

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/ 977

Dated: 13/10/2017

ORDER

Whereas, the request of Ahlcon Public School, Mayur Vihar Phase-I, Delhi-110091 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/13/41 dated 23.12.2016 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 Ahlcon Public 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 Ahlcon Public School on 15.05.2017 at 12.30PM 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 15.05.2017 at 12.30PM 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 The Delhi School Education Act & Rules, 1973 there is no provision for collection of fee in the name of "One Time Periodic Maintenance and Activity Charge". The management informed that the fee is collected for the purpose of repair and maintenance. In the absence of any accounting policy, the amount so collected has been transferred to the Repair and Maintenance fund as capital receipt in 2013-14. In the year 2014-15 it was	The school management with due representation of the Director has deliberated on this way back in 2006 and had agreed for the same.	The school is not allowed to create new head of fee as per its own convenience and is directed not to collect any fee under this head.

	treated as revenue receipt and in the year 2015-16 it was transferred to the Development Fund Account.		
2.	During the year 2014-15 a term loan of Rs. 5,00,00,000 was taken in the name of Shanti Devi progressive education society for alteration/renovation and repair/maintenance work of "Ahlcon Public School". As per the financial statements a sum of Rs.1,50,00,000 has been repaid by the school leaving the balance of Rs. 3,50,00,000 in the head 'secured loan' as on 31-03-2016. School has also paid interest of Rs. 18,62,648 for the year 2014-15 and Rs.48,57,051 for the year 2015-16 as per the ledger account. As the loan was given to the society, the amount of loan, its repayment and interest paid should also appear in the Books of society and not in the books of the school.	The term loan was taken for repair and maintenance/ renovation and alteration of school building, which is around 25 years old. The growth of the school and introduction of new curriculum and activities, the school had to provide for the facilities which need re-alteration of the existing space and structure - all within the framework. The school boundary wall was damaged in rain and it need to be immediately strengthened. The loan was sanctioned to the society and disbursed to the school as the school in itself has no entity for the purpose of loan. The school has been repaying the loan directly to the bank, however, entries are routed through society. The amount is duly reflected in the books of accounts.	As per Public Notice dated 04.05.1997, it is the sole responsibility of the society to construct the building of the school as the immovable property of the school is the sole property of the society. Further, As upheld in Modern School case read along with Rule 177 of DSEA & R, 1973 capital expenditure can only be made out of the savings of the school and cannot be made part of fee structure. However, school is continuously incurring huge expenditures for alteration/ renovation of building. This has resulted into depletion of school reserves and funds over the years.
3.	As per Receipts and Payments Account for the year 2014-15, the school has taken loan for Rs.6,30,00,000. The analysis of receipts and payments account shows that the same was utilised for repayment of another loan and Rs. 3,60,55,731/- was repaid during	The school has withdrawn Rs. 4.42 crores from the term loan and balance of Rs. 1.88 crores is taken as loan against FDRs.	The school has not submitted complete response. The details in respect of repayments of loan shall be

	the year.		verified at the time of next fee increase proposal, if any.
4.	As per Point No.-23 of order no-F.DE./15(56)/Act/2009/778 dated 11/02/2009, no amount whatsoever shall be transferred from the recognised unaided fund/ school fund to a society or trust or any other institution. In schedule 10 of loans and advances under current assets, amount of Rs 3,54,41,899.79 was shown as advance paid in 2013-14 in the name of Shanti Devi Progressive Education Society under which the school is functioning. After receipt of Rs. 25,00,000 in F.Y. 2015-16 the balance of Rs 3,29,41,899.79 is still appearing against the society. It is in contravention to above guidelines as interest free fund has been transferred to the society.	No response	It was upheld in Modern School case that 'no amount whatsoever shall be transferred from the recognised unaided school fund of a school to the society or the trust or any other institution'. Accordingly, the school is directed to recover this amount from the society within 30 days from the date receipt of this order.
5.	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. Computer fees, sports fee, transport fees and other specific fees collected are earmarked levies. However, in the absence of proper presentation of expenditure against these levies, the surplus/ deficit of funds can't be ascertained for these earmarked levies.	The expenses are duly presented in the books for earmarked levies.	The school has not submitted any supporting calculations and documents to substantiate its response. School is directed to charge user charges on 'no profit no loss' basis only in accordance with the provisions of clause 22 of the said order.
6.	The school has not maintained specific investments against the development fee received, which is a contravention of clause 14 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009.	The figures are merely booked figures and no actual funds are available.	Improper response. The School should follow the proper accounting process and maintain requisite funds in

