

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/ 966

Dated: 13/10/2017

ORDER

Whereas, the request of Rukmini Devi Public School, Block-CD, Pitmapura, Delhi-110034 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/13/326-330 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 Rukmini Devi 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 Rukmini Devi Public School on 15.05.2017 at 10.30AM 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 15.05.2017 at 10.30AM 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 following diversion of funds by school has been noted during inspection: a) During FY 2013-14 the school has paid Rs. 30,00,000 to 'Rukmini Devi Bal Vatika' towards usage of their premises for running pre-primary classes and has booked this payment under the head 'Utility Charges'.	a) This payment was made against reimbursement of expenditure pertaining to running the classes in the premises to Rukmini Devi Bal Vatika. However, the society has now	It was upheld in Modern School case that 'no amount whatsoever shall be transferred from the recognised

<p>b) During FY 2013-14 the school has paid Rs. 10,00,000 to 'Seth Pokharmal Educational Society' and has booked this as an expenses under the head 'Mobilization Expenses'.</p> <p>c) During FY 2014-15 the school has purchased a car worth Rs. 29,15,090 for the usage of Chairman/ Principal.</p> <p>d) During FY 2015-16 Buses with Written Down Value (WDV) of Rs. 26,19,166 were transferred to another school under the same society for Rs. 15,00,000. The school got the valuation done from an automobile engineer and the value of the buses was Rs. 15,70,000 as per the valuation. There is a loss of Rs. 11,19,116 on transfer of buses to the school which has been charged to the Income & Expenditure account of FY 2015-16. Moreover, Rs, 15,00,000 consideration for the transfer of buses was not recovered from the Rukmini Devi Public School, Sonapat and has been included under the schedule of 'Loan & Advances and Deposit' in the Balance Sheet as at March 31, 2016.</p> <p>e) The school is not allowed to transfer any funds to the society or the trust or any other institution as per Order No. DE15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and under Rule 176 and 177 of the Delhi School Education Rules 1973. Above given transfers of funds/assets are on contravention of this order and rules.</p>	<p>refunded the unaided school money. fund of a school to the society or the trust or any other institution'. The school is directed to submit the deposit receipts along with copy of bank statements showing receipt of above mentioned amount, within thirty days from the date of issuance of this order. School is directed to follow DoE instructions and judicial pronouncements in this regard.</p> <p>b) This amount has now been refunded.</p> <p>c) Car so purchased is now being used for meeting the vehicle requirements for the school too i.e., teachers and students.</p> <p>d) The advance has now been recovered from the RDPS-Sonapat.</p> <p>e) Point wise reply was given above.</p>	
<p>2. There are few expenses charged to repair expenses which may be considered of the capital nature. Charging Capital expenses to repair account is not accepted as per Generally Accepted Accounting Practices (GAAP); as per GAAP Capital expenses should be capitalized and depreciation should be charged over the useful life of asset.</p>	<p>The expenses are not in the nature of capital expenditure as per AS-10 issued by the ICAI. Hence, not capitalized.</p>	<p>School is directed to follow ICAI pronouncements so as to maintain its books accounts properly</p>

			manner.
3.	The provision for retirement benefits has been created without actuarial valuation. As per audited financial statements of the school Rs. 20,00,000 has been charged to the income & expenditure account of FY 2015-16 under the head 'Employee benefits including retirement benefits'. Ideally, provision for retirement benefits should be created on the basis of the actuarial valuation.	The school has now get the actuarial valuation done for Gratuity and Leave Encashment. The liability as per actuary report for gratuity and leave encashment comes to Rs. 80,34,840 and Rs. 25,35,457 respectively.	The enclosed certifications marked as provisional. School is directed to follow DoE instructions in this regard.
4.	School is making surplus out of the earmarked levy charged as Science fee in contravention to Clause 22 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009 and Clause 6 of Order No. DE 15/ Act/ Duggal.Com /203 /99 /23033-23980 dated 15.12.1999.	The school will try to charge earmarked levies on actual basis and any surplus/ deficit shall be kept under specific head.	Accepted by school. School is not allowed to earn any surplus out of the earmarked levies charged. School should follow instructions in this regard.
5.	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. Transport Fees, Science Fee and Computer Fees collected by the school is an earmarked levy and has been collected in excess/ short of the expenditure. However, no separate fund for this charge is maintained.	The school will try to charge earmarked levies on actual basis and any surplus/ deficit shall be kept under specific head.	Accepted by school. School is not allowed to earn any surplus out of the earmarked levies charged. School should follow instructions in this regard.
6.	The school has received Rs. 27,81,879 from Rukmini Devi Public School (Junior Wing) as per Receipt & Payment account for the year ended on March 31, 2016 and the same is reflected under 'Other Current Liabilities' in the Balance Sheet as at March 31, 2016 of the school.	The amount pertains to advance fee collected on behalf of Junior wing of the school, which has separate school id, as it do not have any bank account. This amount has now been transferred to the Junior wing.	School has not submitted any document to substantiate its claim.
7.	A review of the financial statements has revealed that following expenses seems to be incurred on a higher side:-	The expenses under different heads for different years vary on the basis of activities	School is directed to follow due propriety while

4.

