

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/ 975

Dated: 13/10/2017

ORDER

Whereas, the request of St. Angel's School, A-Block, Sector-15, Rohini, Delhi-110089 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/13/386-390 dated 27.12.2016 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 St. Angel's 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 St. Angel's School on 15.05.2017 at 03.30PM 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 03.30PM 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 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. The school charges transportation fees	As per school calculations there is deficit against the earmarked levies. The school will bifurcate the expenses from FY	Accepted by school. School is not allowed to earn surplus out of earmarked levies charged. School is

	<p>which is collected in excess of the expenditure. It was observed that the school has earned surplus of Rs. 24,62,212 and Rs. 28,78,556 on account of transport fees and science fees charged from the students during three year period covered in inspection. In case of computer fee charged from students, there was deficit of Rs. 13,18,509 during three years period covered under inspection. The surplus thus generated is not set aside in form of a fund for specific utilisation later. Any subsequent downward fee revision was not effected to maintain break-even level. The surplus is merged with general surplus arising out of normal operation.</p>	<p>2016-17 and the income and expenditure account will be prepared accordingly.</p>	<p>directed to maintain its books of accounts in proper manner in accordance with DoE instructions and ICAI pronouncement in relation to earmarked levies.</p>
<p>2.</p>	<p>As per clause 8 of order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15/12/1999 and further reiterated by clause 23 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009, no amount shall be transferred from the recognized unaided school fund of a school to the society or the trust or any other institution. However, school has transferred funds to its Montessori wing of the school (St. Angel's School, Junior). The advance balances with junior school are Rs. 3,06,960, Rs. 3,99,872 and Rs. 5,91,060 at the end of FY 2013-14, FY 2014-15 and FY 2014-15 respectively. The DOE needs to look further into the transaction to assess recoverability to ascertain whether the advances are actually in the nature of diversion of funds disclosed as advances.</p>	<p>The amount so transferred has been received back from the Montessori Wing. The school will not transfer any amount from school fund to any other institution in future.</p>	<p>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'. Further, Rule 177 discusses about appropriation of savings of the school and stipulates that assistance to other school or institution can only be made from the savings of the school. Thus, school is directed to follow DoE instructions</p>

			in this regard. DD (District) is directed to verify whether the school has actually recovered the amount from Montessori wing or not and submit its report within 30 days from the date of issue of this order to DDE (PSB).
3.	There are various expenses such as repairs and maintenance of building, computer repairs, and garden expenses etc. which are on the higher side. In one such instance in which the school has paid Rs. 56,93,072 to Mr. Mukesh for whitewash and painting work in the school during the period of three years. The bills of vendor were not convincingly genuine and the vendor was neither registered under VAT nor under service tax. In reply to the observation, the school has commented that it is deducting and depositing works contract tax under DVAT against the said party. The same also submitted Vat Return and other documents.	It seems that the department is satisfied with the prima facie evidence submitted by the school and hence no comments.	School should implement proper internal control systems in relation to selection of vendor and payment to vendor. School is directed to follow legal requirements of the applicable statute in relation to payments made to Vendors. DD (District) is directed to check the veracity of these expenditures and submit its report to DDE (PSB) within 30 days from the date of issue of this order.
4.	The school has utilised the development fund for repairs of building, environmental education programme and JGC programme, etc.	The school can utilised development as per Rule 151 of DSEA&R, 1973 for	Rule 151 applies to aided schools only.

	This is contravention of clause 14 of order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009 which stipulates that development fund shall be utilised for supplementing the resources for purchase, up gradation and replacement of furniture, fixtures and equipment.	various other purposes as well.  After inspection, the school has considered the regulatory provisions and prepared the Financial Statements accordingly and no amount of development fund is utilised other than prescribed usage.	School is allowed to utilize development fee for purposes other than mentioned in clause 14 of the order dated 11.02.2009. School is directed to follow DoE instructions in this regard. School not to charge any development fee for FY 2017-18 unless it comply with the directions of this Directorate.
5.	The school had incurred expense for internal audit amounting Rs. 3 lakhs each for FY 2013-14 and FY 2014-15 and Rs. 3.30 lakhs for FY 2015-16. The school did not provide any Internal Audit report. Later the school has submitted Internal Audit Report for FY 2014-15 and FY 2015-16 along with its comments on the inspection report.	It seems that the department is satisfied with the prima facie evidence submitted by the school and hence no comments.	School should follow due propriety while incurring any such expenditures.
6.	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.	The school has taken a note of it and in future, it shall be adhered.	Accepted by School. School should follow DoE instructions in this regard.

