

GOVERNMENT OF NATIONAL CAPITAL TERRITORY OF DELHI  
 DIRECTORATE OF EDUCATION  
 (PRIVATE SCHOOL BRANCH)  
 OLD SECRETARIAT, DELHI-110054

14/11

No. F.DE.15( 24 )/PSB/2018/ 2019/ 927-931

Dated: 22/01/2019

ORDER

WHEREAS, this Directorate vide its order No. DE.15 (318)/PSB/2016/19786 dated 17 Oct 2017 of Directorate of Education, Govt. of NCT of Delhi, has issued 'Guidelines for implementation of 7<sup>th</sup> Central Pay Commission's recommendations in private unaided recognized schools in Delhi' and required that private unaided schools, which are running on land allotted by DDA/other govt. agencies with the condition in their allotment letter to seek prior approval of Director (Education) before any fee increase, need to submit its online fee increase proposal for the academic session 2017-2018. Accordingly, vide circular no. 19849-19857 dated 23 Oct 2017 the fee increase proposals were invited from all aforesaid schools till 30 Nov 2017 and this date was further extended to 14 Dec 2017 vide Directorate's order No. DE.15 (318)/PSB/2016/20535 dated 20 Nov 2017 in compliance of directions of Hon'ble High Court of Delhi vide its order dated 14 Nov 2017 in CM No. 40939/2017 in WPC 10023/2017.

AND WHEREAS, attention is also invited towards order of Hon'ble High Court of Delhi dated 19 Jan 2016 in writ petition No. 4109/2013 in the matter of Justice for All versus Govt. of NCT of Delhi and others where it has been directed by the Hon'ble Delhi High Court that the Director of Education has to ensure the compliance of term, if any, in the letter of allotment regarding the increase of the fee by all the recognized unaided schools which are allotted land by DDA.

AND WHEREAS, The Hon'ble High Court while issuing the aforesaid direction has observed that the issue regarding the liability of Private unaided Schools situated on the land allotted by DDA at concessional rates has been conclusively decided by the Hon'ble Supreme Court in the judgment dated 27 Apr 2004 passed in Civil Appeal No. 2699 of 2001 titled Modern School Vs. Union of India and others wherein Hon'ble Supreme Court in Para 27 and 28 has held as under:-

"27....(c) It shall be the duty of the Director of Education to ascertain whether terms of allotment of land by the Government to the schools have been complied with...

28. We are directing the Director of Education to look into the letters of allotment issued by the Government and ascertain whether they (terms and conditions of land allotment) have been complied with by the schools.....

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.....If in a given case, Director finds non-compliance of above terms, the Director shall take appropriate steps in this regard."

AND WHEREAS, the Hon'ble Supreme Court in the above said Judgment also held that under section 17(3), 18(4) read along with rule 172, 173, 175 and 177 of Delhi School Education Rules, 1973, Directorate of Education has the authority to regulate the fee and other charges to prevent commercialization of education.

AND WHEREAS in response to this directorate's circular dated 23 Oct 2017 referred to above, **Modern Convent School (School ID-1821190), Sector-4, Dwarka, New Delhi - 110078** submitted its proposal for enhancement of fee for the academic session 2017-2018 in the prescribed format including the impact on account of implementation of recommendations of 7<sup>th</sup> CPC with effect from 1 Jan 2016.

AND WHEREAS, in order to ensure that the proposals submitted by the schools for fee increase are justified or not, this Directorate has deployed teams of expert Chartered Accountants at HQ level who has evaluated the fee increase proposals of the school very carefully in accordance with the provisions of the DSEA, 1973, the DSER, 1973 and other orders/ circulars issued from time to time by this Directorate for fee regulation.

WHEREAS, the team of Chartered Accountants have referred to the Directorate's "previous orders" (No. F. DE-15/ACT-IWPC-4109/PART/13/371-375 dated 27 Dec 2016 and No. F. DE-15/ACT-IWPC-4109/PART/13/875 dated 22 August 2017) issued to **Modern Convent School (School ID-1821190), Sector-4, Dwarka, New Delhi - 110078** in relation to evaluation of the proposal for enhancement of fee for the academic session 2016-2017, wherein it was mentioned that the compliances to the instructions/directions given in the said orders will be seen/examined during the scrutiny of fee hike proposal for session 2017-2018 including recovery of amounts from its Society.

