

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/ 882

Dated: 4/9/2017

ORDER

Whereas, the request of VSPK International School, Sector-13, Rohini, Delhi-110085 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/13/655-659 dated 06.03.2017 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 VSPK International 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 VSPK International School on 08.06.2017 at 10.30 AM 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 08.06.2017 at 10.30 AM 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. | In the Audited Financial Statements for the year 2015-16 submitted to the inspection team by School and the Audited Financial Statements for the year 2015-16 submitted by School with its comments, there is a difference in the opening balance of capital fund and additions made during the year. However, capital fund balance as on | It is only due to typing/ clerical error. However, there is no difference in surplus (i.e., excess of income over expenditure) | Improper response. Both set of financial statements are audited and it seems some adjustments were made in the |

31.03.2016 is equal in both these set of financial statements. The details of Capital Fund account are as follows:

| Particulars | As per Audited Financial Statements submitted to Inspection Team (Rs.) | As per Audited Financial Statements submitted to PMU with comments (Rs.) |
|--|--|--|
| Closing Balance as on 31.03.2015 | 99,66,417 | Not available |
| Opening Balance as on 01.04.2015 | 98,96,855 | 1,38,19,821 |
| Add: Additions | (51,52,736) | (12,29,770) |
| Add: Excess of Income over Expenditure | 45,22,872 | 45,22,872 |
| Closing Balance as on 31.03.2016 | (1,05,26,719) | (1,05,26,719) |

and closing balance of capital fund as on 31.03.2016.

audited financial statements. The school is directed to give proper disclosures of such adjustments in the notes to accounts. Compliance of the same shall be verified at the time of next fee increase proposal of the school, if any.

2. As per clause 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, upgradation and replacement of furniture, fixtures and equipment. However, development fund was utilised for other purpose as well. The school has utilized the development fund for payment of salaries to adhoc staff amounting Rs. 31,40,112 during FY 2015-16 and for construction of building amounting Rs. 42,41,205 during 2014-15. Both these expenditures were not mentioned in Clause 14 of the order as allowable expenditure.

The mistakes have been noted for future compliance.

The school is not allowed to utilise development fund for purposes other than mentioned in clause 14 of said order. School is not to charge any development fee unless it is able to comply the DoE instructions in this regard in future.

3. Total Fixed Asset is disclosed at written down value (WDV) and Depreciation Reserve fund is disclosed on the liability side of the Balance Sheet. Impact of double accounting of Depreciation on Development Assets is not explained by the school. Balance of

Double entry of depreciation on development assets is being done in the view of order issued by

Improper treatment of depreciation by the school and school is directed to follow DoE

| | | | |
|-----------|--|--|--|
| | <p>Depreciation reserve fund as on 31.03.2016 is Rs. 1,40,997. It seems that this amount actually is a free reserve curved out of Development Fees.</p> | <p>DoE in this regard.</p> | <p>instructions in this regard. The school is directed to make necessary changes in the financial statements of the next financial year and corresponding disclosure to this effect needs to be presented in the 'Notes to Accounts'. Compliance shall be verified at the time of next fee increase proposal of the school, if any.</p> |
| <p>4.</p> | <p>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. However, the school does not maintain separate fund for earmarked levies namely E-learning Charges and Transport Charges and all incomes and payments in respect thereof are routed through from Income and Expenditure Account only. The school has earned surplus of Rs.1,12,71,200 in relation of E-learning charges and deficit of Rs. 88,41,204 in relation of transport fees during the period covered under inspection. This implies that school is not following 'no profit no loss' as basis for determining rates of these fees.</p> | <p>School is maintaining separate account for transport charges but no separate account is maintained for e-learning charges. However, the above said charges are calculated by the school and charged from the students on 'no profit no loss' basis and there is no surplus.</p> | <p>School is not allowed to make any surplus out of the earmarked levies charged from the students. Also, the school has not submitted any calculation or workings to substantiate its claim. School should maintain proper accounts in respect of earmarked levies charged from the students. Compliance shall be verified at the time of next fee increase proposal of the school, if any.</p> |
| <p>5.</p> | <p>The inspection team has reviewed top 200 payments during the period covered under inspection and on review of supporting documents, and procurement process of operating expenses, following points were noticed:</p> | <p>The entire documents were provided to the inspecting team including bills, duly authorized vouchers, etc. (i to</p> | <p>School is directed to maintain proper internal control systems in relation to procurement of goods and services and for</p> |