#### Other discrepancies:

S. No.	Detail of discrepancy	Submissions of the school	Remarks
1.	There is a mismatch in the quantity appearing in the Fixed Asset Register as compared to the Fixed Assets Schedule given in the Financial Statements. The	There is no mismatch between the quantity appearing in the	School is directed to prepare proper fixed

	school has started to maintain its fixed assets register from 01.04.2016. Any details for earlier periods are not available.	fixed assets register and financial statements. However, it is true that the school has started to prepare Fixed Assets Register from 01.04.2016.	assets register covering number of units, location, costs, depreciation, etc., of the assets.
2.	As per clause 6 of the Order No. 1978 dated 16.04.2010, before increasing tuition fee school shall present its case for fee increase, with detailed financial statements to the committee of the duly elected Parents Teacher Association and obtain their concurrence to the proposed increase before the same is approved by the managing committee. Also, as per clause 7 of this Order, instructions for constitution of Parents Teacher Association as stipulated by circular No. 1913 dated 12.04.2010 is to be complied with. However, there is no Parents Teacher Association in the School and no consent for fee increase was taken.	The High Court of Delhi has categorically decided that no financial matter is required to be discussed and approved by the executive body of PTA. The election of executive body of PTA is under process.	School should follow DoE Instructions in this regard.
3.	It was informed by some teachers that they have dispute over payment of salary with the school and school has initiated disciplinary action against them. The teachers further informed that a court case was filed by the teachers and parents against financial irregularities of the school and the matter is sub-judice.	It is incorrect that there is any dispute over payment of salary and there is any financial irregularity in the school.	Compliance shall be verified at the time of fee increase proposal of the school, if any.

And whereas, after going through the representations dated 14.02.2017 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 of Rs. **10,82,362/-** as per the following details:-

Particulars	Amount (Rs.)
Cash and Bank balances as on 31.03.16 as per Financial Statements	91,19,409
Investment as on 31.03.16 as per Financial Statements	54,59,386
Total	1,45,78,795

Less: Provision for Gratuity and Leave Encashment (to the extent of availability of funds)*	1,45,78,795
Less: Development Fund and Depreciation Reserve Fund#	0
Available Funds	0
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)	9,45,06,355
Other income for 2015-16 as per financial statement	37,75,507
Estimated availability of funds for 2016-17	9,82,81,862
Less: Budget expenses for the session 2016-17 as submitted by school management*	9,71,99,500
<b>Net Surplus</b>	<b>10,82,362</b>

#School has utilised development fund for the purposes other than mentioned in clause 14 of the order dated 11.02.2009. Also, school has not able to create equivalent investments against depreciation reserve fund. Hence, both these have not been considered in above calculations.

\* The school is allowed for the provisions created for Gratuity & Leave Encashment up-to the extent of availability of funds with the school. Further, the school is hereby directed to make earmarked equivalent investments against provision for gratuity & Leave Encashment (as mentioned in above table) with LIC (or any other agency) within 90 days of the receipt of this order, so as to protect the statutory liabilities. Provisions for gratuity and leave encashment should be based on actuarial valuation.

And whereas, in view of the above examination, it is evident that the school is having meager funds 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 depreciation 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 had not utilized development 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. 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 in FY 2017-18 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 is having meager funds to meet the financial implications for the financial year 2016-17 and the representation dated 14.02.2017 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, Director (Education) has decided 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 St. Angel's School, A-Block, Sector-15, Rohini, Delhi-110089, has been accepted by the Director of Education and the school is 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. To Comply with all the instructions as mentioned in this order.
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

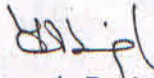
The Manager/HoS  
St. Angel's School,  
A-Block, Sector-15,  
Rohini, Delhi-110089

No. F. DE-15/ACT-I/WPC-4109/PART/13/ 975

Dated: \_\_\_ / \_\_\_ /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