			accordance clause 14 of said order. School is not to charge any development fee in FY 2017-18 unless it is able to comply the DoE instructions in this regard.
7.	Depreciation is being charged by the school as per the Income Tax Act, 1961; however the same should be as per the Guidance note (GN 21) on Accounting by Schools, issued by the Institute of Chartered Accountants of India. Inspecting team is unable to quantify the impact due to limited information made available to them by the school.	The directions regarding maintenance of books of accounts were issued by the DOE on 16.04.2016 and as such the school could not prepare its financial statements for earlier years based on these guidelines. The depreciation charged is as per the provisions of Income Tax only.	The school should follow DOE instructions in this regard.
8.	The School has incurred expenditure for alteration or renovation of building amounting to Rs. 6,85,50,948/- during the last three financial years. The same has been booked as revenue expenditure instead of capital expenditure.	No response	As upheld in Modern School case read along with Rule 177 of DSEA & R, 1973 capital expenditure can only be made out of the savings of the school and cannot be made part of fee structure. However, school is continuously incurring huge expenditures for alteration/renovation of building. This has resulted into depletion of school reserves and funds over the years.

**Other discrepancies:**

S. No.	Detail of discrepancy	Submissions of the school	Remarks
1.	A penalty of Rs.2,20,000 was imposed by Dy. Conservator of Forest vide order dated 18.4.2013 on school for illegal pruning of trees. The amount was paid on 23.4.2013.	No response	The responsibility regarding imposition of fine should be fixed and the amount should be recovered from the responsible person within 30 days from the date of issue of this order.
2.	No physical verification of fixed assets for the F.Y. 2013-14, 2014-15 and 2015-16 was done. Hence, shortage and excesses, if any, can't be reported.	No response	The school should maintain proper internal control systems, which includes carrying out physical verification of fixed assets, to safeguard its fixed assets. Compliance shall be verified at the time of next fee increase proposal of the school, if any.
3.	School has not complied with the Order no. F.DE-15/ACT-I/WPC4109/Part/13/7905-7913 dated 16-04-2016. For example, the school is required to follow accrual system of accounting for maintaining its books of accounts and to disclose relevant accounting policies in its financial statements. However, these provisions are not adhered by the school.	No response	The school is directed to follow proper accounting system for maintaining its books of accounts and to disclose relevant accounting policies in its financial statements.
4.	School is not having any procurement policy. There are four major contracts which were entered into without any tendering process. It was also reported that the school was paying Rs. 44 lakhs to transport contractor up to year 2015-16. However, in the budget statement for FY 2016-17 the same was estimated at Rs 66 lacs in an arbitrary manner without presenting any justification.	The school does the procurement after following the established norms. Transport services were outsourced to DTC in 2015-16. After the introduction of odd-even system, DTC was not in position to provide the	Considered.

		buses. The school has thus had no other alternative but to switch over to other service provider.	
5.	The weaknesses in the internal control system of the payment process of the School were also reported. For example, payments are processed before signing of vouchers by principal and manager, paid and cancelled stamp was not marked on the vouchers after making payments, purchase procedure was not followed, sanction letter of the competent authority not attached, corrections and overwriting in the bills are made etc.	No response	The school should maintain proper internal control system so as to strengthen its payment process and to ensure that payments are made after following the due process.

