision for said retirement benefits.	The school should follow DoE instructions in this regard.
3.	School has not maintained any proper record of scrap of few assets including furniture & fixtures.	The improvements suggested by inspection team will adhered in future.	Accepted by school.
4.	The school has not maintained any inventory of stationery. The expenses incurred on account of stationery amounts to Rs. 55 lacs (approx.)	The improvements suggested by inspection team will adhered in future.	Accepted by school.

And whereas, after going through the representations dated 08.03.2017 and submissions made by the school during the hearing held on 17.05.2017 as well as financial statements/budget of the school available with this Directorate, it emerges that:-

The school is having deficit of Rs. **1,09,15,761**/- as per the following details:-

Particulars	**Amount (Rs)**
Cash and Bank balances as on 31.03.16 as per audited Financial Statements	34,40,550
Investment as on 31.03.16 as per School Submission	20,92,625
Total	55,33,175
Less: Provision for Retirement Benefits*(15% of liability)	55,04,089
Available Funds	29,086
Fees for 2015-16 as per financial statement(We have assumed that the amount received in 2015-16 will at least accrue in 2016-17)	15,79,55,789
Other income for 2015-16 as per financial statement	7,44,364
Estimated availability of funds for 2016-17	15,87,29,239
Less: Budget expenses for the session 2016-17 #	16,96,45,000
Net Deficit	**-1,09,15,761/-**

*The school is allowed 15% of the provision created for Gratuity & Leave Encashment. The school is hereby directed to make earmarked equivalent investments against provision for Gratuity and Leave Encashment with LIC (or any other agency) within 90 days of the receipt of this order, so as to protect the statutory liabilities. And provisions for gratuity and leave encashment should be based on actuarial valuation.

#The school has not followed prudent financial practices over the years and has not built up any reserves. Though, tangible investment/liquid assets are not available to cover retirement liabilities/ 03 months salary reserves as mandated by the Act, but still the school is proposing the capital expenditure for building construction. Also, in the light of Judgment of Modern School vs Union of India, capital expenditure will be a charge on the savings, in accordance with the rule 177 of DSEAR,1973. The school is hereby directed not to make major expenditure in building constructions etc unless the financial health of the school is improved over next few years, so as to build up adequate reserves as mentioned under rule 177 of DSEAR, 1973. In light of above, budgeted expenditure, other than projected expenditure on building constructions (which amounts to Rs 47,00,000/-), has been allowed. The school has proposed expenditure for repair and maintenance of furniture, electrical and general amounting to Rs. 46,20,000/-, which has been considered. In addition to that the school has also proposed expenditure amounting to Rs 1,08,00,000/- under head 'School Maintenance Expenditure'. Since, separate allowance of maintenance expenditure under various heads proposed by the school has been considered, proposed expenditure amounting to Rs 1,08,00,000/- under head 'School Maintenance Expenditure' seems to be unreasonable and the same is not allowed.

And whereas, in view of the above examination, it is evident that the school does not have sufficient liquid funds to meet the financial implications for the financial year 2016-17.

And whereas, the school proposal for fee increase for the session 2016-17 was earlier declined vide order dated 02.02.17, on the ground that the school had sufficient reserves. During the hearing, the school has represented that it do not have adequate funds to provide for retirement benefits to the employees and it shall not be able to manage its operational expenses for the year from the available funds.

And whereas, as per clause 22 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009, user charges should be collected on no profit and no loss basis and should be used only for the purpose for which these are collected. Accordingly, the school is advised to maintain separate fund in respect of each earmarked levies charged from students in accordance with the DSEA & R, 1973 and orders, circulars, etc., issued *there under. If there are large surpluses under any earmarked levy collected from the* students, the same shall be considered or adjusted for determining the earmarked levy to be charged in the next academic session.

And whereas, as per clause No. 14 of Order No. F.DE./ 15(56)/ACT/2009/778 dated 11.02.2009, '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 reserved fund, equivalent to the deprecation 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.' Accordingly, school is advised to maintain separate development fund and utilized the same strictly in accordance with the DSEA & R, 1973 and orders, circulars, etc., issued there under.

And whereas, these recommendations along with relevant materials were put before Director of Education for consideration and who after considering all the material on the record has found that the school does not have sufficient liquid funds to meet the financial implications for the financial year 2016-17 and the representation dated 08.03.2017 and subsequent submissions made thereafter in this regard find merit in respect of sanction for increase in fee and hereby accepted on the basis of above mentioned observations. It was further decided by the Director(Education) to allow the school to increase the existing fee by 10 % for the session 2016-17.

Accordingly, it is hereby conveyed that the representations for fee hike of ASN Senior Secondary School, Mayur Vihar, Phase-I, Delhi, has been accepted by the Director of Education and the school is hereby allowed to increase only the existing fees by 10% for the session 2016-17.

Further, the management of said school is hereby directed under section 24(3) of DSEAR 1973 to comply with the following directions:

1. Compliance of all the instructions as mentioned in the order dated 02.02.17 will be seen/examined during the scrutiny of fee hike proposal for session 2017-18, if any.
2. In the light of Judgment of Modern School vs Union of India, the salaries and allowances shall come out from the fees whereas capital expenditure will be a charge on the savings. Therefore it is to be ensured not to include capital expenditure as a component of fee structure to be submitted by the school under section 17(3) of DSEA&R, 1973.
3. The fee should be utilised as per letter and spirit of Rule 177 of the DSEA & R, 1973 and the judgement of the Hon'ble Supreme Court in the case of Modern School Vs Union of India (2004).

Non compliance of the order shall be viewed seriously.

This issues with the prior approval of the Competent Authority.

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

To
The Manager/HoS
ASN Senior Secondary School,
Mayur Vihar, Phase-I, Delhi

No. F. DE-15/ACT-I/WPC-4109/PART/13/ 871 Dated: 22/8/2017

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 (East)
5. Guard file.

(Yogesh Pratap)
Deputy Director of Education-1
Private School Branch
Directorate of Education