AND WHEREAS, necessary records and explanations with regard to compliance by the school to the instructions/directions included in previous orders were called from the school through email. Further, school was also provided an opportunity of being heard on 21 August 2018 at 1:30 PM to present its justifications/ clarifications on the status of its compliance to the instructions/directions included in the previous orders and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted.

AND WHEREAS, the reply of the school, documents uploaded on the web portal for fee increase and subsequent documents submitted by the school were thoroughly evaluated by the team of Chartered Accountants and status of the compliance to the instructions/directions included in the previous orders are as under:



Financial Discrepancies:

S. No.	OBSERVATIONS IN PREVIOUS ORDER	DIRECTIONS IN PREVIOUS ORDER	SUBMISSIONS OF THE SCHOOL	REMARKS
1.	The school has transferred INR 10,00,000 to Modern Charitable Foundation in Cash during FY 2013-2014 and the amount was refunded back in the same year. Further, INR 15,00,000 were transferred to other educational establishment 'Tekchand Mann College of Engineering,' under the same management in FY 2014-2015 and the amount was refunded back in the same year. Though the amounts transferred have been refunded to the school but this is non-compliance of Order No. DE 15/ Act/ Duggal.Com /203 /99 /23033-23980 dated 15 Dec1999.	The school is not allowed to transfer any amount to the society or other institutions from school fun. This is clear cut violation of the DOE instructions and judgement of Hon'ble Supreme Court in Modern School judgement	School has not given any amount to the Society/ Tekchand Mann College of Engineering as evidenced from the audited financial statements of the school for FY 2016-2017.	Considered.
2.	a. As per Financial Statements of the School for the year ended 31 March 2014, INR 91,80,900 was payable to Modern Charitable Society. The same amount	a. Incomplete response. b. The school should reconcile the fee received at the reasonable time intervals	a. The amount was received from the society for construction of school building. No transaction is done with Society during the last 8 years.	a. Considered. b. Reconciliation with minor differences submitted by the school has been considered.

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	<p>remained outstanding as payable on 31 March 2016.</p> <p>b. There were differences in the fee collected by the school as per books of accounts when compared with the fee to be collected during FY 2013-2014, FY 2014-2015 and FY 2015-2016. The school was directed to reconcile the fee received at reasonable time intervals.</p>	<p>so that such errors can be detected at an early stage.</p>	<p>Thus, the amount has been settled by transferring the building to the society in August 2016.</p> <p>b. The reconciliation of fee actually collected and to be collected by the school during FY 2016-17 is submitted.</p>	
3.	<p>The school has not maintained Development Fund in FY 2013-2014 and FY 2014-15 and has treated the development fund as revenue receipts instead of Capital Receipt. Depreciation Reserve Fund was not created during FY 2013-2014 and 2014 - 2015. However in FY 2015-2016, the School has created Development fund treating it as a capital receipt along with</p>	<p>The school should follow DOE instructions in this regard.</p>	<p>Depreciation fund is maintained separately from development fund and is not mixed with the same.</p>	<p>From the audited financial statements of the school for FY 2016-2017, it was noticed that the school did not charge depreciation on assets purchased against development fund, while the same was included in the fixed assets schedule annexed to the Balance Sheet. Further, the school is reported gross value of fixed assets on the face of Balance Sheet, which in fact</p>

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	taken loan from the bank whereas funds are lying idle in bank accounts of the school.		and FDRs of the school as on 31 March 2017.	
7.	The school has short collected INR 4,30,600 from students on account of Board Fees during FY 2013-2014 and FY 2014-2015. The board fee is collected in cash and is not recorded separately in books of accounts. This may be considered as contravention of Clause 22 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11 Feb 2009.	The school should ensure to follow proper accounting practices and to develop proper internal control system so as to plug revenue leakages.	CBSE board fee during FY 2016-2017 was collected by way of cheques. The same was paid to CBSE by the way of cheque.	Considered.
8.	The school has constructed building from the school funds. This is contravention of Clause 2 of Public Notice dated 04.05.1997 which states that it is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school	The school is directed to adhere Rule 177 and other provisions of DSEA & R, 1973 along with court pronouncements in letter and spirit. Compliance shall be verified at the time of next fee increase proposal of the school, if any.	Initially, the school building was constructed by the society out of the donations whatsoever collected but later expansion was made from the fee in accordance with the provisions of the Rule 177 of the DSEA&R, 1973 and the same has been supported vide the Judgement of Hon'ble Supreme	As per direction no. 2 included in the Public Notice dated 4 May 1997, "it is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school becomes the sole property of the society".

