

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/ 862

Dated: 8/8/2017

ORDER

Whereas, the request of The Heritage School, D-II, Vasant Kunj, New Delhi-110070 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/13/502-506 dated 27.02.2017 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 The Heritage 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 The Heritage School, D-II, Vasant Kunj, New Delhi-110070 on 19.05.2017 at 04.30PM 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 19.05.2017 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.	As per Clause 14 order No. F.DE/15(56)/Act/2009/778 dated 11 February 2009, Development Fund shall be used for	The said expenditure was made for the	Improper justification. The school

<p>purchase, up-gradation and replacement of furniture fixtures and equipment. The school has utilised the development fund for construction of school building. This is in contravention to the above mentioned clause. The school has spent Rs.17,34,850 in F.Y. 2014-15 and Rs.61,96,092 in F.Y. 2015-16 towards the said construction work.</p>	<p>upgradation of school infrastructure to improve the facilities for the existing students so as to enhance their learning experience. The dictionary meaning of equipment is 'necessary items for a particular purpose'. It cannot be defined as mere instrument. There is no misappropriation of development fees, which stands utilised for the benefits of students only. Also any savings from the fee can be used for expansion of school building as has been provided in DSE rules.</p>	<p>should utilised development fee only in accordance with clause 14 of the said order.</p>	
<p>2.</p>	<p>The school has not complied with the provisions of "The Building and Other Construction Workers Welfare Cess Act,1996" in respect of civil work carried out for construction of the third floor of school building. As per the act every employer is required to pay cess @ 1% of the cost of construction to the Delhi Building & Other Construction Workers Welfare Board. It is estimated the cess liability which is as follows: Financial Year 2015-16</p> <ul style="list-style-type: none"> • Cost of Construction Rs.203.53 lakhs • Cess @ 1% Rs.2.04 lakhs 	<p>The school has referred the above finding to the legal consultants of the school for compliance and the school is taking necessary steps to make the payment earliest, if applicable.</p>	<p>Accepted by school. Compliance shall be verified at the time of next fee increase proposal of the school, if any.</p>
<p>3.</p>	<p>The school has donated some furniture to various aided/government schools during the FY 2014-15 and 2015-16. However, the school has not written off such assets from the books of accounts and continues to charge</p>	<p>The relevant entry for writing off the furniture is passed during the year 2016-17. Also,</p>	<p>Accepted and rectified by School. The same shall be verified at the</p>

4

	depreciation on the same.	depreciation wrongly charged has been reversed. It is submitted that these are bona fide errors and not financial irregularities.	time of next fee increase proposal of the school, if any.
4.	The school has shifted some of its furniture & fixtures to other schools managed by the society having common trustees and members due to lack of space within the school premises. As explained by the school, the assets lying with other schools will be returned/shifted back to Heritage-Vasant Kunj when required. Such relocated furniture & fixtures are not identified in the FAR as such and the school has no effective control and monitoring mechanism on the assets.	Major upgradation was carried out in school facilities during FY 2015-16 and this entailed in upgradation of furniture. Due to lack of storage, some old furniture was sent to The Heritage Schools in Gurgaon and Rohini. The same has now been called back from those schools. It is reiterated that this is not a financial irregularity.	The same shall be verified at the time of next fee increase proposal of the school, if any.
5.	As per clause 22 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009, Earmarked levies 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. The school is not following fund accounting for earmarked levies. Fees collected are accounted for as income and the related expenditure is booked under the expense heads. The school has earned surplus from these levies which has been used by the school for other general expenses.	There is total adherence of each aspect of accounting as well as transparency. It is also pertinent to note that the budget estimates are based on anticipated expenses and there can be an incidental deficit/surplus based on actual eventuality and the expenses incurred. Also, direct expenditures being incurred on these levies includes some	The school should follow the instructions of DOE in this regard.