- i. Relevant supporting documents were not attached along with the expense invoice
- ii. No purchase/ service order were available
- iii. No proof of receipt of goods/ performance of services were available
- iv. The school did not provided any list of bid invited/received, copy of quotations and comparative statements, etc.
- v. In relation to procurement of an item or service valuing Rs. 1 lakh in a year, the school has provided 'Policy for Petty Expenditure'. In these cases, no quotation was called for by the school.
- vi. Further, the school has incurred various expenses such as Building Up-keep expenses, Building white wash expenses, Refreshment to students, Repair and Maintenance expenses and Bus Security Guard Expenses which do not seem to commensurate with the size and operations of the school. The year-wise details are as follows:

| Particulars | FY 2013-14 | FY 2014-15 | FY 2015-16 | Budget FY 2016-17 |
|--|-------------|-------------|-------------|-------------------|
| Building Up-keep expenses/ Maintenance | 8,16,234 | 44,01,878 | 47,68,690 | 1,38,02,720 |
| Building white wash expenses | 54,19,814 | ----- | 67,48,190 | ----- |
| Repair and Maintenance expenses - Furniture and Fixtures | ----- | ----- | ----- | 1,20,00,000 |
| Refreshment to students | 47,81,093 | 63,11,046 | 65,58,148 | ----- |
| Repair and Maintenance expenses | ----- | ----- | 1,67,51,073 | ----- |
| Bus Security Guard Expenses | ----- | ----- | 41,26,500 | ----- |
| Interest on Loan | 1,01,14,462 | 1,11,69,941 | 1,03,12,766 | 1,10,00,000 |
| Others Expenses | ----- | 1,31,96,150 | ----- | ----- |

iv) The school has huge infrastructure. Any urgent repair must be undertaken without any delay as they may pose danger to the students. Thus, the principal is authorized to attend all such matters upto an of Rs. 1 lakh. (v)

Provisional Income and expenditure account for the FY 2016-17 is submitted for justifying the expenses as reported in order.

maintenance of records and documents for all transactions.

Details shall be verified at the time of next fee increase proposal of the school, if any.

| | | | | |
|--------------------------|--------------------|--------------------|--------------------|--------------------|
| School Cleaning Expenses | 44,34,521 | ----- | ----- | ----- |
| Travelling Expenses | 63,26,770 | ----- | ----- | ----- |
| Total | 3,18,92,894 | 3,50,79,015 | 4,92,65,367 | 3,68,02,720 |

Other discrepancies:

| S. No. | Detail of discrepancy | Submissions of the school | Remarks |
|--------|--|--|--|
| 1. | Transportation charges for FY 2013-14, 2014-15 and FY 2015-16 were not approved in the Parents Teacher Association meetings. | It is incorrect observation. Original minutes of PTA meetings was shared with the inspecting team and also enclosed. | There is no enclosure in the reply. Compliance shall be verified at the time of next fee increase proposal of the school, if any. |
| 2. | The school was regular in making payments of its dues to employees, Government, expenses as per the applicable rules and regulations governing the school except some delays in depositing of TDS to tax department, payment of payroll to employees and non-deduction PF from non-teaching staff without obtaining necessary declaration. | The observation is unfounded and untrue. All declarations were shown on file to inspecting team. Declaration for non-deduction of PF by non teaching staff is enclosed. | There is no enclosure in the reply. Compliance shall be verified at the time of next fee increase proposal of the school, if any. |
| 3. | Physical verification of laptops was carried out. During FY 2015-16, school has purchased 57 laptops amounting Rs.30,72,938. However, in case of 21 laptops, date on main circuit board ranges from 2007 to 2011 for the purchases made in FY 2015-16. | The dealers had provided company/ factory sealed packages - 57 laptops with 3 years warranty. Purchase committee has no software to check the date of manufacture. The observation has no truth/ substance in it. The undertaking by the dealer, is attached | Improper response. The school should have proper internal control systems to ensure that each payment is made for the ordered assets only. |