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	<p>becomes the sole property of the society. The school has spent INR 2,98,77,263 in FY 2013-2014, INR 2,46,988 in FY 2014-2015 and INR 24,17,403 during FY 2015-2016 on the construction of Building.</p>		<p>Court of India in case no: Civil Appeal No.2699 of 2001 (with C.A. nos. 2700, 2701, 2702, 2703, 2704, 2705-2706, 2707, 2708, 2709 and 2710 of 2001) dated 27 April 2004.</p>	<p>Additionally, Hon'ble High Court of Delhi in its judgement dated 30 Oct 1998 in the case of Delhi Abibhavak Mahasangh concluded that "<i>The tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society.</i>" Also, Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/ KKK/ 883-1982 dated 10 Feb 2005 issued by this Directorate states "<i>Capital expenditure cannot constitute a component of the financial fee structure.</i>" Accordingly, based on the aforementioned public notice and High Court judgement, the cost relating to land and construction of the school building has to be met by the society, being the property of the society and school funds i.e. fee</p>

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				<p>collected from students is not to be utilised for the same. The financial statements of the school for FY 2013-2014 to FY 2016-2017 reflected additions to building of INR 5,46,54,829, which should have been incurred by the Society. Further, this capital expenditure was incurred on the building without complying the requirements prescribed in Rule 177 of DSER, 1973. Accordingly, this amount of INR 5,46,54,829 is hereby added to the fund position of the school (enclosed in the later part of this order) with the direction to recover the same from the society within 30 days from the date of this order.</p> <p>Also, based on above, the expenditure budgeted by the school for FY 2017-2018 has not been considered while deriving the fund</p>

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				<p>position of the school (enclosed in the later part of this order). On account of non-compliance to the direction, the school is liable for necessary action in accordance with section 24(4) of the DSEA, 1973.</p>
9.	<p>It seems impractical that school has let out swimming pool, book/uniform shop and canteen without any consideration. If so, this is a potential loss of revenue to the school. This may be considered as contravention of Clause 3 of Order No. 1978 dated 16.04.2010 and Clause 11 of Order No. F.DE./ 15(56) /Act/ 2009/ 778 dated 11 Feb 2009 which states that 'the schools should not consider the increase in fee to be the only source of augmenting their revenue. They should also venture upon other permissible measures for increasing revenue receipts'.</p>	<p>Improper justification. The school should follow DoE instructions in this regard.</p>	<p>School will revise the agreements of let out of swimming pool, book/uniform shop and canteen.</p>	<p>Deputy Director of Education concerned is directed to examine authenticity/ genuineness of these transactions of goods/services procured by the school.</p>



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10.	The school has bought a Fortuner Car for INR 21.86 Lakhs which was sold within 3 years for INR11 lakhs. Moreover, the school has also sold 6 cars but the payment receipt was not produced for inspection.	Full purchase costs of INR 39,73,908 to be refunded by the society. Compliance should be demonstrated before submitting of next fee increase proposal.	Receipts on sale of 6 cars have been enclosed. Further, it is submitted that the sale proceeds were received in the school's bank account only.	The school has not complied with DOE's instructions in this regard and has not recovered this amount of INR 39,73,908 from the society as directed. Clause (vii) (c) of Order No. F DE/15/Act/2K/243/KKK/883-1982 dated 10 Feb 2005 issued by this Directorate states "Capital expenditure cannot constitute a component of the financial fee structure..... capital expenditure/investments have to come from savings." During review of financial statements of the school for FY 2016-2017, it was noted that the school had incurred capital expenditure on purchase of a car (Hyundai Creta) and two buses by taking loans from bank. Total purchase price was INR 56,13,620 against which school reported interest on loan during FY 2016-2017 of INR 2,81,201 and had reported outstanding loans corresponding to the aforementioned

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				<p>vehicles of INR 47,89,808 as on 31 March 2017. Accordingly, amount of INR 39,73,908 included in previous order together with INR 11,05,013 (INR 56,13,620 plus INR 2,81,201 minus INR 47,89,808) paid towards purchase of vehicles from school fund totalling to INR 50,78,921 is hereby added to the fund position of the school (enclosed in the later part of this order) with the direction to the school to recover the same from the society within 30 days from the date of this order.</p> <p>Further, the school should not charge any payment towards loan repayment subsequently from the school funds. Further, this capital expenditure was incurred on the vehicles without complying the requirements prescribed in Rule 177 of DSER, 1973. Also, purchase of vehicles is not allowed from Development Fund, which can be utilized only towards</p>

