

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/ 968

Dated: 13/10/2017

ORDER

Whereas, the request of Bal Bhavan International School, Sector-12, Dwarka, New Delhi-75 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/13/341-345 dated 27.12.2016 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 Bal Bhavan 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 Bal Bhavan International School on 19.07.2017 at 11.30AM 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 19.07.2017 at 11.30AM 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 maintained proper documents or supporting evidences in relation to expenses incurred by the school amounting to Rs. 2,03,94,299 related to the period covered under inspection. The financial statements for the FY 2013-14, 2014-15 and 2015-16 as submitted by the school with the proposal documents were not audited. The school was given an opportunity to provide justification or	i. As per Rule 177 of DSEA & R, 1973, the fees collected from the students can be used for the expansion or construction of school buildings.	Incomplete response. It was upheld in Modern School Judgment that capital expenditure cannot be form part of financial fee

reasonableness of expenses incurred. The school was not able to justify the genuineness of the expenses incurred. Following expenses are questioned by the CA firm in its report:

i. Out of the total amount of Rs. 2,03,94,299 as mentioned above, Rs. 95,00,000 relates to the payments made in relation to the construction of Building which is in contravention of public notice dated 04.05.1997. As per this notice, the school shall not charge building fund from the students as it is sole responsibility of the society which has established the school to raise such funds from their own resources of donation from the other associations because the immovable property of a school becomes the sole property of the society. Total additions in building account during FY 2015-16 are Rs. 1,22,49,534 and using school funds for construction of building may be construed as violation of this provision. Subsequently the School has presented copies of some various bills related to the payments made in relation to construction of Building. After revisiting, the school response and found that some of the bills submitted afresh were different from the bills submitted earlier. It may be noted that, Bill no 331 dated 08.07.2015 for Rs. 45,45,000, Bill no 949 dated 13.04.2015 for Rs. 15,00,000 and Bill no 953 dated 17.04.2015 for Rs. 7,50,000 submitted by the school with its response does not match with the payments made and entries in the books.

ii. The school has charged excess depreciation on Buildings during FY 2015-16 amounting Rs. 5,72,384 and the total depreciation on building charged by the school is

ii. Depreciation rates provided in Guidance Note 21 issued by ICAI, are minimum prescribed rates and depreciation more than

structure of the school. Further, as per Rule 177 of DSEA & R, 1973 income derived from fee shall first be utilised for purpose of staff salaries and retirement benefits. However, school has not earmarked / blocked any investments for retirement benefits and still incurring capital expenditure without any propriety. School is directed to apply financial prudence and propriety while using school funds.

Notes to accounts were not submitted. School should follow DoE instructions

<p>Rs. 13,22,995. Since the school is not allowed to construct any building total depreciation on additions to building may not be allowed. After reviewing the response of school, the observations remain valid as the school was not able to justify why excess depreciation on Buildings during FY 2015-16 was charged.</p> <p>iii. The school has submitted its response on the points raised along with copy of contracts, bills and other documents to substantiate the genuineness of payment made. Some of these bills which were submitted by the school in reply to report amounting to Rs. 1,16,64,320 did not bear any TIN no., service tax no., etc. The genuineness of these bills are under question</p> <p>iv. An amount of Rs.28,71,360 is related for Gratuity provision as at 31.03.2016. No calculation detail for this provision for gratuity was made available for verification. However, the school has attached a calculation sheet to this effect. It is to be noted that this calculation of gratuity is not based on actuary certificate and the school has not shown this provision in the balance sheet separately.</p> <p>v. An amount of Rs. 8,11,550, which is a part of the questioned transactions, was incurred for Garden Maintenance and this payment was made to 'S4 Facilities Management Pvt. Ltd'. The service agreement entered into between school and the vendor, contained a clause saying the contract is governed by the laws of State of Colorado and also not signed by the representative of school. However, in the response of report, the school has also annexed the copy of this agreement but the clause related</p>	<p>the suggestive rates can be charged by disclosing the fact in 'Notes to Accounts'.</p> <p>iii. All the payments are made through cheque only after deducting TDS. Evidence of the same was provided to the inspection team and no deficiency was pointed out by them. If any doubt is there you can confirm from the third party.</p> <p>iv. Liability for gratuity payable is shown under 'Expenses Payable'. The school shall provide for gratuity in its books of accounts on actuary basis in future.</p> <p>v. Wrong copy of the contract was mistakenly given to the inspection team.</p> <p>vi. Expenses are related to printing of school magazine and cannot be termed as prepaid expenses.</p>	<p>in this regard.</p> <p>Compliance shall be verified at the time of next fee increase proposal of the school, if any.</p> <p>Accepted by School. School is directed to follow DoE instructions in this regard.</p> <p>Compliance shall be verified at the time of next fee increase proposal of the school, if any.</p> <p>Compliance shall be verified at the time of next fee increase proposal of the school, if any.</p>
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	<p>to State of Colorado is deleted. The genuineness of this agreement is under question. Further, the expense is not in the line of previous expenditure and evidences provided now need to be investigated.</p> <p>vi. The school has booked various expenditure amounting Rs. 13,65,455 in the current FY 2015-16 which are in the nature of prepaid expenses. After reviewing the response of school, the observations remain valid as the school was not able to substantiate why these payments are treated as expenditure in the FY 2015-16.</p>		
2.	<p>The school is not following proper procedures for procurement of assets or materials and services as school management does not collect quotations from market or enters into written contracts or agreements with the vendors and suppliers.</p>	<p>The school management will collect information from market and will follow the advice as suggested by the auditors.</p>	<p>The school has ensured to comply in future. School is directed to implement proper internal control systems in relation to procurement of goods and services.</p>
3.	<p>The comments of school on evaluation report were shared with the CA firm. The CA firm has reported that Rs. 1,69,66,820 was spent during the FY 2014-15 and Rs. 21,38,753 during FY 2015-16 as repair to buildings.</p>	<p>During FY 2014-15 major part of building was repaired and during FY 2015-16 minor part of building was repaired. The maintenance expense includes works like whitewashing, distempering, painting, cleaning of lines, tanks, etc.</p>	<p>School is directed to follow due propriety while incurring any expenditure from school funds.</p>
4.	<p>Also, the school has capitalised building in FY 2015-16 for Rs. 1,22,49,534. However, the school has not submitted building sanction plan, area constructed and other details so</p>	<p>Building sanction plan is enclosed herewith.</p>	<p>There is no supporting attached. School is directed to</p>

