

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/13/899

Dated: 15/09/2017

ORDER

Whereas, the request of Neo Convent Senior Secondary School, G-17 Area, Paschim Vihar, New Delhi-110063, 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/13/321-325 dated 27.12.2016 with the specific direction to rectify the deficiencies as illustrated in the said order and submit compliance report to Deputy Director of Education concerned within thirty days.

And whereas, the Director (Education) had referred to the representation of Neo Convent Senior Secondary 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 had been provided to the Manager/HoS of Neo Convent Senior Secondary School on 13.04.2017 at 11:00 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 13.04.2017 at 11:00 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.	The income received as fees from parents does not corroborate with the fee structure of the school and number of students. Further the school did not provide reconciliation of fee structure corroborated with the number of students.	The observation is incorrect and necessary documents were already given to the inspecting team. The details of fee reconciliation are enclosed for reference.	Compliance shall be verified at the time of next fee increase proposal of the school, if any.
2.	The school has not followed the process of inviting	There is a committee of 4 members which takes care of	Compliance shall be verified at

	quotations/ proposals for procurement of goods and services and written contracts are not entered with the suppliers.	all procurement related decisions and the contracts are made on arms' length prices. Accordingly, there is no violation as such and also, there is no legal requirement to follow any such process.	the time of next fee increase proposal of the school, if any.
3.	The parents were charged annual day/ sports day fees for which no receipt was issued to the parents, which is non-compliance to Rule 172 of DSE&R, 1973.	A consolidated receipt is issued for the collection of a class and the amount is reflected in accounts maintained by the school. From 2016-17, individual receipts have been given to the students.	The school has submitted that it had initiated to comply with the DOE instructions. School should follow DOE instructions in this regard.
4.	Books and uniforms are sold to the parents but no receipts were issued to substantiate the same. The collections are also not recorded in school accounts.	School does not sell books and uniform. So the observation is incorrect and denied. The school has allowed a vendor, a restricted access in the school, and it is left to the parent to buy from them or elsewhere.	The school should instruct the vendor to issue receipts against the sale of books and uniforms as this is also a violation under current Tax laws.
5.	The school does not maintain a Fixed Asset Register. During physical verification differences with the Asset list provided by the school was noted.	List of fixed assets is maintained and was furnished to the inspecting team. All of the fixed assets were not verified by them and it is only then the authenticity of the list can be ascertained.	The school is directed to implement proper internal control system in relation to maintenance of fixed assets register and also ensure that periodic physical verification of the assets are done by the school. Compliance shall be verified at the time of next fee increase proposal of school.

<p>On review of the financials for the year 2015-16, there exists an item on the Balance sheet as interest free loan due to Society as on 31.03.2016 amounting to Rs. 9,97,779/-, the nature and purpose of such transaction could not be ascertained. TDS worth Rs. 21,612 has been deducted on the item, the accuracy and purpose for which could not assessed as well.</p>	<p>Amount of Rs. 9,97,779 is the balance of loan given by society to the school during the initial years for construction of building.</p>	<p>It was upheld in Modern School case that 'no amount whatsoever shall be transferred from the recognized unaided school fund of a school to the society or the trust or any other institution'. Further, capital expenditure cannot be form part of financial fee structure of the school. The school should follow DOE instructions in this regard. School may comply with above guidelines and submit the entire calculation of loan taken, schedule of repayment made, interest paid (if any) and purposes on which spent alongwith next year's proposal for further examination.</p>
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Other Irregularities:-