And whereas, after going through the representations dated 07.02.2017 and submissions made by the school during the hearing held on 15.05.2017 as well as financial statements/budget of the school available with this Directorate, it emerges that:-

The school is having a surplus fund of Rs. **11,14,95,472/-** as per the following details:-

<b>Particulars</b>	<b>Amount (Rs)</b>
Cash and Bank balances as on 31.03.16	12,46,490
Investment as on 31.03.16	5,21,87,315
Add: Amount recoverable from Society	3,29,41,900
Add: Amount recoverable towards fine paid in compliance of Order of Dy. Conservator of Forest	2,20,000
<b>Total</b>	<b>8,65,95,705</b>
Less: Development Fund#	0
Less: Depreciation Reserve Fund#	0
<b>Available Funds</b>	<b>8,65,95,705</b>
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)	21,04,47,793
Other income for 2015-16 as per financial statement	31,59,517
<b>Estimated availability of funds for 2016-17</b>	<b>30,02,03,015</b>

Particulars	Amount (Rs)
Less: Budget expenses for the session 2016-17 as submitted by school management*	18,87,07,543
<b>Net Surplus**</b>	<b>11,14,95,472</b>

#The school has submitted that funds which are required to be maintained under clause 14 of order no- F.DE./15(56)/Act/2009/778 dated 11/02/2009 are merely book entry and had not earmarked its investments. Hence, these are not considered in the above calculations.

\*The school has submitted its total expenses for FY 2016-17. The increase in establishment expenses for the year is around 27%. It found to be unreasonable increase and accordingly, the same is not considered in above calculations and only 10% increase in establishment expenditures is considered. It is also noted that the school has not followed prudent financial practices over the years and has not earmarked tangible investment/liquid assets to cover the retirement liabilities/ 03 months salary reserves as mandated by the Act, but still the school is proposing the capital expenditure to the tune of Rs. 3,84,75,000 which includes Rs. 3,10,00,000 for repayment of loan/ Overdraft and Interest and the same has not been considered in above calculations.

\*\*As sufficient funds are available with the school, it is hereby directed that the School shall create 3 months' salary provision in accordance with the provisions of Right to Education Act, 2009 and to submit FDRs in joint name of Dy. Director (Education) and Manager of the School with DOE within 30 days of receipt of this order.

And whereas, in view of the above examination, it is evident that the school is having sufficient surplus funds even after meeting all the budgeted expenditure for the financial year 2016-17.

And whereas, it is noticed that the school has transferred funds to the society and Rs. 3,29,41,900/- are still outstanding from the society. The school is hereby directed to recover this amount. Further, the school is also directed to recover Rs. 2,20,000/- from the responsible person for making payment in compliance of the order of Dy. Conservator Forest. The deposits receipts along with copy of bank statements showing receipt of above mentioned amount should be submitted with DoE, in compliance of the same, within one month from the date of issuance of this order. Non-compliance of this shall be taken up as per DSEA & R, 1973.

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 alongwith 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 is having sufficient surplus funds to meet the financial implications for the financial year 2016-17 and the representation dated 07.02.2017 and subsequent submissions made thereafter in this regard find no merit in respect of sanction for increase in fee and hereby rejected on the basis of above mentioned observations.

Accordingly, it is hereby conveyed that the representations for fee hike of Ahlcon Public School, Mayur Vihar Phase-I, Delhi-110091, has been rejected by the Director of Education.

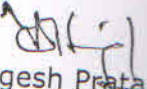
Further, the management of said school is hereby directed under section 24(3) of DSEAR 1973 to comply with the following directions:

1. Not to increase fee for the session 2016-17. If, in case, increased fee has already been charged from the parents, the same shall be refunded/adjusted.
2. Compliance of all the instructions as mentioned in the order dated 23.12.16 will be seen/examined during the scrutiny of fee hike proposal for session 2017-18, if any.
3. 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.
4. 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  
Ahlcon Public School,  
Mayur Vihar Phase-I,  
Delhi-110091.

No. F. DE-15/ACT-I/WPC-4109/PART/13/ 977

Dated: 13/10/2017

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
5. Guard file.

  
(Yogesh Pratap)

Deputy Director of Education-1  
Private School Branch  
Directorate of Education