	as to substantiate these repairs to buildings and additions to buildings.		submit the same within 30 days from the date of issue of this order to the DDE concerned.
5.	The school submitted revised budget proposal for 2016-17 to the firm and it shows a deficit of Rs. 25,03,222 as against a deficit of Rs. 55,44,000 as shown in the budget submitted to the DoE with the proposal.	The revision in the budget was made due to change in circumstances as earlier impact of VII pay commission on salary was considered.	Considered.
6.	As per clause 18 of order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009, caution money collected from students shall be refunded to students at the time of his/ her leaving the school along with bank interest thereon irrespective of whether he/ she requests for a refund. However, caution money pertaining to many students who have left the schools was not refunded along with bank interest.	The school is issuing cheques to the students at the time of leaving the school along with Bank interest. Some of the students did not deposit their cheque in bank account and have not come to collect the same.	School is directed to take necessary steps to refund the caution money along with interest to the students in accordance with clause 18 of the order dated 11.02.2009. Compliance shall be verified at the time of next fee increase proposal of the school, if any.
7.	As per clause 14 of order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009, development fee not exceeding 15% of the annual tuition fee may be charged for supplementing the resources for purchase, up gradation and replacement of furniture, fixtures and equipment. The development shall be treated as capital	Depreciation reserve fund shall be maintained in future.	Accepted by school. School is directed to follow DoE instructions in this regard.

	receipts and depreciation reserve fund shall be created by the school. However, the school is not maintaining any depreciation reserve fund which is the contravention of the clause 14 of the above mentioned order.		
8.	Depreciation 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.	In order to avoid income tax complications, school is charging depreciation as per Income Tax Act, 1961 which is negligible higher than the rates prescribed in Guidance Note 21 issued by ICAI.	Improper response. School is directed to follow DoE instructions in this regard.
9.	The school has given Rs. 1,00,000 during FY 2015-16 to the trust/ society of the school as prize money for the cricket Tournament.	School organized a cricket tournament to motivate and inspire young talent.	Improper justification. Since tournament was organized by the school there is no need to give any money to the society.
10.	The school has utilized its fund amounting Rs. 44,02,531 for repayment of loan to Lagan Kala Upvan (Regd.), the society managing the school. The School has repaid Rs. 30,00,000 and Rs. 14,02,531 during FY 2013-14 and FY 2014-15 respectively.	The school has taken loan from the society for payment of salary to teaching and non-teaching staff as the school was running short of funds.	School should follow DOE instructions in this regard.

Other discrepancies:

S. No.	Detail of discrepancy	Submissions of the school	Remarks
1.	As per order no. F.DE-15/ACT-I/WPC-4109/part/13/7905-7913 dated 16.04.2016, the school is required to prepare and submit returns and documents in accordance with Appendix -II to this order. The CA firm has reported that in the Income and Expenditure Account, the 'Staff Salary and Benefits' were not shown separately for Teaching and non-teaching	It shall be complied in future.	Accepted by school. School should follow DoE instructions in this regard.

