

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/ 830

Dated: 18/07/2017

ORDER

Whereas, the request of Red Roses Public School, D-Block, Saket, New Delhi-110017 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/13/186-190 dated 26.12.2016 with the specific direction to rectify the deficiencies as illustrated in the said order and submit compliance report to Deputy Director of Education concerned within thirty days.

And whereas, the Director (Education) had referred to the representation of Red Roses Public 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 Red Roses Public School on 11.05.2017 at 02.30PM 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 11.05.2017 at 02.30 pm 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 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	The school has spent Rs.47,26,198 for the purpose mentioned in Clause-14 of the order dated 11.02.2009.	No supporting documents/ calculation submitted by the school. Compliance against this shall be verified at the

	<p>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.' The school is not utilising Development fund for purchase, up-gradation and replacement of furniture, fixture and equipment which is in contravention to the above mentioned clause. School is also charging one time school development fee of Rs.5000/- at the time of admission in addition to annual development fees which is below 15% of annual tuition fees.</p>		<p>time of next fee increase proposal of the school, if any.</p>
2.	<p>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, it was reported that caution money disclosed as liability in the financials statement pertains to ex-students to whom the money was not refunded. The un-refunded caution money which has exceeded the stipulated period of 30 days (as required per the above mentioned clause) is being shown as liability and has not been treated as income. Moreover, caution money of more than Rs.500 per student is being charged by the school.</p>	<p>We believe that the school has correctly shown in the Financial Statement the money un-refunded so far is a liability till it is discharged.</p> <p>School is not charging caution money more than Rs.500/-. It is an outrageous statement not based on facts.</p>	<p>Instructions issued by the DoE in this regard are to be complied with by the school.</p> <p>The school has not submitted any supporting documents. Compliance against this shall be verified at the time of next fee increase proposal of the school, if any.</p>
3	<p>School has collected excess of fees which was evident from the reconciliation of the income shown in</p>	<p>The reconciliation of financial statement was prepared and the</p>	<p>No supporting documents/</p>

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	<p>the financial statements received from the management corroborated with the fee structure of the school and the number of students. Amount of such excess collection has been as follows:</p> <p>a) 2013-14 Rs.4,77,904 b) 2014-15 Rs.9,12,467 c) 2015-16 Rs.6,64,867</p>	<p>excess could be attributed to the reasons such as student had left the schools during session but paid for notice period, students admitted during the session but charged for whole year and short/excess paid by parents.</p>	<p>calculation submitted by the school.</p>
4	<p>School is charging earmarked levies and school is recognizing the surplus in income & expenditure account but no fund is created by the school which is not as per Clause 22 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009 which states that 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.</p>	<p>Earmarked levies are charged on estimated basis and whatever amount is collected/spent is reflected in the Income & Expenditure Accounts and no part is spent for any other purpose or misused.</p>	<p>Instructions issued by the DoE in this regard are to be complied with by the school.</p>

Other discrepancies:

S. No.	Detail of discrepancy	Submissions of the school	Remarks
1.	<p>As stipulated in Order No. F.DE-15/ACT-I/WPC-4109/Part/13/7905-7913 dated 16-04-2016, school is required to follow accrual system of accounting for maintaining its books of accounts. The school is following hybrid of Accrual and cash basis of accounting system. Incomes are being accounted for on cash basis whereas expenses are being accounted for on accrual basis. This is in contravention to the above mentioned clause.</p>	<p>The said order was issued on 16.04.2016 i.e., after the closure of financial year 2015-16 and as such we could not implement the same for FY 2015-16. Henceforth, we shall follow the system as envisaged in the order.</p>	<p>The school has assured to comply in future.</p>
2.	<p>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</p>	<p>We have noted the instructions for future compliance.</p>	<p>The school has assured to comply in future.</p>

	Institute of Chartered Accountants of India.		
3	The management of the school does not have a specific process of inviting quotes/bids from other parties for the particular contract.	The vendors of school are associated since long. At the time of awarding new contracts, prices from various vendors/suppliers are compared. The process of inviting quotes/ bids consumes time and being a private school we believe in getting work speedily. If and when instructions are issued in this regard, we shall follow those for award of a particular contract.	Improper response. Following the tendering process shall signify that the school have effective and efficient internal control system for procurement.
4	The school has made provision for gratuity and leave encashment which amounts to Rs.2,29,77,449 on the basis of actual liability and actuarial valuation has not been done, as required by Accounting Standard (AS) 15 issued by ICAI.	No specific instructions were issued for following the guidelines issued by ICAI, including AS 15 and GN 21.	Improper response.
5	<p>i) Following related party transaction has been entered into by the school:-</p> <p>a. Honorarium paid to Mrs. Krishna Nayyar (Director of the school who is also the trustee)</p> <p>2013-14 Rs. 9,00,000</p> <p>2014-15 Rs.15,75,000</p> <p>2015-16 Rs.18,00,000</p> <p>b. Salary to Mrs. Anuradha Mehta (Principal and Manager of school who is also relative of trustee) and also to her son Mr. Karan Mehta</p> <p>2013-14 Rs.11,40,153</p> <p>2014-15 Rs.14,45,172</p> <p>2015-16 Rs.16,79,866</p> <p>Mr Karan Mehta</p> <p>2013-14 Rs.4,26,532</p>	Payments made to Mrs. Krishna Nayyar, Mrs. Anuradha Mehta and Mr. Karan Mehta are not related party transactions. All the three are employees of the school and are well qualified.	School is not allowed to pay honorarium to the Director of the school, from school fee. Hence, the amount paid should be refunded to the school fund.

