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/ 978 Dated: 13/10/2017

ORDER

Whereas, the request of Adarsh Vidya Bhawan, I.P. Extension, Patparganj, Delhi-110092 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/13/446-450 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 Adarsh Vidya Bhawan 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 Adarsh Vidya Bhawan on 17.05.2017 at 04.00PM 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 04.00PM 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.	It has been reported that Rs. 12.65 lakh and Rs. 17.65 lakh was recoverable from AVB Primary School and AVB Nursery School at the end of FY 2013-14 and FY 2014-15 respectively. The amount due/ recoverable was reflected	The transactions between the group schools are on account of payment of statutory dues under a common registration. There is	As per Rule 177 read with Modern School Judgment, school is not allowed to transfer any amount to the schools managed by the society. Making

h.

	under the head Current Assets and Loan & Advances in the Balance sheet of the school. The school has paid Rs. 5 lakh to AVB Primary School in FY 2014-15 and has received Rs. 2 lakh from AVB Primary School in FY 2013-14. This is contravention of Order No. DE 15/ Act/ Duggal.Com /203 /99 /23033-23980 dated 15.12.1999.	no amount outstanding as on 31.03.2016. Hence, this may not considered as contravention of the said order.	payment on behalf o other sister institution and adjusting the sam at year end is a loss o interest income t school. School i directed to utilise an manage its funds i proper manner.
2.	As per the Audited Financial Statements of the School for the year ending on March 31, 2016, amount payable to Society amounts to Rs. 1,28,29,157. Nature of Transaction between the school and society is not clear from the financial statements. This needed to be clarified by the school.	Opening Balance as on 1.4.2015 was Rs. 69,41,078 on account of loan taken from society to meet the day to day shortfall as and when required. Amount of Rs. 58,88,079/- was on account of transfer of school building from society to school. Transfer was necessary since it is mandatory that any expenditure on maintenance and upkeep of the building is allowed only if the building is in the name of the school. This is merely the book entry and no cash transfer was involved.	Improper response. I is the sole responsibilit of society to construc the building and schoo is not liable under an circumstance to pay th amount to society or t book any liabilit towards society agains building. Accordingly school is directed t incorporate correc accounting entry i accordance with ICA pronouncements. Compliance shall b verified at the time c next fee increas proposal of school, any.
3.	Accumulated provisions towards Salary Arrears, Gratuity and Leave Encashment stand at Rs. 251.58 Lakhs as at March 31, 2016. The provisions created are not represented by any investments. It is to be clarified by the school that whether provision for Gratuity and leave encashment is based on actuarial valuation or not and whether such provisions are in line with the expected liability. The	The provision for gratuity and leave encashment is approximately equal to the liability computed and certified by Actuary. Due to paucity of funds, the school is not able to maintain any investment against these	As per actuar certificate enclosed i the school respons the school may provic for Rs. 1.29 crores ar Rs. 1.01 crores f gratuity and leav encashment respectively only.

	provisions created are not represented by any investments. Thus, these have not been taken into account.	provisions.	
4.	The school has created a Working Reserve (3 months' salary reserve) standing at Rs. 114 lakhs as at March 31, 2016. This salary reserve is not represented by any fixed deposit. As per Clause 10 of Form II of Right of Children to Free and Compulsory Education Act 2009, the management of the school shall create reserve fund in the form of fixed deposit in the joint account in the name of Manager and Dy. Director of Education equivalent to 3 months of Salary or Rs. 1 lakh plus Rs. 80 per student within three months from the issue of this letter. Hence, the school is not complying with the provisions of law.	The school has already created 3 months' salary provision amounting Rs. 1,14,00,000. The investments made against it is Rs. 12,87,710/- and balance investments will be made upon availability of funds. Also, the school has invested in FD for Rs. 15,000 in accordance with clause 10 of form II of RCFCEA, 2009 and it has accumulated value of Rs. 1,94,653. The FDR is short by Rs. 30,000/-.	The school is directed to follow DOE instructions in this regard.
5.	As per Accounting Policy/ Notes to Accounts forming part of Audited Financial Statements of FY 2015-16, depreciation has been charged on the rates specified by the Income Tax Act. Whereas the schools are required to maintain their books of accounts as per the Guidance Note 21 'Accounting by Schools' issued by ICAI and charge deprecation accordingly. Moreover, deprecation of Rs. 29,10,433 charged in Income & Expenditure Account of FY 2015-16 does not match with depreciation amount of Rs. 29,41,893 as per Fixed Asset schedule. It appears that there is some anomaly in the treatment of depreciation and lack of arithmetical accuracy in Financial Statements of FY 2015-16.	The guidelines on Depreciation issued by ICAI are only recommendatory in nature. The school has prepared Two different schedules of Fixed Assets, total depreciation of which is equivalent to the depreciation charged in Income & Expenditure a/c.	School should follow DoE instructions in this regard.
6.	As per Notes to Accounts forming	Building amounting	Incomplete response.

