

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/ 965

Dated: 13/10/2017

ORDER

Whereas, the request of St. Francis De Sales Senior Secondary School, A4-C, Janakpuri, New Delhi-110058 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/13/206-210 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 St. Francis De Sales 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 St. Francis De Sales Senior Secondary School on 12.05.2017 at 10.00AM 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 10.00 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. | Activity fee is charged from all the students irrespective of user students, in violation of clause 22 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009 | The items covered in the earmarked activity fee is provided to all the students and not to any particular students or group of students. | School is directed to follow DoE instructions in this regard. Compliance shall be verified at the time of next fee increase proposal of the school, any. |

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| 2. | <p>There is an uncovered gratuity liability of Rs. 345.18 lakhs as on 31.03.2016. The school has started making provision of accrued gratuity liability from the year 2009-10, and liability for the previous periods has not been provided. The management has estimated unprovided liability of Rs. 345.18 lacs as per provisions of Gratuity payment Act. However school has not provided actuarial valuation of gratuity liability as required by Accounting standard (AS) 15 issued by ICAI.</p> | <p>Actuary Valuation report on Gratuity and leave encashment liability is submitted by school for FY 2015-16 and FY 2016-17.</p> | <p>School is advised to make appropriate provisions in the books of accounts for its retirement benefits based on actuarial valuation. Compliance shall be verified at the time of next fee increase proposal of the school.</p> |
| 4. | <p>Transport facility is availed by some students, for which school has arrangement with DTC, private buses and owned buses (majorly arranged from DTC). No separate bus fee fund is maintained. Bus fee collected is booked on Receipt side (Rs.86.06 lakhs 2016) and expenditure is booked on debit side (69.84 lakhs on payment to DTC, Private buses and owned bus expenses). This way there is a surplus of Rs. 16.22 lakhs in 2015-16 from Bus fee collected and expenditure booked. The school bus running and maintenance expenses are booked in above school bus expense a/c but salary to drivers is booked in 'Salary and allowances' and depreciation is charged in total depreciation, separate figures of such salary and depreciation for owned buses is not available.</p> | <p>After considering the salaries to Drivers and other staff involved in transportation and depreciation on buses, there is no surplus from transport fee. Further, the school is also maintaining separate bank account for receipts of transport fee and expenditures related to transportation.</p> | <p>Contention of school is considered. School is advised to make its financial statements in accordance with DoE instructions ensuring that earmarked levies are properly presented.</p> |
| 5. | <p>As per clause 23 of order no-F.DE./15(56)/Act/2009/778 dated 11/02/2009, no amount whatsoever shall be transferred from the recognised unaided fund /School fund to a society or trust or any other institution. A temporary advance of Rs.50,00,000 had been given to St. Francis de Sales Sr. sec. school, Jhajjar in April 15, to meet their expenses of the construction of its new wing as their sanctioned bank loan got delayed. The amount has been repaid by them in March 2016. This payment was approved by governing body in their meeting held on 6 April,</p> | <p>In future, the school shall take care not to give any such temporary advances.</p> | <p>Accepted by School. School is directed to follow DoE instructions in this regard.</p> |

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| | 2015. | | |
| 6. | <p>All bank accounts are reconciled. All entries outstanding in Bank Reconciliation Statement (BRS) are of March 2016 except in BRS of Main School A/C no424490129 where following two old entries were outstanding:</p> <ul style="list-style-type: none"> • Ch. dt. 25.05.2015 for Rs. 17909/- for laboratory expenses • Ch. dt. 13.07.2015 for Rs. 10100/- being Fee refund <p>These cheques being more than 3 months old, should be transferred to stale cheque a/c.</p> | It has been transferred to the Stale Cheque Account as suggested in the order. | Accepted by School. |
| 7. | <p>As per DOE Order dated 11-02-2009, "Development fee not exceeding 15 % of total annual tuition fee may be charged for supplementing the resources for purchase, up gradation and replacement of furniture, fixture and equipment." School is utilizing development fund for "Major repairs of building" which is not permitted. Repairs for building may be understood as an expenditure of developmental nature and may be utilized from general reserve as per rule 177.</p> | <p>The school has used term 'major repairs to the buildings' to denote the replenishments, renovation and additions were done to the fixtures and furniture attached to the buildings. The school has not utilised these funds for any addition to the building or to its floor or covered area.</p> | <p>School has not submitted any documents to substantiate its claim that the said expenses are related to furniture and fixtures. It was upheld in Modern School case read with Rule 177 of DSEA & R, 1973 that capital expenditure can only be made from the savings of the school and cannot be charged from 'increase in fees'. Accordingly, school is directed to follow DoE instructions in this regard. Details of these transactions shall be verified at the time of next fee increase proposal of the school.</p> |
| 8. | <p>As per Clause 14 of Order No. F.DE./15 (56) /Act /2009 / 778 dated</p> | <p>The school shall now credit all the interest</p> | <p>The school has ensured to</p> |