	<p>2014-15 Rs.6,56,400 2015-16 Rs.40,492</p> <p>ii) The school is making payments on behalf of both its branches (i.e. Nursery school and Palam Vihar school) towards routine expenditure of these schools. However, the inter balances are squared off in the subsequent period.</p>	<p>These were a few instances of minor nature. Such instances are being curbed.</p>	
6	<p>Improper accounting of asset has been noted as follows:</p> <p>A. Handy cam was gifted by Ms. Anuradha Mehta to the school. The same has been recorded in the FA register but no recording of the same could be traced in the Books of Accounts.</p> <p>B. Water cooler sold still exists in the Books of accounts.</p> <p>C. A musical instrument purchased of Rs.17,437 was treated as revenue expense where it should have been capitalised.</p>	<p>These items, as mentioned in order, are minor accounting omissions which shall be rectified and reported in the Balance Sheet for the year ending 2016-17.</p>	<p>Accepted in the light of lack of materiality of transactions.</p>
7	<p>Income and Expenditure account of the school shows only surplus from transport services instead of income and expenditure separately.</p>	<p>Even if we show income and expenses separately, we believe it will not have any impact on the overall surplus/deficit of the school. However, same will be rectified in the Balance Sheet for the year ending 31.03.2017.</p>	<p>The school should follow proper accounting procedure.</p>
8	<p>As per clause 2 of Order No. 1978 dated 16.04.2010, all schools to explore and exhaust the possibility of utilizing the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowances of the employees. There exists a considerable amount of unutilized funds.</p>	<p>While proposing increase in fee, the school reserves amount of Rs. 39.67 Lacs to meet the shortfall in payment of salary and allowances and other expenses of the school.</p>	<p>Improper response.</p>

9	Audited final accounts i.e. receipts and payment account, income and expenditure account and balance sheet for the year 2013-14, 2014-15 and 2015-16 are not in the prescribed format.	Directorate directions shall be duly followed for the balance sheet ending 31 st March, 2017 onwards.	The school has assured to comply in future.
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And whereas, after going through the representations dated 24.01.2017 and submissions made by the school during the hearing held on 11.05.2017 as well as financial statements/budget of the school available with this Directorate, it emerges that:-

The school is having a surplus fund of Rs. 1,83,83,957/- as per the following details:-

Particulars	Amount(Rs)
Cash and Bank balances as on 31.03.16 as per audited Financial Statements	47,11,500
Investment as on 31.03.16 as per audited Financial Statements	7,71,51,165
Total	8,18,62,665
Less: Depreciation Reserve Fund	3,25,01,491
Less: Provision for Retirement Benefits*	2,29,77,449
Available Funds	2,63,83,725
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)	6,83,25,539
Other income for 2015-16 as per financial statement	95,88,693
Estimated availability of funds for 2016-17	10,42,97,957
Less: Budget expenses for the session 2016-17 as submitted by school management (Revenue)	8,21,60,000
Less: Budget expenses for the session 2016-17 as submitted by school management (Capital)	37,54,000
Net Surplus**	1,83,83,957

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

**As sufficient funds are available with the school, it is hereby directed that the School shall create 3 months' salary provision in accordance with the provisions of Right to Education Act, 2009 and to submit FDRs in joint name of Dy. Director (Education) and Manager of the School with DOE within 30 days of receipt of this order.

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, 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 surplus funds to meet the financial implications for the financial year 2016-17 and the representation dated 24.01.2017 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.

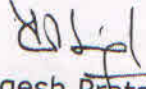
Accordingly, it is hereby conveyed that the representations for fee hike of Red Roses Public School, D-Block, Saket, New Delhi-110017, has been rejected by the Director of Education.

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).
5. To submit the documentary proof of recovery of amount paid as honorarium to Mr. Krishna Nayyar from school funds within 30 days of receipt of this order.

Non compliance of the order shall be viewed seriously.


(Yogesh Pratap)
Deputy Director of Education-1
Private School Branch
Directorate of Education

To

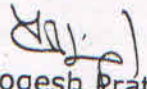
The Manager/HoS
Red Roses Public School,
D-Block, Saket,
New Delhi-110017

No. F. DE-15/ACT-I/WPC-4109/PART/13/ 830

Dated: 18/07/2017

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