	part of Financial Statements of FY 2015-16, Society has transferred Building amounting to Rs. 58,88,079 to school but the corresponding additions to the school building and boundary wall through 'Transfer' were Rs. 18,30,317 only. It appears that there is some error in reporting this transaction in Financial Statements of FY 2015-16. This has to be clarified by the school.	Rs. 58,88,079 was transferred from society to school is correct but there was no cash transaction involved. Amount mentioned as transfer represents those fixed assets which were transferred from development fund assets to school fund assets.	School is directe[illegible] prepare its fina[illegible] statements in pro[illegible] manner in accordan[illegible] with IC[illegible] pronouncements an[illegible] guidelines and present complete disclosure in Notes to Accounts.
7.	As per the Fixed Asset schedule forming part of the Audited Balance Sheet of FY 2015-16 of the school Rs. 96,28,069 has been marked as additions to the school building and boundary wall during the FY 2015-16 and Rs. 18,30,317 has been marked as transfer; total additions of the building amounts to Rs. 1,14,58,386 during the FY 2015-16. This indicates that the school funds have been used for the construction of building which is not allowed as per Rule 177 of DSEA&R 1973 which states that the surplus earned by the school can be utilized for the expansion of school building. But here the school is already having cumulative deficit to the tune Rs 258.70 lakhs as at March 31, 2016. Moreover, Clause 2 of Public Notice dated 04.05.1997 states that 'it is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school becomes the sole property of the society'. Hence, this is non-compliance of the said provisions.	The amount of addition to building is Rs. 37,39,990 during the year 2015-16. Balance amount represents transfer as explained. There are no unwarranted additions to building and boundary wall as it was necessitated on account of CBSE circular and Delhi Police advisory in the wake of Peshawar, Pakistan attack on school.	As per rule 177 of DSEA & R, 1973 and read with Modern School Judgment, capital expenditure cannot be form part of financial fee structure of the school. As per Financial Statements of the school Rs. 96,28,069 has been marked as additions to the schoo[illegible] building and boundary wall during the F[illegible] 2015-16 and Rs[illegible] 18,30,317 has been marked as transfer; total additions of the building amounts to Rs 1,14,58,386 during the FY 2015-16. This is not allowable in accordance with above Rule 17[illegible] and Modern Schoo[illegible] judgment. School i[illegible] directed to follow DoE instructions in thi[illegible] regard.

Other discrepancies:

S. No.	Detail of discrepancy	Submissions of the school	Remarks
1.	Clause 4 of Order No. 1978 dated 16.04.10 suggests that the school should utilize the interest on deposit which were made as condition precedent to recognition of school and pledged in favour of school. But the school has not utilized the same and the Face Value of the Original FDR of Rs. 15,000 now stands at Rs. 1,94,653.	The FDRs were made as per statutory requirements in the joint name of Manager and DDE and cannot be utilised by School.	Considered.

And whereas, after going through the representations dated 07.03.2017 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 surplus fund of Rs. **42,68,836**/- as per the following details:-

Particulars		**Amount (Rs.)**
Cash and Bank balances as on 31.03.16		4,219,510
Investment as on 31.03.16		14,671,545
Total		18,891,055
Development Fund Less: Capital Expenditure Balance	65,35,779 60,00,000 5,35,779	6,535,779
Less: Depreciation Reserve Fund		6,533,056
Less: FDR as per Statutory requirements		1,482,363
Less: Provision for Gratuity and Leave Encashment*		-
Available Funds		4,339,857
Fees for 2015-16 as per Audited financial statement (We have assumed that the amount received in 2015-16 will at least accrue in 2016-17)		76,685,762
Other income for 2015-16 as per financial statement		2,102,417
Estimated availability of funds for 2016-17		83,128,036
Less: Budget expenses for the session 2016-17 as submitted by school management		78,859,200
Net Surplus		**42,68,836**

*The school has not earmarked/ blocked any investments against provisions created for gratuity and leave encashment. However, since equivalent investments are not available with school, school is directed to follow due propriety while incurring any expenditure and built up necessary savings and investments in the coming years.

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, 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 is having sufficient funds to meet the financial implications for the financial year 2016-17 and the representation dated 07.03.2017 and subsequent submissions made 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 Adarsh Vidya Bhawan, I.P. Extension, Patparganj, Delhi-110092, has been rejected by the Director of Education 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. 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. To comply with all the directions/ instructions as mentioned in this order.

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-1
Private School Branch
Directorate of Education

To

The Manager/HoS
Adarsh Vidya Bhawan,
I.P. Extension, Patparganj,
Delhi-110092

No. F. DE-15/ACT-I/WPC-4109/PART/13/ 978 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