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				<p>purchase of furniture, fixture and equipment. Also, based on above, the expenditure budgeted by the school for FY 2017-2018 has not been considered while deriving the fund position of the school (enclosed in the later part of this order). On account of non-compliance to the direction, the school is liable for necessary action in accordance with section 24(4) of the DSEA, 1973.</p>
11.	<p>The school has not provided for payment of Gratuity and Leave encashment in its books of accounts. This is non-compliance of Guidance Note 21 'Accounting by Schools' issued by ICAI.</p>	<p>The school should provide for all statutory liabilities.</p>	<p>It is submitted that gratuity and leave encashment are provided as per actuarial valuation as on 31 March 2017.</p>	<p>The school has obtained actuarial valuation for gratuity as on 31 Mar 2017. However, the school has not obtained actuarial valuation of its liability towards leave encashment. The liability determined by the actuary towards gratuity of INR 4,04,20,101 as on 31 Mar 2017 has been recorded as a provision in the financial statements of the school for FY 2016-2017. As FY 2017-2018 is the</p>

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				<p>year of implementation of recommendations of 7<sup>th</sup> CPC, the school is directed to make investments in plan assets (in accordance with Accounting Standard 15 issued by the Institute of Chartered Accountants of India) equivalent to 1/3<sup>rd</sup> of the liability towards gratuity as determined by the actuary within 30 days from the date of this order and balance amount in the next two years. Further, the school is directed to obtain actuarial valuation of its liability towards leave encashment and create investments in accordance with Accounting Standard 15. On account of non-compliance to the direction, the school is liable for necessary action in accordance with section 24(4) of the DSEA, 1973</p>

**B. Other Discrepancies:**

S. No.	OBSERVATIONS IN PREVIOUS ORDER	DIRECTIONS IN PREVIOUS ORDER	SUBMISSIONS OF THE SCHOOL	REMARKS
1.	The school has charged increased fee from the students during the academic session of 2016-2017. In this relation the school has issued a circular the relevant adjustment in the fee shall be made in the third quarter fee. This is non-compliance of Order No. F.DE-15/Act-I/WPC-4109/Part/13/ 7914-7923 dated 16 Apr 2016.	The school should comply with DOE order in this regards.	The school had collected increased fee only from Pre-school students in the first quarter which had been refunded in the third quarter	Considered.
2.	<p>The following internal control weaknesses in the process followed by school:</p> <p>a. For fee collection, fees booklets given to the students are not serially numbered &amp; no separate receipt is issued against payment of fee. Moreover, in case fee booklet is lost by students, the same is re-issued free of cost on verbal request from the parents. In case of cash management, the person who prepares voucher, also manages the cash and enters the transactions in software.</p> <p>b. The School was using fee collection software in which records can be manually changed; the excess fee collected from students was shown as advance fee automatically by the software but it can be changed manually to</p>	<p>a. School has to ensure compliance in future.</p> <p>b. The compliance shall be reviewed at the time of next fee increase proposal, if any.</p> <p>c. The school should follow DOE instructions in this regard.</p>	<p>a-b. Now the fee is collected online and on the basis of online fee receipts generated, these issues will not arise in future.</p> <p>c. Due care is been taken.</p>	<p>Deputy Director of Education concerned is directed to examine authenticity/ genuineness of these transactions of goods/services procured by the school. The financial statements for FY 2016-2017 submitted by the school did not include Receipt &amp; Payment Account. Also, depreciation was not reported in Income &amp;</p>

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	<p>any other head of income like late fee.</p> <p>c. The school is not preparing financial accounts as per the format prescribed in Appendix – II. This is non-compliance of Order No. F.DE-15/Act-WPC4109/Part/13/7905-7913 dated 16-04-2016.</p>			<p>Expenditure Account. Accordingly, the school is directed to strictly confirm with the format included in the Guidance Note issued by ICAI.</p>
3.	<p>On analysis of the major contracts entered by the school, it has been noted: The school is not following generally accepted procedures like inviting tenders, bids, quotations, etc. for the procurement of goods or services required for the school. The contracts are awarded after searching the vendor on the basis of their quality of work done/ services rendered elsewhere.</p>	<p>The school has ensured the compliance in</p>	<p>The school has adopted proper purchase/ procurement procedure and enclosed a list of some procurements carried out during FY 2016-2017 with complete documentation.</p>	<p>The school submitted a list of purchase of assets along with quotations collected for purchase of 2 items. However, in relation to services/ contracts, the school did not provide any details. The school should strengthen its procurement process to ensure that contracts are awarded on competitive and arm's length price.</p>
4.	<p>In the following contracts discrepancies regarding arm's length price was observed:</p> <p>a. C-Tech Systems &amp; Megha Computer</p>	<p>In the light of non-transparency of procurement process, the Deputy</p>	<p>a. It is clarified that the parties were using same premises but dealing</p>	<p>Deputy Director of Education concerned is directed to examine</p>