1.	<p>Response from the school is pending on the management certificate stating the list of all items against which money has been paid by the parents during the year.</p>	<p>The school has provided the management certificate to the inspection team and the copy of the same is enclosed for your reference.</p>	<p>Considered.</p>
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	The school has not explored and exhausted all the possibilities of utilising the existing funds/reserves as there exists sufficient funds in General Reserve, Development Fund and Depreciation Reserve which can be utilized first before proposing a fee increase, hence a violation to Clause 2 of Order No. F.DE./ 15(56) /Act/ 2009/ 778.	The development fund and depreciation reserve fund are capital funds and cannot be used for revenue purposes. The available balance of general reserves is retained as four months' salary reserve as a statutory requirement.	Considered. School should follow DOE instructions in this regard.
3.	Development Fee was used for payment of revenue expenditure before 2014-15. Further Development Fee was not considered as capital receipt prior to 2014-15, which is noncompliance to Clause 14 of Order No.F.DE./15(56)/Act/2009/778.	Development fee for 2013-14 was used for the development expenditure only and was charged for revenue expenditure.	Accepted by school. The school is not allowed to utilize development fee for purposes other than mentioned in clause 14 of the said order. The school should follow DOE instructions in this regard.
4.	Caution money of more than Rs. 500 per student was charged prior to 2013-14 which is non-compliance to Clause 18 of Order No. F.DE./15 (56) /Act /2009 / 778.	The excess caution money was charged upto the year 2000 only and which is prior to the order of 2009.	The school should follow DOE instructions in this regard.
5.	Security deposit has not been deposited in a separate scheduled bank account; instead the amount received has been deposited in a savings bank account along with other receipts, which is non-compliance to Clause 18 of Order No. F.DE./15 (56) /Act /2009 / 778.	The order referred was issued by the Directorate for the implementation of 6 th CPC recommendations and nowhere requires that to deposit the security deposits money into a separate bank account. The amounts, so received, are deposited into saving bank account of the school maintained with Axis Bank.	Improper response. Taking cognizance of above point, it seems that the school has collected caution money in the name of security deposit. The school is directed to deposit the amount security deposit/ caution money in separate bank account in compliance of clause of 18 of said order.
6.	The school has only refunded the security deposit amount to the students and not the bank interest received on the same, which is not in line with Clause 18 of Order No. F.DE./15 (56) /Act /2009 / 778	The order referred was issued by the Directorate for the implementation of 6 th CPC recommendations and cannot be hold good for fixation of fees for 2016-17. However, if the directorate requires to pay the saving	Improper response. The school should follow DOE instructions in this regard.

		bank interest on the security deposit, the school shall do the same.													
7.	Un-refunded caution money amount has not been reflected as income for the next financial year after the expiry of thirty days, which is non-compliance to Clause 18 of Order No. F.DE./15 (56) /Act /2009 / 778.	The order referred was issued by the Directorate for the implementation of 6 th CPC recommendations and cannot be hold good for fixation of fees for 2016-17. The school shall do a periodic review and transfer the unclaimed amount to Income and Expenditure account.	Improper response. The school should follow DOE instructions in this regard.												
8.	The school has not strictly followed the Guidance Note issued by ICAI, for example, Depreciation on Fixed Assets has not been charged as per guidance note issued by ICAI, financial statements have not been prepared in the prescribed format, etc.	The school is following depreciation rates as per Income Tax Act and the guidance note issued by ICAI cannot override the provisions of Income Tax Act.	Considered.												
9.	There is no specific policy regarding deduction of provident fund, i.e., only few temporary employees avail the benefit of provident fund. Further provision for Gratuity has been provided by the school for the first time in 2015-16 but not based on actuarial valuation.	The school is complying with the relevant provisions of EPF Act, 1952. The part provision for gratuity has been made in 2015-16 according to the funds availability.	Compliance shall be verified at the time of next fee increase proposal of the school, if any.												
10.	Certain Related Party transactions are noted which are as follows, however the reasonability of such transactions needs to be established:- <table border="1" data-bbox="256 1406 764 1659"> <thead> <tr> <th>Party Name</th> <th>Relation</th> <th>Amount Paid</th> <th>Remarks</th> </tr> </thead> <tbody> <tr> <td>Dr. Jugraj Singh</td> <td>Trustee</td> <td>67,000/- P.M</td> <td></td> </tr> <tr> <td>Dr. Kushaldeep Kaur</td> <td>Wife of Trustee</td> <td>1,06,692 /- P.M</td> <td>Principal of School</td> </tr> </tbody> </table>	Party Name	Relation	Amount Paid	Remarks	Dr. Jugraj Singh	Trustee	67,000/- P.M		Dr. Kushaldeep Kaur	Wife of Trustee	1,06,692 /- P.M	Principal of School	Dr. Jugraj Singh is looking after the managerial duties of the school and the amount drawn is very nominal and reasonable, keeping in view the duties discharged by a person of his stature, qualification and experience. Dr. Kushaldeep Kaur is the principal of the school and the salary drawn is equivalent to similar post in Govt. of Delhi.	School is directed to recover the amount paid to Dr. Jugraj Singh within 60 days from the date of issue of this order and no such amount/ fee shall be paid in future for managerial duties. School should follow DoE instructions in this regard.
Party Name	Relation	Amount Paid	Remarks												
Dr. Jugraj Singh	Trustee	67,000/- P.M													
Dr. Kushaldeep Kaur	Wife of Trustee	1,06,692 /- P.M	Principal of School												
11.	Closing Balance as per Depreciation Reserve Fund is not matching with the corresponding value given in Fixed Assets Schedule. Depreciation Reserve Fund for the year 2015-16 is showing a value of Rs. 20,87,482	There was a typing error in the certified copy of the Financial Statements submitted at the time of application.	Accepted by school. School is directed to maintain its financial statements in proper manner.												