Particulars	FY 2013 - 14	FY 2014- 15	FY 2015-16	during the respective years. Expenses have been incurred keeping in view of the requirement for providing best infrastructure and quality education to the students.	incurring expenditure. Further, as Rule 177 of the DSEA & R, 1973, assistance to another school can only be funded out of the savings of school. School is directed to follow DoE instructions in this regard.
Promotional Expenses	12,65,599	14,12,544	12,64,691		
Repair & Maintenance - Building	40,68,549	70,14,906	72,31,338		
Repair & Maintenance - Furniture & fixtures	7,26,225	29,61,514	27,56,358		
Repair & Maintenance - Others	38,18,952	20,33,919	21,69,988		
Computer Expenses	26,50,705	23,96,169	37,53,788		
Assist Newly Setup School	-	15,00,000	-		
Total	1,25,30,030	1,73,19,052	1,71,76,163		

Other discrepancies:

S. No.	Detail of discrepancies	Submissions of the school	Remarks
1.	The school has collected session fee of Rs. 19,26,000 without intimating/taking approval of DoE during FY 2013-14 and this was grouped with annual charges in the financial statements of the respective year. This may be considered as non-compliance of Section 17(3) of DSEA, 1973 which requires the school to file statement of fee with DoE latest by 31 March every year. Further, during FY 2014-15 the school again collected session fee of Rs. 22,21,700 without intimating/taking approval of DoE. However, the school has issued cheques for refund of the session fee collected in FY 2014-15, but cheques amounting to Rs. 8,59,400 were not collected by the parents.	<p>The procedural lapse regarding non-intimation to DOE in this regard is highly regrettable and the same will be taken in future.</p> <p>The pending cheques are being issued to the parents.</p>	<p>Accepted by School. School is directed to refund/ adjust the entire amount to concerned students. School should follow DoE instructions in this regard. Compliance shall be verified at the time of next fee increase proposal of the school, if any.</p>

4

2.	The school does not have a tendering process. Vendors are selected by the parent society and informed to the school for further transactions. On review of the contracts it has been revealed that the prices of the contracts were on higher side.	No specific instances are quoted in the order and the opinion is of general nature. Also, the school is following tendering process for all major purchases.	School is directed to implement proper internal control systems for procurement of goods and services.
3.	On verification of top 200 payments it was observed in some instances the prices of the goods purchased appears on the higher side.	The school has made its best efforts to purchase all the items at competitive market prices.	School is directed to implement proper internal control systems for procurement of goods and services.
4.	Development Fees collected is completely apportioned between Depreciation Reserve and an Asset Capital fund without leaving any balance for future utilisation. This is contravention of the Clause 14 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/200. CA firm has not quantified the amount of depreciation which should have been charged out of the development fund against the assets purchased from development fund for creation of the Depreciation Reserve Fund. Depreciation on assets purchased from general fund is reduced from the Asset value instead of creating a reserve.	School will rectify the practice of creating depreciation reserve fund from development fund account from current year itself and the depreciation chargeable on assets purchased out of development fund account will be charged from income and expenditure account.	Accepted by School. School is directed to follow DoE instructions in this regard. Further, school shall not be allowed to charge any development fee if development fund is not maintained and utilised properly. Also, school should maintain depreciation reserve fund in accordance with clause 14 of the said order. Compliance shall be verified at the time of next fee increase proposal of the school.

	Some parents have informed that nominal amount for annual day function, dresses for function, newspaper has been paid by them but receipt for the same was not issued by the school.	Receipts are accounted for in the books of accounts on consolidated basis and also, individual receipts are not issued to the parents. The school will issue individual receipts to the students in future.	Accepted by School. School should follow DoE instructions in this regard.
6.	The school has refunded interest on security deposit/ caution money to the students. This is contravention of Clause Clause 18 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/20. The school has discontinued the practice of collecting security deposits from students since 2007 and the amount of refundable caution money as per books of account of school is Rs.3,32,195 which is shown under other current liabilities.	The school will refund the amount of security deposits along with interest in future.	Accepted by School. 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 03.02.2017 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. **1,63,25,904** /- as per the following details:-

Particulars	Amount (Rs)
Cash and Bank balances as on 31.03.16 as per School submission	11,93,377
Investment as on 31.03.16 as per School Submission	1,57,90,808
Amount recovered from Societies and other school as per School Submission	55,00,000
Amount recoverable from Society against purchase of Car	29,15,090
Total	2,53,99,275
Less: Depreciation Reserve Fund#	0
Less: Provision for Retirement Benefits*	1,13,56,875
Available Funds	1,40,42,400
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)	13,01,49,227
Other income for 2015-16 as per financial statement	10,89,377
Estimated availability of funds for 2016-17	14,52,81,004

Particulars	Amount (Rs)
Less: Budget expenses for the session 2016-17 as per school proposal	12,89,55,100
Net Surplus	1,63,25,904

As per Financial Statements for FY 2015-16, development fund is nil and School has not maintained and utilised development fee in accordance with clause 14 of the order dated 11.02.2009. Also, development fund was utilised for the purpose of creating depreciation reserve fund. In the absence of correct position of development fund and depreciation reserve fund, same cannot be considered in above calculations.

*The school is hereby directed to make earmarked equivalent investments against provision for Retirement Benefits 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.

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, it is noticed that the school has transferred Rs. 55 lacs to the society or another school of the society during the period under inspection. Also, school funds amounting to Rs. 29,15,090 were utilised for the purpose of purchase of a car. These amounts are to be recovered from Society. The deposits receipts along with copy of bank statements showing receipt of above mentioned amount should be submitted with DoE, in compliance of the same, within sixty days from the date of issuance of this order. Non-compliance of this shall be taken up as per DSEA & R, 1973.

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 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 shall not be allowed to charge development fee unless it follows the directions of this Directorate.

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 03.02.2017 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.

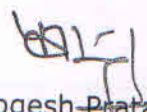
Accordingly, it is hereby conveyed that the representations for fee hike of Rukmini Devi Public School, Block-CD, Pitmapura, Delhi-110034, has been rejected by the Director of Education.

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 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
Private School Branch
Directorate of Education

To


The Manager/HoS
Rukmini Devi Public School,
Block-CD, Pimapura, Delhi-110034.

No. F. DE-15/ACT-I/WPC-4109/PART/13/ 966

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