

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/ 881

Dated: 4/9/2017

ORDER

Whereas, the request of Gurusharan Convent Senior Secondary School, GH-9, Paschim Vihar, New Delhi-110087 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/13/196-200 dated 26.12.2016 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 Gurusharan 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 was provided to the Manager/HoS of Gurusharan Convent Senior Secondary School on 12.05.2017 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 12.05.2017 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.	The school has not complied with order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009, since: a) Caution Money/ Security Deposit of more	The school is charging Rs. 500 as caution money. The School will	School has ensured to comply in future. School is directed to follow

	<p>than Rs 500/- per student is being charged</p> <p>b) The bank interest on security deposit is not refunded to the students at the time of leaving the school</p> <p>c) After the expiry of 30 days, the un-refunded Caution Money belonging to the ex-students is not reflected as income for the next financial year and it is shown as liability (Rs 11.98 lakhs). Further, this income has not been taken into account while projecting fee structure for the ensuing Academic year.</p>	<p>ensure that bank interest will be refunded to the students leaving the school.</p> <p>The parents of the ex-students are being contacted continuously and are being refunded the caution money. The school will continue to do so till 31.03. 2017 and balance of caution money left will be transferred to Income Account.</p>	<p>DoE instructions in this regard.</p>
2.	<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. The school charges fees for Leap Start programme and Smart Classes from the students as earmarked fee. These are collected in excess of the expenditure. However, no separate fund, for these charges are maintained.</p>	<p>If there is any surplus it is used to met the salary deficit.</p>	<p>School should collect use charges on 'no profit and no loss' basis. The school should follow the DOE' instructions in this regard in letter and spirit.</p>
3.	<p>The school has not created provision for Gratuity as required by the Payment of Gratuity Act, 1972 in the financial statements for the year 2015-16 submitted by school to DOE. Also, Accounting Standard 15 on employment Benefit has not been complied with, by the school.</p>	<p>It will be ensured that the same would not be happen in future and will correct all the points in FY 2016-17.</p>	<p>Compliance should be verified at the time of next fee increase proposal of the school.</p>
4.	<p>Income shown in the financial statements does not corroborate with the fee structure of the school.</p>	<p>There are various concessions like for brothers and sisters, etc. Hence, there might be minor differences in the fee.</p>	<p>No supporting documents/ calculations are enclosed substantiate the claim. School should prepare and submit reconciliation</p>

			statement of fee as per Financial statements with fee structure of the school. Compliance shall be verified at the time of next fee increase proposal of the school.								
5.	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 depreciation charged is as per IT Rules.	The school should follow the DOE's instructions in this regard.								
6.	Clause 14 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009 states - "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's. 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 Reserve 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." The school is charging development fee, but is not maintaining depreciation reserve account. Further, Rs 18,29,104/- has been utilised for building repairs which is in contravention to the above mentioned clause.	The school will ensure that separate depreciation reserve fund is maintained from FY 2016-17 onwards. Rs. 18,29,104 was incurred for building repairs and was of capital nature.	School is not allowed to utilise development fees for purposes other than mentioned in clause 14 of the said order. As per provisions of Rule 177 of DSEA&R, 1973 and Modern School judgement, capital expenditure can not constitute a component of financial fee structure as submitted by the school. Accordingly, the school is directed to follow DoE instructions in this regard.								
7.	Some of the major payment were made without proper documents. Year wise details of such expenses are as follow: <table border="1" data-bbox="414 1904 1031 1971"> <thead> <tr> <th>FY 2015-16</th> <th>FY 2014-15</th> <th>FY 2013-14</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	FY 2015-16	FY 2014-15	FY 2013-14	Total					Payment were made through account payee cheque. Copy of bill attached.	School has not submitted copy of cheque and bank statement in support to its
FY 2015-16	FY 2014-15	FY 2013-14	Total								

						claim. Compliance shall be verified at the time of next fee increase proposal of the school.
	15,86,139	8,81,163	11,13,847	35,81,149		

Other discrepancies:

S. No.	Detail of discrepancy	Submissions of the school	Remarks
1.	The school has submitted the statement of fee to DoE every year. This has been submitted after the due date for submission of the same.	The school will ensure that it does not happen in future.	School has ensured to comply the same in future.
2.	It was noticed that the school has not collected proof of ESI and PF, paid by the contractor for the employees deputed in the school.	The school will ensure that it does not happen in future.	School has ensured to comply the same in future. Compliance shall be verified at the time of next fee increase proposal of the school.
3.	The school makes payment of salary through bearer cheque, which is not permitted (Refer the Affiliation bye-laws of CBSE). However, the school has responded in its comments that the system of payment of salary through account payee cheque or ECS has been initiated and proof for payment has been attached in the response.	The school is making payment through ECS and proof of payment has been attached in response.	School is directed to follow affiliation and recognition norms in letter and spirit.
4.	Control over the cash book and cash payments needs improvement. The CA firm found that the school is making cash payments exceeding Rs 20,000 which is not a good practise. Around 80 percent of the fees is collected by the school is in cash.	This will be taken care in future.	School should ensure that all payments in compliance to various laws and is directed to implement proper internal control systems over cash book and cash payments so as to protect school interests.

