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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/ 883

Dated: 4/9/2017

ORDER

Whereas, the request of M.M. Public School, Vasudha Enclave, Pitampura, Delhi-110034 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/13/63 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 M.M. 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 M.M. Public School on 17.05.2017 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 17.05.2017 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 inspection report, double depreciation is charged to Income & Expenditure account. One charge is towards depreciation on assets and other charge is towards transfer to Depreciation Reserve fund. Impact of double charging of depreciation in Income & Expenditure account from 2013-14 to 2015-16 amounts to Rs.77, 29,752/- .	The school has not charged depreciation twice. Admittedly, depreciation being non-cash item, charging the same would have no effect whatsoever on the availability of funds. Same may be referred from the financial statements.	Improper justification. In Income and Expenditure A/c during FY 2015-16, depreciation was claimed two times by the school. School is directed to follow correct

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			accounting practices in accordance with DoE instructions and ICAI pronouncements and to present depreciation reserve fund with appropriate amount. Compliance shall be verified at the time of next fee increase proposal of the school, if any.
2.	As per inspection report, school has charged expenses towards software of smart boards in Income and Expenditure account, instead of recognising as intangible asset in Balance Sheet for the period 2013-14 to 2015-16 amounting to Rs.31,55,000/-.	Ownership of education content software is intellectual property which vests with 'Extramarks Education Pvt. Ltd'. And the contents of software is not a resource controlled by the school and hence the expenditure cannot be treated as capital expenditure in accordance with accounting standard.	Improper justification. School is directed to follow ICAI pronouncements made in this regard and to capitalise the software accordingly. Compliance shall be verified at the time of next fee increase proposal of the school, if any.
3.	During the year 2014-15, a sum of Rs.1,02,63,687/- was transferred by school from Reserve Fund to M.M. School Society towards amount of Building cost of the school contributed in earlier years.(Order No. DE 15/ Act/ Duggal.Com /203 /99 /23033-23980 dated 15.12.1999).	It is shown only as an entry against the name of M. M. Public School Society in the year 2014-15 whereas no actual transfer ever took place of this amount from the school bank balance. It has no impact on the availability of funds with school.	Improper justification. The school is directed to pass necessary entry to correct the same. Compliance shall be verified at the time of next fee increase proposal of the school, if any.
4.	The interest earned on specific funds is credited in Income & Expenditure Account rather than crediting to specific funds where funds have been invested.	The same is credited to specific funds, the availability of funds/surplys would in fact be further reduced.	The school should follow DOE instructions in this regard. Compliance shall



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			be verified at the time of next increase proposal of the school, if any.
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Other discrepancies:

S. No.	Detail of discrepancy	Submissions of the school	Remarks
1.	As per inspection report, tender process is not followed by school in award of the contracts. School management stated that rates were inquired from reputed suppliers/vendors before placing the order.	Our school being a very small entity, calling for rates or quotations results in extra expenses in publication of notices, employment of extra manpower for scrutiny of tenders and would increase the school expenses further.	School should follow proper internal control systems for procurement of goods and services so as to protect school funds.
2.	Receipt and Payment has not been prepared by school for the year 2013-14 and 2014-15. The Audited Balance Sheet and Income & Expenditure Account of above years is not in the format as per order of DOE (Clause 24 of Order No. F.DE./15 (56) /Act / 2009 / 778 dated 11/ 02/ 2009).	Non-preparation of Receipts and Payment account does not impact the surplus or deficit in the Balance Sheet.	Improper response. School should follow DoE instructions in this regard.
3.	Provision towards liability for gratuity and leave encashment is not made on actuarial basis as required by Accounting Standard 15 of The Institute of Chartered Accountants of India.	Copy of actuarial valuation of gratuity and leave encashment attached.	Accepted by school.

And whereas, after going through the representations dated 02.03.2017 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 a surplus of Rs. **60,45,792/-** as per the following details:-

Particulars	Amount (Rs)
Cash and Bank balances as on 31.03.16 as per audited Financial Statements	42,94,439
Investment as on 31.03.16 as per audited Financial Statements	96,75,924

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Particulars	Amount (Rs)
Total	1,39,70,363
Less:	
Development Fund	Rs.53,40,937
Less: Allowable Capital Expenditure Balance	<u>Rs.53,40,937</u>
	-
	53,40,937
Less: Provision for Leave Encashment and Gratuity (as per Actuarial Valuation report)*	33,33,935
Less: Depreciation Reserve Fund#	0
Available Funds	52,95,491
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)	6,35,48,936
Other income for 2015-16 as per financial statement	10,76,218
Estimated availability of funds for 2016-17	6,99,20,645
Less: Budget expenses for the session 2016-17 as submitted by school management	6,38,74,853
Net Surplus	60,45,792

#School has not maintained depreciation reserve fund in accordance with clause 14 of the order dated 11.02.2009. Hence, the same is not considered in above calculations.

*The school is hereby directed to make equivalent investments against provision for Gratuity and Leave Encashment with LIC (or any other agency) within 90 days of the receipt of this order.

**The school has submitted its total expenses for FY 2016-17. The increase in establishment expenses for the year is around 31%. 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. Though, the school has not able to built up adequate tangible investments/liquid assets to cover up 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. 1,23,70,000 which includes Rs. 30,00,000 for building construction and Rs.40,00,000 for vehicles. As per Modern School judgement read with rule 177 of DSEA & R, 1973 capital expenditure for building constructions can only be a charge on savings. As general reserve balances are negative, the same has not been considered.

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

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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 funds to meet the financial implications for the financial year 2016-17 and the representation dated 02.03.2017 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 M.M. Public School, Vasudha Enclave, Pitampura, Delhi-110034, 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 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).

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Non compliance of the order shall be viewed seriously.

This issues with the prior approval of the Competent Authority.

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

To

The Manager/HoS
M.M. Public School,
Vasudha Enclave, Pitampura,
Delhi-110034

No. F. DE-15/ACT-I/WPC-4109/PART/13/ 883

Dated: 4/9/2017

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