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	<p>Services amounting INR 51,30,410 and INR1,05,79,390 respectively during FY 2013-2014 to FY 2015-2016. Further contract issued to Giga Byte Technology. These three firms are related to each other as have common billing address and contact numbers.</p> <p>b. Madan Lal – Contract awarded for the construction of basement and 4<sup>th</sup> floor. Estimated Cost of project INR4 Crores.</p> <p>c. Arya Facilities Pvt. Ltd. – Contractor for providing manpower to School.</p> <p>d. Turf purchase and installation agreement with Tiger Turf NZ Ltd. of INR 48,06,110 and Altus Sports &amp; Leisure Pvt. Ltd. of INR20,72,597 respectively. The school has also spend INR 37,07,905 on raw material and other expenses on lying of Turf out of which INR 10,65,400 was paid to contractors 'Shyamlal' and 'Sultan'.</p>	<p>Director of Education concerned is directed to examine authenticity/ genuineness of these transactions of goods/services procured by the school.</p>	<p>separately and as such the school did not observe any illegality in it. The manner was looked into and now the contract for computer services is solely with Giga Byte Technologies considering their quality services.</p> <p>b. The estimated cost of construction of basement and 4<sup>th</sup> floor was on the basis of the scheduled rated of PWD/ MCD. The construction of basement has been dropped considering the shortage of funds. Construction of blocks on 4<sup>th</sup> floor is still under process. However, the payments will be on the actual expenditure.</p> <p>c. The school had set the prices as</p>	<p>authenticity/ genuineness of these transactions of goods/services procured by the school.</p>

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			<p>low as available in the market.</p> <p>d. It has added to overall cleanliness and has also prevented the students playing on a Kuccha ground. Parents have appreciated the action having realized the importance of laying Turf in playfields.</p>	
5.	<p>On review of expenses incurred by the school during the period under inspection following were observed:-</p> <p>a) Gupta Enterprises was paid INR 22,99,997 during the three years under inspection and has been paid @ INR1.20 per copy as photocopy charges. No agreement exists with vendor and no record has been maintained in respect of quantity of photocopies done. The payment is made as invoiced by the vendor on the basis of slips given by school.</p> <p>b) Jaggi Light and Tent House was paid INR15,43,546 and Jaggi Caterers Decorators was paid INR19,78,161 during the three years under inspection. Both</p>	<p>In the light of non-transparency of procurement process, the Deputy Director of Education concerned is directed to examine authenticity/ genuineness of these transactions of goods/services procured by the school.</p>	<p>The school has submitted as follows:</p> <p>a. The service provider was hired @ INR 1.20 per page of photocopying against the market rates of INR 2.00 per page. The service provider is also picking up and dropping the copies along with the document.</p> <p>b. The school did not organise any extravagant function which called for such arrangements</p>	<p>Deputy Director of Education concerned is directed to examine authenticity/ genuineness of these transactions of goods/services procured by the school.</p>



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	<p>vendors seems to be related to each other. Invoices have been raised without any itemized details and service tax has not been properly charged in the invoices.</p> <p>c) Building Repair &amp; Maintenance: Cash payment of more than INR1 Crore for 3 years under inspection has been made to the labour but no document has been maintained in respect of the labour deployed on daily basis.</p> <p>d) ADI Visuals and Neelam Crafts payment made INR 2,75,000 and INR 3,00,000 respectively. Services was taken for annual function, two vendors hired for same service, one was giving service for day one and other was giving service for next two days of function. It seems that both vendors are related.</p> <p>e) Catering expenses paid to various vendors have big variations as to the rates charged by them.</p>		<p>due to shortage of funds. However, if the need arises the same will be done after inviting quotations for various vendors.</p> <p>c. Services were taken from the labour for complete restoration of 32 blocks of toilets, yearly whitewash of building and repair and painting and varnishing of furniture, raising of boundary as per Govt. instruction in wake of Peshawar attack. The labour was hired from chowk on the basis of day to day need under the direct supervision of care taker and payment was made on daily basis. Hence, no register was</p>	