5.	<p>Procurement procedure for award of contracts by the school is not appropriate. Common irregularities noted are:</p> <p>a) The system of calling quotations from at least three suppliers does not exist</p> <p>b) All purchases are made on the basis of verbal approval from the principal/chairperson</p> <p>c) There is no system of stamping on the purchase bill at the gate of the school and at the time of receiving the material in the school</p> <p>d) Payments (either by cash or cheque) to the supplier were made on the verbal instructions from the principal/chairman</p>	<p>It will be ensured in future that for all major expenses, proper quotation are to be taken from at least three vendors. The school will ensure that proper documentation is maintained for all significant purchases in future.</p>	<p>School is directed to implement proper internal control systems over procurement of goods and services and should maintain proper documentation regarding selection of vendors. Compliance shall be verified at the time of next fee increase proposal of the school, if any.</p>
6.	<p>There should be a proper system for receiving complaints, either in form of complaints box or complaints register. This will improve the working condition of school.</p>	<p>The suggestion/complain box is fixed outside the office of the school.</p>	<p>Accepted by school.</p>
7.	<p>The school has started to charge increased fees from the students without any approval from the DoE during the first quarter of financial year 2016-17. This is noncompliance of Order No F.DE-15/ACT-I/WPC-4109/Part/13/10248-10255 dated 15/07/2016.</p>	<p>The hiked fee for first quarter of FY 2016-17 was adjusted against the fee of subsequent months.</p>	<p>School is directed to strictly follow DoE instructions/ orders.</p>

And whereas, after going through the representations dated 02.02.2017 and submissions made by the school during the hearing held on 12.05.2017 as well as financial statements/budget of the school available with this Directorate, It emerges that:-

The school is having a surplus of Rs. **65,21,002/-** as per the following details:-

Particulars	Amount(Rs)
Cash and Bank balances as on 31.03.16 as per School submission	78,47,158
Investment as on 31.03.16 as per School Submission 17,83,886	0

Less: FD in the name of Secretary, CBSE	1,40,000	
Less: FD in the name of Manager of School & DDE(WB)	1,24,103	
Less: FD in the name of Manager of School & DDE(WB)	5,00,000	
Less: FD in the name of Manager of School & DDE(WB)	7,02,258	
Less: Interest Accrued but not due on FDR	<u>3,17,525</u>	
Balance	-	
Total		78,47,158
Less: Development Fund and Depreciation Reserve Fund#		0
Less: Provision for retirement benefits*		0
Available Funds		78,47,158
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)		3,79,41,718
Other income for 2015-16 as per financial statement		9,05,446
Estimated availability of funds for 2016-17		4,66,94,322
Less: Budget expenses for the session 2016-17 as submitted by school management*		4,01,73,320
Net Surplus		65,21,002**

#School has not utilised development fee for the specified purposes mentioned in clause 14 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009 and hence, the same is not considered in above calculations. School is not maintaining any depreciation reserve fund.

*As per Financial Statements for FY 2015-16, school is not maintaining any Provision for leave encashment and gratuity. Hence, budgeted provision for the same for FY 2016-17 is not considered in above calculations. Further, School has budgeted its staff salaries with an increase of around 43% for the year. It found to be unreasonable increase and accordingly, the same is not considered in above calculations and only 10% increase in staff salaries is considered.

**The school is hereby directed to make 50% investments against provision for Gratuity and Leave Encashment with LIC (or any other agency) within 90 days of the receipt of this order. And 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 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, it is evident that the school has not followed prudent financial practices over the years and has not built up equivalent investments against reserves, retirement liabilities/ 03 months salary reserves as mandated by the Act. The school is hereby advised to apply due propriety while proposing any expenditure against retirement benefits in the year when VII pay commission's recommendations are being implemented so that it would not cause any hardship to the parents.

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 is not maintaining 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. 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 is having sufficient liquid funds to meet the financial implications for the financial year 2016-17 and the representation dated 02.02.2017 and subsequent submissions made thereafter in this regard find no merit in respect of sanction for increase in fee and hereby rejected on the basis of above mentioned observations.

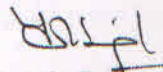
Accordingly, it is hereby conveyed that the representations for fee hike of Gurusharan Convent Senior Secondary School, GH-9, Paschim Vihar, New Delhi-110087, has been rejected by the Director of Education.

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 as mentioned in the order dated 26.12.16 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).

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

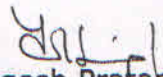
The Manager/HoS
Gurusharan Convent Senior Secondary School,
GH-9, Paschim Vihar, New Delhi-110087.

No. F. DE-15/ACT-I/WPC-4109/PART/13/ 881

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