

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/13/874

Dated: 23/08/2017

ORDER

Whereas, the request of Ahlcon International School, Mayur Vihar Phase-I, Delhi-110091 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/13/40 dated 23.12.2016 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 Ahlcon 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 Ahlcon International School, Mayur Vihar Phase-I, Delhi-110091 on 19.05.2017 at 04.00PM 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 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 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. Bus fees, Meal charges and other	The school has submitted that it has earned a surplus of Rs. 19.42 Lakhs	As per the said clause the school is not supposed to

specific fees collected are earmarked levies. Also, these have been collected in excess of the expenditure. Also, no separate fund for these charges is maintained. Hence, the amount collected by students is in excess of what the School is paying to transporters; therefore it should be refunded to students. The total number of students availing the bus service is approximately 1150. School has entered into a contract with the transporters for providing pick and drop facility to students and paying fixed amount per student to the transporters. Details of collection and payment are as follows:-

Particulars	2015-16	2014-15	2013-14
No. of Students availing service (approx.)			
Delhi	861 Students	873 Students	929 Students
Uttar Pradesh (UP)	288 Students	312 Students	286 Students
Amount charged by transporter per student (Rs.)			
Delhi	1,400	1,150	1,100
UP	1,600	1,350	1,300
Amount collected from each student (Rs.)			
Delhi	1,600	1,450	1,250
UP	1,800	1,650	1,450
Excess collection per student (Rs.)			
Delhi	200	300	150
UP	200	300	150
Transport Charges collected (Rs.)	2,39,93,748	2,00,37,817	1,69,38,950
Transport Charges paid (Rs.)	1,65,03,562	1,71,29,085	1,51,77,899
Other transport expenses (Rs.)	25,02,915	Not applicable	17,34,966
Excess / (deficit)	49,87,271	29,08,732	26,085

during FY 2015-16 from Transport fees.

make substantial surplus from earmarked levies. The school should maintain a separate fund for the transport fees and should consider this while determining the transport fee for the next academic session before submission of fee increase proposal for next academic year, school should demonstrate that transport fees has been determined accordingly so as to utilize the surpluses of earlier years in Transport Fund for transport expenses.

2. Further, the school is purchasing workbooks from two suppliers, for which the comparative quotations were not made available. During 2015-16, the

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	<p>school paid Rs 23,23,779 to suppliers and recovered Rs. 38,05,320 from the students, thus making a profit of Rs. 14,81,541. Also, the school has made a profit of Rs. 35,48,487 from smart class charges.</p>	<p>surplus of Rs. 7,861 from work books and Rs. 13,55,659 from Smart Class Charges. The surplus from the Smart class shall be used for the replacement of hardware.</p>	<p>not supposed to make any surplus from earmarked levies. The school should maintain a separate fund for the Work Book charges & Smart Class fee and any surplus should be considered while determining the Work Book charges and Smart Class Fees for the next academic session.</p>
3.	<p>As per Clause 14 of Order No. F.DE./15 (56) /Act /2009 / 778 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." The school is utilising development fund for "Major repairs of building" which is not permitted. Hence it should be added back to Development fund and deducted from General Reserve, amount being Rs 14,32,481.</p>	<p>The school will take appropriate action accordingly.</p>	<p>The school should ensure to utilize the development fund in light of the provisions of DSEAR, 1973. Compliance shall be verified at the time of next fee increase proposal of the school, if any.</p>

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4.	The school has accounted for payment of 220 employees while, it has submitted list of only 197 employees to Directorate of Education. Salary of these additional 23 employees amounts to Rs. 46,00,000 per annum for which no justification is given by the school.	The numbers of persons on roll are 220 while sending the information to the directorate an inadvertent error was made. The list of 23 persons identified by the inspection teams were on our rolls.	Compliance shall be verified at the time of next fee increase proposal of the school, if any.						
5.	In accordance with clause 18 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009, caution money shall be deposited in a scheduled bank in the name of concerned school and shall be returned to the student at the time of his/ her leaving the school, along with bank interest thereon irrespective of whether or not he/she request for refund. Further, un refunded caution money should be treated as income. The school is not maintaining a separate bank account for the caution money and the un refunded caution money (amounting to Rs. 7,50,000) has not been shown as income. Further, the school is not refunding interest on caution money.	The income tax provisions forbid treating caution money as income. The school intends to stop charging Caution Money from FY 2018-19.	Improper justification. The school should follow the provisions of DSEAR, 1973 in this regards.						
6.	School is following cash basis of accounting. Further, Accounting Standard 15, issued by The Institute of Chartered Accountants of India (ICAI) has not been complied with. Also, the school is not following the depreciation rates, as recommended in the Guidance Note on Accounting by schools, issued by ICAI.	The school has switched over to the accrual basis after the guidelines of Department issued on 16 th April 2016.	Accepted by school. Compliance shall be verified at the time of next fee increase proposal of the school, if any.						
7.	Provisional Financial Statements are not tallying with the ledger accounts provided by the school. Details of discrepancies are as follows: <table><tr><td>Ledger Name</td><td>Amount as per financial statement (Rs)</td><td>Amount as per ledger (Rs)</td></tr><tr><td>Nainital loan account</td><td>70,40,422</td><td>58,61,114</td></tr></table>	Ledger Name	Amount as per financial statement (Rs)	Amount as per ledger (Rs)	Nainital loan account	70,40,422	58,61,114	The Balances since stand reconciled and available in the balance sheet.	The compliance against this shall be verified at the time of next fee increase proposal, if
Ledger Name	Amount as per financial statement (Rs)	Amount as per ledger (Rs)							
Nainital loan account	70,40,422	58,61,114							

