

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/ 889

Dated: 4/9/2017

ORDER

Whereas, the request of Brain International School, H-Block, Near-Lal Market, Vikaspuri, New Delhi-110018 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/13/585-589 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 Brain 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 Brain International School on 15.05.2017 at 02.00PM 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 15.05.2017 at 02.00PM 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.	As per clause 14 of Order No. F.DE./15(56)/Act/2009/778 dated 11.02.2009, 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. Further, development fee can be used for supplementing resources for purchase, up gradation	As directed, the development fee collected will be treated as capital receipts and	The school has assured to comply with the same in future. School is directed to

	<p>and replacement of furniture, fixtures and equipment. The school does not maintain a depreciation reserve fund and correspondingly assets were recorded at written down value at the balance sheet.</p>	<p>depreciation reserve will be maintained.</p>	<p>follow DOE instructions in this regard. And school shall not be allowed to charge development fee in future if it does not treat the same as capital receipt and separate depreciation reserve fund is not maintained.</p>												
<p>2.</p>	<p>The school doesn't have a defined procurement process and did not provide flow chart describing the procurement cycle. During inspection of few contracts, the inspection team observed instances where quotations of different vendors were not available. As explained by the management the school does not follow tendering process.</p>	<p>All procurements, henceforth, will be done through quotation/ tendering process.</p>	<p>The school is directed to introduce effective internal control system for procurement of goods and services.</p>												
<p>3.</p>	<p>Expenditure incurred on account of capital assets procurement during the three years period under review (i.e. 2013-14, 2014-15 and 2015-16), leads to utilisation of School funds for capital expenditures. However, School has reported Deficit in School fund in the last 3 Financial Years. Following detailed have been noted, as mentioned in the table below.</p> <table border="1" data-bbox="300 1478 1079 1736"> <thead> <tr> <th>Particulars</th> <th>2013-14</th> <th>2014-15</th> <th>2015-16</th> </tr> </thead> <tbody> <tr> <td>Reserve and Surplus</td> <td>(1,85,09,572)</td> <td>(1,88,40,328)</td> <td>(1,74,86,512)</td> </tr> <tr> <td>Capital Expenditure</td> <td>15,07,796</td> <td>80,81,774</td> <td>63,38,171</td> </tr> </tbody> </table>	Particulars	2013-14	2014-15	2015-16	Reserve and Surplus	(1,85,09,572)	(1,88,40,328)	(1,74,86,512)	Capital Expenditure	15,07,796	80,81,774	63,38,171	<p>Henceforth, capital assets procurement will be made from the funds available for capital expenditure.</p>	<p>In a year of fee increase, high capital expenditure tantamounts to inclusion of capital expenditure in fee structure which is clear cut violation of Modern school judgement. The table clearly shows that even in years of negative</p>
Particulars	2013-14	2014-15	2015-16												
Reserve and Surplus	(1,85,09,572)	(1,88,40,328)	(1,74,86,512)												
Capital Expenditure	15,07,796	80,81,774	63,38,171												

			surpluses, school has incurred capital expenditure. No clear cut explanation for the same has been given. Compliance of the same will be seen during next fee hike proposal, if any.
4.	Variances with regards to establishment expenses is more than 21% as budgeted by the school for F.Y. 2016-17.	The school will be committed to make more correct estimates while envisaging forthcoming events, directions, policies requirements and financial effect thereof.	Also, as per the school submission during hearing, the establishment expenses has increased by 42% (app.) from 2015-16 to 2016-17, which were found to be unreasonable.

Other 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, earmarked levy will be calculated and collected on 'no profit no loss' basis and spent only for the purpose for which they are being charged. All transactions relating to the earmarked levies shall be an integral part of the school accounts and any surplus recognised shall be recorded as earmarked levy fund. School is charging transport fees, science fees etc. from the students and is	As directed, earmarked levies shall be maintained as separate fund.	The school has assured to comply with the same in future. School is directed to follow proper accounting practices in relation to

	not recognising the surplus as a separate fund. The school has not utilised the fees in accordance with rules 176 and 177 of the Delhi School Education Rules 1973, the school is not following the fund based accounting system. Whereas the surplus of earmarked levies are not separately maintained by the school and the same being adjusted with other expenses of the school a, the same has been quantified by the school in its report, Transport fund as computed, amounting to Rs. 85,55, 523 considering the financials for F.Y. 2013-14, 2014-15 and 2015-16.		earmarked levies and ensure that these user charges are utilised for the purposes for which these were collected.
2.	There were instances where the school fails to deposit the Tax deducted at source within the due date. The same TDS was deducted on account of contractual payment made, which results into a delayed deposit of TDS.	The school is taking care of this anomaly and depositing TDS well within the time limit available.	The school has assured to comply with the same in future.
3.	As per clause 18 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009, no Caution Money/ Security Deposit of more than 500/- per student shall be charged. The caution money thus collected shall be kept deposited in a Scheduled Bank in the name of the concerned school and shall be returned to the student at the time of his/her leaving the school along with the bank interest thereon irrespective of whether or not he/she requests for a refund. The un refunded amount should be transferred as income in the next financial year after the expiry of 30 days. The observation noted on the above lines are as follows: (i) Caution money refunded without any interest amount thereon, violation of Clause 3 of Public notice dated 04.05.1997.	The school does not find it feasible calculate interest for each and every student, therefore, it proposes to refund and adjust the caution money collected from the students.	The school has assured to comply with the same in future. School is directed to follow DoE instructions in this regard.

And whereas, after going through the representations dated 06.04.2017 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. **1,82,61,610** /- as per the following details:-

Particulars	Amount(Rs)
Cash and Bank balances as on 31.03.16 as per Financial Statements	-22,41,088
Investment as on 31.03.16 as per Financial Statements	11,76,492
Total	-10,64,596
Fees for 2016-17 as per School submission	7,49,23,706
Estimated availability of funds for 2016-17	7,38,59,110
Less: Budget expenses for the session 2016-17 as submitted by school management	5,55,97,500
Net Surplus	1,82,61,610

*The school has submitted its total expenses for FY 2016-17. The increase in establishment expenses for the year is around 42%. 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.

#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 is proposing the capital expenditure to the tune of Rs. 1,00,00,470. It is also noted that development fund is showing negative balance, which signify improper accounting practice in maintenance of the same, and also, the school is not maintaining any depreciation reserve fund in accordance with clause 14 of the order dated 11.02.2009. Accordingly, capital expenditure against the development fee was not considered in above calculations. School is directed to follow clause 14 of the order 11.02.2009 in letter and spirit.

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, 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 resulting in an unacceptable situation of negative opening balance of development fund, at the same time , not maintaining depreciation reserve fund 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 must not charge development fee till the time it is able to comply with instructions in order dated 06.03.17 in entirety.

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 06.04.2017 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 Brain International School, H-Block, Near-Lal Market, Vikaspuri, New Delhi-110018, has been rejected by the Director of Education.

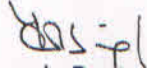
Further, the management of said school is hereby directed under section 24(3) of DSEAR 1973 to comply with the following directions:

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 06.03.17 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 true 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

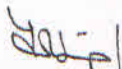
The Manager/HoS
Brain International School,
H-Block, Near-Lal Market, Vikaspuri,
New Delhi-110018.

No. F. DE-15/ACT-I/WPC-4109/PART/13/ 889

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