		overheads which cannot be apportioned against these levies.	
6.	The school has made provision for gratuity and leave encashment on the basis of salary as on 31.03.2016. No actuarial valuation has been done, as prescribed by Indian GAAP.	The school has taken a note of the same. The school shall provide for the gratuity liability and leave encashment liability on actuarial basis in the financial statements for FY 2016-17.	Compliance of the same shall be verified at the time of next fee increase proposal of the school, if any.
7.	As per clause 18 of Order No. F.DE/15 (56) /Act /2009/778 dated 11/02/2009, the caution money 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 school has maintained a separate bank account for caution money but has not transferred the amount of Caution money collected to this account. The balance in the Caution money bank A/c as on 31.03.2016 in Rs.53,702 whereas the liability for refundable caution money as per the financial statements is Rs.5,63,500. The amount is likely to have been used for other purposes by the school. Further, the school is refunding caution money to the student without any interest thereon.	The school has already transferred a sum of Rs. 3,30,798, to caution money account. Copy of bank account is enclosed. The school makes refund of security as per DOE rules to the outgoing students. As the amount was kept in separate account and no interest is earned on it, nothing is refundable to the students on account of interest.	The school should follow DoE instructions in this regard.
8.	The amount of fixed deposits is not reconciled with the financial statements and the amount of FD and interest accrued is overstated in the financial statements by Rs.60,500 (approx.). Interest on FD is also over booked by Rs.7,837 in the financial statement for the FY 2013-14.	No response.	The school should rectify the same.
9.	The following discrepancies were noted while reviewing the financials statement for FY 2015-16:	The school has submitted the facts about the	Considered. The treatment of or

<p>I. Addition of Rs.16,88,668 and deduction of Rs.14,35,726 in depreciation reserve fund (schedule 2A of Balance Sheet) cannot be correlated with any item in the Financial Statements (FA schedule or others) so as to understand the nature of the transaction and its impact.</p> <p>II. The depreciation on assets purchased through Development Fund amounting to Rs.45,51,765 for the year 2015-16 which has been deducted from "Development Fund already utilised for acquiring assets" could not be reconciled to the depreciation calculated in FA schedule.</p> <p>III. Deduction from Development Fund as per Schedule 3A of Balance Sheet with regards to acquisition of assets is Rs.1,18,18,287 and corresponding addition to "Development Fund already utilised for acquiring assets" as per Schedule 3B is Rs.1,20,10,651. The difference of Rs.1,92,364 is not reconcilable.</p> <p>IV. Amount of Rs.6,853 have been transferred to General Fund from Development fund. Such amount has not been shown as deduction in Development fund schedule.</p>	<p>calculations and the treatment of various funds.</p>	<p>adjustments in various funds should be specific and the proper disclosure should be made in the notes to accounts of the School.</p>
---	---	---

Other Discrepancies:

S. No.	Detail of Discrepancies	Submissions of the school	Remarks
1.	<p>Fixed Asset Register is required to be comprehensively maintained as various shortcomings have been observed in maintenance of the same which are as follows:</p> <p>I. No tagging of assets is done in the FAR and on the assets to identify their location because of which assets could not be physically verified.</p> <p>II. Item wise details are not mentioned in the FAR. Details of assets sold/scrapped/shifted out of the school premises are not mentioned in the FAR.</p> <p>III. Depreciation for individual assets is not recorded in the FAR, thus only cost of</p>	<p>The main item in the fixed assets in the school is always furniture, which keeps on moving some times from one room to other room, specifically in the vacations, when whole of the furniture is taken out for maintenance purposes. Whole</p>	<p>The school has ensured to comply with the suggestions made by the inspection team.</p>

4

	assets is available in the FAR and the WDV of the assets is not available.	of the assets are available in one premises and are easily identifiable. School invariably make physical verification of fixed assets periodically.													
2.	<p>The following information regarding transactions by the school with Related Parties.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Number of Parties</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>2013-14</td> <td>Six Parties</td> <td>32,50,428</td> </tr> <tr> <td>2014-15</td> <td>Six Parties</td> <td>36,71,530</td> </tr> <tr> <td>2015-16</td> <td>Six Parties</td> <td>39,08,400</td> </tr> </tbody> </table> <p>Related parties for all the three years were same.</p>	Year	Number of Parties	Amount	2013-14	Six Parties	32,50,428	2014-15	Six Parties	36,71,530	2015-16	Six Parties	39,08,400	<p>The payments have been made to the principal, teachers, internal auditor and 2 consultants of the school. Principal, teachers and internal auditor are on the payroll of the school and two consultants are rendering professional services to the school and are paid for the same. They are either member of management committee or member of the society.</p>	<p>The school shall provide information/ documents to establish that the payments made to these related parties are at arm's length prices at the time of review of next fee increase proposal, if any.</p>
Year	Number of Parties	Amount													
2013-14	Six Parties	32,50,428													
2014-15	Six Parties	36,71,530													
2015-16	Six Parties	39,08,400													
3.	<p>The school has provided depreciation on fixed assets at rates prescribed under the Income Tax Act instead of rates as given in "GN-21 on Accounting for Schools". The financial impact of the deviation in accounting policy cannot be quantified as the school has not maintained proper details in its FAR.</p>	<p>The guidance note is recommendatory in nature and the school has followed the method of depreciation which has been adopted since inception.</p>	<p>Considered.</p>												
4.	<p>The school has not disclosed in its financial statements its contingent liability w.r.t. legal cases against the school before the Delhi School Tribunal. There are two legal cases against the school and as per the management estimate the contingent</p>	<p>The school has noted for compliance.</p>	<p>The compliance shall be reviewed at the time of verification of</p>												