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| | 11/02/2009, the school should maintain the collection under development fund and income generated from the investment made out of this fund in a separately maintained development fund account. However, the school has credited interest on all investments in the income and expenditure account. | income development investments development account. | on fund to fund | comply the same. School is directed to follow DoE instructions in this regard. Compliance shall be verified at the time of net fee increase proposal of the school. |
| 9. | Fee concession on development fund has been debited to income and expenditure account. This should be deduction from the development fees credited in development fund account'. | Concession on development fee shall now be debited to development fund account only. | on fund | The school has ensured to comply the same. Compliance shall be verified at the time of net fee increase proposal of the school. |

Other discrepancies

| S. No. | Detail of discrepancy | Submissions of the school | Remarks |
|--------|---|--|--|
| 1. | One of the conditions (clause (d)) of land allotment letter is that school shall ensure the percentage of free-ship from tuition fee as laid down in Rules. The free-ship/ concession allowed in 2013-14 and 2015-16 was within 20% limit, as per rule 158(3). However, in 2014-15 concession was given to 582 students as against 20% limit of 569 students, out of total 2845 students (i.e. 20.46%). | The school is providing free ship to more than 20% students. | School is directed to follow DoE instructions in this regard. Compliance shall be verified at the time of net fee increase proposal of the school. |
| 2. | On review of Balance Sheet, it was noticed that land and building was not appearing in the books of accounts of the school although repairs for building has been charged to Income and Expenditure Account. As informed by school, land and building cost was borne by the school's parent body, hence land and building was not appearing in books of accounts. | The cost of land and building was borne by the society and hence, the same are not appearing in the books of accounts of school. | Considered. |
| 3. | School follows cash basis of accounting and does not maintain a fixed asset register. | The school is maintaining its accounts on cash basis of accounting as | The School should follow the instructions of DOE in this regard. |

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| | | mercantile system of accounting is not compulsorily applicable in case of Charitable organization like school. The school is in the process of completing the fixed assets register. | School is directed to prepare its Fixed Assets Register in proper format so as to disclose name, type, quantity/ units, purchase amount, depreciation, location, etc., of the fixed assets so as to protect the fixed assets effectively. |
| 4. | Security deposit is refunded to students on request but without interest, which in violation of Clause 18 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009. Further, un-refunded security deposit money is shown as a liability and not accounted for as income, as required by clause 4 of Order No. DE/15 /150 /ACT /2010 /4854-69 dated 09.09.2010. Total security deposit outstanding as on 31.03.16 is Rs. 7.05 lakhs. This may include un-refunded amount of deposit as well. However, this amount is not available. The amount is insignificant, considering total fee collection of Rs. 14.24 crore in 2016-17. | The school has transferred the unclaimed security deposits upto FY 2015-16 to Income and Expenditure account and has decided to refund the remaining security to the concerned students along with interest. | Accepted by school. School is directed to follow DoE instructions in this regard. 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 27.01.2017 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. **1,14,86,152/-** as per the following details:-

| Particulars | Amount (Rs) |
|---|-------------|
| Cash and Bank balances as on 31.03.16 as per audited Financial Statements | 65,23,219 |
| Investment as on 31.03.16 as per audited Financial Statements | 3,54,73,612 |
| Total | 4,19,96,831 |
| Less: Development Fund# | 0 |

| Particulars | Amount (Rs) |
|--|--------------------|
| Less: Depreciation Reserve Fund | 1,42,93,065 |
| Less: Provision for Gratuity* | 1,54,54,173 |
| Available Funds | 1,22,49,593 |
| Provisional Fees for 2016-17 as per school submission | 12,88,34,859 |
| Other income for 2016-17 as per school submission | 14,73,237 |
| Estimated availability of funds for 2016-17 | 14,25,57,689 |
| Less: Provisional Expenses for the session 2016-17 as submitted by school management** | 13,10,71,537 |
| Net Surplus | 1,14,86,152 |

School is not maintaining development fund account in accordance with clause 14 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009 and used development fund for non permissible items. Hence, the same is not considered in the above calculations.

* The school is hereby directed to make earmarked equivalent investments against provision for Gratuity and Leave Encashment 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.

**School has proposed capital expenditure for Auditorium including furniture and fixture amounting to Rs. 1,25,19,649/-. Details and nature of the expenditure is not specified and also, as per Modern School judgment it was upheld that the capital expenditure cannot form part of financial fee structure of the school and accordingly only Rs. 25,19,649/- was considered in above calculations.

And whereas, in view of the above examination, it is evident that the school is having sufficient surplus 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 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 sufficient liquid funds to meet the financial implications for the financial year 2016-17 and the representation dated 27.01.2017 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.

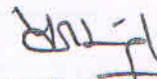
Accordingly, it is hereby conveyed that the representations for fee hike of St. Francis De Sales Senior Secondary School, A4-C, Janakpuri, New Delhi-110058, has been rejected by the Director of Education for the session 2016-17.

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

1. 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 orders 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

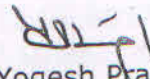
To
The Manager/HoS
St. Francis De Sales Senior Secondary School,
A4-C, Janakpur, New Delhi-110058

No. F. DE-15/ACT-I/WPC-4109/PART/13/ 965

Dated: 13 / 10 / 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