| | | | |
|----|--|---|--|
| | | as Annexure-7 for your information. | |
| 4. | Payroll expenses were reviewed and in relation to Non-teaching staff (driver, helpers, Aayas, sweepers, guards and peons, etc.) following points were noted: i. No appointment letters were issued to non-teaching staff ii. Salary amount of non-teaching staff are ranging from Rs.15,000 and Rs.18,000 per month. School is not deducting any PF without obtaining the necessary declaration from employees for non-deduction. iii. Attendance registers were not maintained properly. In-time and out-time is not recorded in it. Also, attendance register was not signed by the concerned employee. | These observations are incorrect and complete set of documents were furnished to the inspecting team. | School has not submitted any details to substantiate its claim. School is directed to apply/ follow statutory compliances. Compliance shall be verified at the time of next fee increase proposal of the school, if any. |

And whereas, after going through the representations dated 13.04.2017 and submissions made by the school during the hearing held on 08.06.2017 as well as financial statements/budget of the school available with this Directorate, it emerges that:-

The school is having a surplus of Rs. **14,92,314/-** as per the following details:-

| Particulars | Amount(Rs) |
|---|------------------|
| Cash and Bank balances as on 31.03.16 as per Audited Financial Statements | 68,79,304 |
| Investment as on 31.03.16 as per Audited Financial Statements | 2,04,182 |
| Total | 70,83,486 |
| Less: Development Fund# | 0 |
| Less: Depreciation Reserve Fund | 1,40,997 |
| Available Funds | 69,42,489 |
| 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) | 14,85,91,622 |
| Other income for 2015-16 as per financial statement | 7,17,923 |
| Estimated availability of funds for 2016-17 | 15,62,52,034 |
| Less: Budget expenses for the session 2016-17 as submitted by school management* | 15,47,59,720 |
| Net Surplus | 14,92,314 |

#In the balance sheet of the school for FY 2015-16, development fee fund is nil.

*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 has utilised its funds for payment of interest on loan. Also, school has proposed expenditure for interest on loans amounting to Rs. 1,10,00,000 for FY 2016-17 which has not been considered. In addition to that the school has also taken 7th pay commission impact on salaries amounting to Rs. 1,59,47,000 in its budget for the FY 2016-17 and the same is not considered in above calculations.

And whereas, in view of the above examination, it is evident that the school is having meagre liquid funds to meet the financial implications 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, it is evident that the school is not maintaining development fund account and depreciation reserve fund in proper manner in accordance with clause 14 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009. The school has followed unsustainable financial practices and improper accounting procedures and using development fund for non permissible items. The school has neither reserves, nor investments and yet continues to incur and budget capital expenditure. This has led to the irregular inclusion of capital expenditure as a part of fee structure. Hence, development fee already charged @15% has in reality been used for other purposes, and in effect already tantamount to a hike on tuition fee. School shall not be allowed to charge development fee unless it follows the directions of this Directorate.

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 has meager liquid funds to meet the financial implications for the financial year 2016-17 and the representation dated 08.04.2017 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. Further, it has been decided by the Director (Education) to allow the school to increase the existing fee by 5% for the session 2016-17.

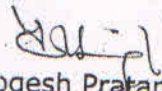
Accordingly, it is hereby conveyed that the representations for fee hike of VSPK International School, Sector-13, Rohini, Delhi-110085, has been accepted by the Director of Education and the school is hereby allowed to increase the existing fee by 5% for the session 2016-17.

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 06.03.17 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-1
Private School Branch
Directorate of Education

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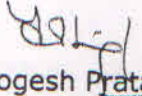
The Manager/HoS
VSPK International School,
Sector-13, Rohini, Delhi-110085

No. F. DE-15/ACT-I/WPC-4109/PART/13/ 882

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