	OD Canara Bank	64,10,113	59,98,132			any.												
	Reserve Fund	(1,98,25,098)	Nil															
8.	There is no system found in place at school for identifying related party transactions. There is no defined system for obtaining declaration from concerned persons with whom the contracts are being entered/orders are being placed, to identify related party transactions.			The school ensures that the principle of related party transactions is not attracted. However, the declaration will also be obtained in future.		Accepted by School.												
9.	Contracts not entered at arm's length Price:			The school caters to the school going children and has to follow all the norms relating to safety of children within the campus and as such no compromise can be made on this. The selection of the vendor was made keeping in mind the problems faced by the school in the past and other factors in relation to security services by agency.		The school should keep a proper record of any such decisions. The compliance against this shall be verified during next fee increase proposal, if any.												
	<table><tr><th>Sl No</th><th>Vendor Name</th><th>Period</th><th>Type of Contract</th><th>Amount of contract (Rs)</th><th>Remarks</th></tr><tr><td>1.</td><td>Miraz Detective and Security Services Pvt. Ltd.</td><td>01/08/2015 To 31/07/2016</td><td>Security Guard Services</td><td>Rs. 1,52,500 per month or Rs. 18,30,000 per annum (approx.)</td><td>Contract is not awarded to the lowest bid; the school does not have a defined procurement policy. School is maintaining attendance register for the guards but there was no signature of any guard in that Register.</td></tr></table>					Sl No	Vendor Name	Period	Type of Contract	Amount of contract (Rs)	Remarks	1.	Miraz Detective and Security Services Pvt. Ltd.	01/08/2015 To 31/07/2016	Security Guard Services	Rs. 1,52,500 per month or Rs. 18,30,000 per annum (approx.)	Contract is not awarded to the lowest bid; the school does not have a defined procurement policy. School is maintaining attendance register for the guards but there was no signature of any guard in that Register.	
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10.	From the inspection of top 200 payments, it has been observed: The school has taken dossier preparation, compilation and website hosting services from MGRM Net Ltd. for Rs. 6,13,343 with which no agreement has been entered (since the agreement entered was valid till 31 March 2010) and no service order is held on record.			There is no increase in cost since the award of contract.		The compliance against this shall be verified during next fee increase proposal, if any.												
11.	The school has entered into contract with the vendors for mid-day meal services. In the year 2015-16, a request for increase in rates was received from all of them and the format & content of the request letter was almost same of all 3 vendors. Further, the request letter of			The school had entered into arrangements with three vendors for providing meals to children and all		The response of the school is not in line with the observation. The												

	one of the vendors, M/S Theatre Point Catering Services is signed by the Rajesh Sondhi who is also a concerned person of another vendor, M/S Gourmet Catering Services. The format of bills are also exactly same for all three vendors. Hence, all three vendors may be same.	the three vendors were allowed to charge the same amount to bring competitiveness and get nutritious food.	compliance against this shall be verified at the time of next fee increase proposal, if any.
12.	Approximately Rs 12,00,000 has been incurred on spare parts and service expenses of buses. The Services have been received from the vendor "Subhas udyog". However, no approved Service order is in record.	No Response from school.	The compliance against this shall be verified at the time of next fee increase proposal, if any.
13.	The average cash balance during the year was Rs. 20,00,000 (approximately) while average daily cash expenses were about of Rs. 40,000 (approximately). Bank balance was very high amounting to Rs. 1,96,15,930 as on 31 March 2016.	The school has since reviewed the day to day requirement and the minimum balance is being maintained.	School should maintain cash balance as per its requirement. The compliance against this shall be verified at the time of next fee increase proposal, if any.

And whereas, after going through the representations dated 08.02.2017 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 a surplus fund of Rs. **5,11,07,182/-** as per the following details:-

Particulars	Amount(Rs)
Cash and Bank balances as on 31.03.16	1,85,50,771
Investment as on 31.03.16	94,22,532
Total	2,79,73,303
Less: Development Fund and Depreciation Reserve Fund (allowed to	2,79,73,303

the extent funds available)#	2,79,73,303	
Less: Allowable Capital Expenditure	84,20,000	
Balance Development fee	1,95,53,303	
Available Funds		0
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)		18,96,86,315
Other income for 2015-16 as per financial statement		17,68,692
Estimated availability of funds for 2016-17		19,14,55,007
Less: Budget expenses for the session 2016-17 as submitted by school management		14,03,47,825
Net Surplus		5,11,07,182

#The school has not utilised development fund in accordance with Clause 14 of Order No. F.DE./ 15 (56) /Act /2009 / 778 dated 11/02/2009. Also, there are no equivalent investments against the development fund and depreciation reserve fund. Hence, these are considered to the extent investments available.

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 depreciation 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 08.02.2017 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.

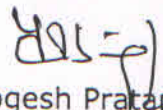
Accordingly, it is hereby conveyed that the representations for fee hike of Ahlcon International School, Mayur Vihar Phase-I, Delhi-110091, has been rejected by the Director of Education.

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 23.12.16 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

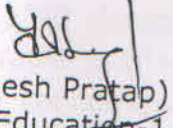
To

The Manager/HoS
Ahlcon International School,
Mayur Vihar Phase-I, Delhi-110091.

Dated: 23/08/2017

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. Deputy Director of Education (East), Directorate of Education, Govt. of NCT of Delhi, Delhi. In the light of observation in table in Point Nos. 4, 6, 7, 8 & 11, the Deputy Director of Education (East) is directed to examine authenticity/genuineness of these transactions of goods/services procured by the school.
5. Guard file.


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