	staff. Also, fixed assets schedule is not prepared as per the requirements of Appendix-II of this order.		
2.	The school is not having any copy of written agreements or document with M/S Raj Construction Co. and M/S Surender Kumar except payment vouchers of expenses incurred during the period under inspection. The school has paid Rs. 51,81,000 and Rs. 64,83,320 during the period covered under audit for construction of building and repairs of building to M/S Raj Construction Co. and M/S Surender Kumar respectively. These contracts do not seem to be made at arm's length prices.	The copies of contracts are enclosed.	No supporting attached. Genuineness of these transactions shall be verified at the time of next fee increase proposal of the school, if any. School is directed to implement proper internal control systems in relation to procurement of goods and services.
3.	The school is generally regular in depositing statutory dues to the concerned authority except payment of lease rent to DDA, MCD property tax, ESI and Provident Fund. However, the school has submitted the copy of challan of payments along with its comments on report. In the absence of complete details of amounts due for payment, it is not possible to verify whether the school was regular in making its statutory payments or not.	The school is regular in depositing the statutory dues except payment of lease rental to DDA.	School is directed to make timely payments of its dues. Compliance shall be verified at the time of next fee increase proposal of the school, if any.
4.	Rule 174 of the Delhi School Education Rules, 1973 stipulates that withdrawals from school fund or recognised unaided school fund, as the case may be, shall be made jointly by the head of school and the manager of such school, or jointly by the head of the school and by any duly authorized member of the managing committee, where the head of the school is also manager of the school. However, the school has not complied with the provisions of Rule 174 of the Delhi School Education	The school has already complied with the said rule.	Compliance shall be verified at the time of next fee increase proposal of the school, if any.

	Rules, 1973 regarding withdrawal of funds.		
5.	The school is not maintaining fixed assets register in proper form and format. Following discrepancies were reported : i. Quantitative details of fixed assets were not given ii. Details of depreciation charged on the fixed assets were not given iii. No tagging/marketing on fixed assets were made which helps in describing ownership and control over assets	We were maintaining fixed assets register in the school accounting software i.e. Tally ERP. Now we are also maintaining a manual register.	School is directed to maintain proper fixed assets register showing details of fixed assets such as units, location, cost of assets, depreciation charged, etc. Compliance shall be verified at the time of next fee increase proposal of the school, if any.
6.	The school has not complied with the provisions of Income Tax Act, 1961 and DVAT, 2004 while processing various payments to the contractors and vendors during the period covered under inspection. The school has not deducted tax under section of 194 C of the income Tax Act, 1961 and under section 36A & Rule 59 of the DVAT Act, 2004, as the case may be, on payments made.	The school is complying with all the provisions of Income Tax Act, 1961 and DVAT, 2004 and deducting TDS as per legal provisions.	School is directed to comply with all statutory provisions as applicable to it. 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 10.02.2017 and submissions made by the school during the hearing held on 19.07.2017 as well as financial statements/budget of the school available with this Directorate, it emerges that:-

- i. The school has not maintained proper documents or supporting evidences in relation to expenses incurred by the school amounting to Rs. 2,03,94,299 related to the period covered under inspection which includes the payments made in relation to the construction of Building amounting to Rs.95,00,000/-.
- ii. The school has submitted its response on the points raised along with copy of contracts, bills and other documents to substantiate the genuineness of payment

made. Some of these bills which were submitted by the school in reply to report amounting to Rs. 1,16,64,320 did not bear any TIN no., service tax no., etc. The genuineness of these bills cannot be ascertained.

- iii. It was found that some of the bills submitted with its response on CA firm report were different from the bills submitted earlier. It may be noted that, Bill no 331 dated 08.07.2015 for Rs. 45,45,000, Bill no 949 dated 13.04.2015 for Rs. 15,00,000 and Bill no 953 dated 17.04.2015 for Rs. 7,50,000 submitted by the school with its response does not match with the payments made and entries in the books.
- iv. An amount of Rs. 8,11,550, was incurred for Garden Maintenance and this payment was made to 'S4 Facilities Management Pvt. Ltd'. The service agreement entered into between school and the vendor and contain a clause that the contract is governed by the laws of State of Colorado and not signed by the representative of school. School has subsequently submitted that it had mistakenly submitted the wrong copy. The genuineness of this contract cannot be ascertained.
- v. School has not followed any prudent financial practices over the years and had not create/ generate any investments for its future contingencies, retirement benefits to employees, etc. even though it has considerable amount of annual receipts. For example, the total annual income of the school were Rs. 6,75,88,269/- and Rs. 8,63,24,298/- during the year 2014-15 and 2015-16 respectively.

And whereas, in view of the above examination, it is evident that the school is not following prudent financial practice over the years. Also, due propriety was not observed by school while processing its financial transactions and payments and the genuineness of the bills, contracts and other documents maintained by the school cannot be ascertained. Accordingly, financial statements of the school cannot be relied upon and therefore, it is not possible to determine its correct position of funds.

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 is not following due propriety while processing its financial transactions and financial statements of the school cannot be relied upon and therefore, it is not possible to determine its correct position of funds for the financial year 2016-17 and the representation dated 10.02.2017 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.

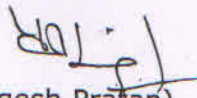
Accordingly, it is hereby conveyed that the representations for fee hike of Bal Bhavan International School, Sector-12, Dwarka, New Delhi-75, has been rejected by the Director of Education for the session 2016-17.

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 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 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-1
Private School Branch
Directorate of Education


The Manager/HoS
Bal Bhavan International School,
Sector-12, Dwarka, New Delhi-75

No. F. DE-15/ACT-I/WPC-4109/PART/13/ 968

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