while the Fixed Assets Schedule reflects a value of Rs.21,83,482 as Depreciation as on 31st March 2016.

And whereas, after going through the representations dated 06.03.2017 and submissions made by the school during the hearing held on 13.04.2017 as well as financial statements/budget of the school available with this Directorate, it emerges that:-

The school is having a surplus of **Rs. 1,15,27,512/-** as per the following details:-

Particulars	Amount (Rs.)
Cash and Bank balances as on 31.03.16 as per School submission	58,07,178
Investment as on 31.03.16 as per School Submission	28,45,322
Add: Amount recoverable against payment made to Manager	8,04,000
Total	94,56,500
Less:	
Development Fund	7,50,961
Less: Allowable Capital Expenditure	<u>4,50,000</u>
Balance	<u>3,00,961</u>
	7,50,961
Less: Depreciation Reserve Fund	20,87,482
Less: Provision for Gratuity*	13,00,000
Available Funds	53,18,057
Fees for 2015-16 as per unaudited financial statement(We have assumed that the amount received in 2015-16 will at least accrue in 2016-17)	5,94,70,194
Other income for 2015-16 as per unaudited financial statement	8,14,814
Estimated availability of funds for 2016-17	6,56,03,065
Less: Budget expenses for the session 2016-17 as submitted by school management#	5,40,75,553
Net Surplus	1,15,27,512

*The school is hereby directed to make earmarked equivalent investments against provision for Gratuity with LIC (or any other agency) within 90 days of the receipt of this order, so as to protect the statutory liabilities. And provisions for gratuity and leave encashment should be based on actuarial valuation.

#The school has submitted its total expenses for FY 2016-17. The increase in establishment expenses for the year is around 21%. 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 proposed Rs. 64,20,000 for 'Financial' assistance to students (EWS & Scholarship) and as per Rule 177 of DSEA & R, 1973 award of scholarship can be made out of savings of the school and therefore, same should not be part of financial fee structure. Hence, it was not considered in above calculations. Further, school has proposed Rs. 25.18 lacs for Buildings and as per Modern School Judgment capital expenditure could not be part of financial fee structure of the school and hence, the same is not considered in above calculations.

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 is any surplus 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, 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 surplus funds to meet the financial implications for the financial year 2016-17 and the representation dated 06.03.2017 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 Neo Convent Senior Secondary School, G-17 Area, Paschim Vihar, New Delhi-110063, has been rejected by the Director of Education.

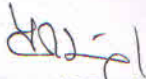
Further, the management of said school is hereby directed under section 24(3) of DSEAR 1973 to comply with the following directions:

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 27.12.16 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 judgment 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

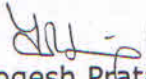
The Manager/HoS
Neo Convent Senior Secondary School,
G-17 Area, Paschim Vihar, New Delhi-110063.

No. F. DE-15/ACT-I/WPC-4109/PART/13/899

Dated: 15/09/2017

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