4

	liability amounts to Rs.20,39,000.		next fee increase proposal, if any.
5.	The school is in non-conformity with the direction issued by the Directorate of Education vide its order no F.DE-15/ACT-1/WPC-4109/Part/13/7905-7913 dated 16-04 2016 on presentation of financial statements as it has directly adjusted/set-off the following incomes against their corresponding expenses in the books of account and has disclosed the net expense/income in the Income & Expenditure account. <ul style="list-style-type: none"> • Workshop • Paid Activity • Examination • Functions & Festivals • Tours 	No response.	The school should maintain its accounts which reflect its income and expenditures separately.

And whereas, after going through the representations dated 30.03.2017 and submissions made by the school during the hearing held on 19.05.2017 as well as financial statements/budget of the school available with this Directorate, it emerges that:-

The school is having deficit of Rs. **4,895,747/-** as per the following details:-

Particulars	Amount (Rs)
Cash and Bank balances as on 31.03.16	4,440,020
Total	4,440,020
Less:	
Development Fund (As per School Submission) 10,65,850	
Less: Allowable Capital Expenditure <u>10,65,850</u>	
Balance Development Fee _____ -	1,065,850
Less: Depreciation Reserve Fund	269,969
Less: Provision for Retirement Benefits (25% allowed)*	2,836,089
Available Funds	268,112
Fees for 2015-16 as per Audited financial statement(We have assumed that the amount received in 2015-16 will at least accrue in 2016-17)	113,743,148
Other income for 2015-16 as per financial statement	1,208,143
Estimated availability of funds for 2016-17	115,219,403
Less: Budget expenses for the session 2016-17 as submitted by school management	120,115,150
Net Deficit	(4,895,747)

The school is allowed 25% of the provisions created for retirement funds as the school do not have equivalent investments against these provisions and the total burden of the same cannot be allowed to be borne by the students in one single year. The school is hereby directed to make earmarked equivalent investments against provision for retirement benefits (as mentioned above) with LIC (or any other agency) within 90 days of the receipt of this order, so as to protect the statutory liabilities. And the provisions for retirement benefits should be based on actuarial valuation.

And whereas, the school proposal for fee increase for the session 2016-17 was earlier declined vide order dated 27.02.17, on the ground that the school has sufficient funds. During the hearing, the school has represented that it do not have adequate funds to provide for retirement benefits to the employees and it shall not be able to manage its operational expenses for the year from the available funds.

And whereas, in view of the above examination, it is evident that the school does not have sufficient liquid 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, 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 does not have sufficient liquid funds to meet the financial implications for the financial year 2016-17 and the representation dated 30.03.2017 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, the Director (Education) has decided to allow the school to increase the existing fee by 10 % for the session 2016-17.

Accordingly, it is hereby conveyed that the representations for fee hike of The Heritage School, D-II, Vasant Kunj, New Delhi-110070, has been accepted by the Director of Education and the School is hereby allowed to increase the existing fee by 10 % 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. Compliance of all the instructions as mentioned in the order dated 27.02.17 will be seen/examined during the scrutiny of fee hike proposal for session 2017-18, if any.
2. 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).
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.

This issues with the prior approval of the Competent Authority.

Non compliance of the order shall be viewed seriously.


(Yogesh Pratap)

Deputy Director of Education-1
Private School Branch
Directorate of Education

To


The Manager/HoS
The Heritage School, D-II,
Vasant Kunj, New Delhi-110070

No. F. DE-15/ACT-I/WPC-4109/PART/13/ 862

Dated: 8/8/2017

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