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			<p>maintained for the purpose.</p> <p>d-e. The school did not organise any extravagant function which called for such arrangement due to shortage of funds. However, if the need arises the same will be done after inviting quotations from various vendors.</p>	
6.	<p>Findings from the inspection of top 200 payments can be summarized as under:</p> <p>a. Vendor C-Tech System raised invoices to Modern Convent School only.</p> <p>b. Service tax has been charged by the unregistered vendor under service tax and service tax not charged by vendor registered under service tax.</p> <p>c. Date was not mentioned on Invoice in some cases.</p> <p>d. Invoices have been raised by different vendors having same address.</p> <p>e. Some invoices were not in proper format and were</p>	<p>In the light of non-transparency of procurement process, the Deputy Director of Education concerned is directed to examine authenticity/genuineness of these transactions of goods/services procured by the school.</p>	<p>The school has submitted as follows:</p> <p>a. School cannot comment in any way.</p> <p>b. In this context, it is submitted that the service tax number of the party was not printed on the face of the bill/ invoice. However, the party is registered.</p> <p>c. Submitted that in some of the bills as mentioned under annexure 22C of the report of the Committee, the dates are mentioned where the particulars of</p>	<p>Deputy Director of Education concerned is directed to examine authenticity/genuineness of these transactions of goods/services procured by the school.</p>

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	<p>without proper description of services/goods supplied.</p> <p>f. In some instances payments have been made against 'Estimates' instead of proper invoice.</p> <p>g. There were some instances where school has not entered into any agreement with the vendors.</p> <p>h. Invoices raised by the vendor were not in sequence as per the dates prescribed on it.</p> <p>i. Cash payments made to labour without any record of attendance being maintained by school.</p> <p>j. Delivery challans are not being maintained by the school</p> <p>k. There is overwriting on the invoice raised by the vendors.</p> <p>l. Accounts being squared up without the receipt of the final invoice from vendor.</p> <p>m. Extra expenses booked under the head - telephone expenses of Rs.1,29,468 on 26.06.2015.</p> <p>n. Payment of invoices which pertains to previous years.</p>		<p>items are written for those bills. However, more care is being taken.</p> <p>d. The two vendors i.e. Sultan and ShayamLal have same address and phone number as they are father and son but both are working independently. Due care is taken now.</p> <p>e. The party provided the claim amount as it did not have the supposed proper format.</p> <p>f. The party has stamped the Estimates as a paid amount and there was no variation between the estimated value and paid value. However, due care is been taken.</p> <p>g. On this count it is clarified that Modern Convent School is an unaided private school managed by a committee and the contracts</p>	

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			<p>are awarded after searching the vendors on the basis of their quality of work done /services rendered elsewhere. The contracts were entered into/works were awarded to the parties after checking/confirming their track records and also after confirming the rates from the open market, in the best interest of the school and in an economic way.</p> <p>h. Due care is being taken.</p> <p>i. No such payments are made henceforth.</p> <p>j. Delivery challans are checked. Bills are maintained.</p> <p>k. The perusal of the bill shows that there is no correction done in the bill under question. It appears that the comma (,) which is placed between the lakh digit and the thousand digit</p>	

S. No.	OBSERVATIONS IN PREVIOUS ORDER	DIRECTIONS IN PREVIOUS ORDER	SUBMISSIONS OF THE SCHOOL	REMARKS
			<p>of the amount of the INR 2,40,000 was taken as correction</p> <p>l. Due care is been taken.</p> <p>m. It was just a human error. It was an additional amount towards payment for IGL and was inadvertently booked under telephone expense.</p> <p>n. Clarified that sometimes payments are carried forward due to delay in receiving of bill as well as payments released.</p>	
7.	<p>The verification of Cash book has revealed that there was Negative Cash balance on 09 Dec 2014 amounting to INR32,263.73; payments made to drivers/ helpers were not matching with amounts entered in cash book on 09 Dec 2014 along with the month of October 2014 and approximately INR1 Crore has been paid in cash on account of labour charges for Building Repair &amp; Maintenance during FY 2013-2014 to 2015-2016.</p>	<p>The finding of special Inspection of payment of INR 1 crore in cash to labour raised doubts on authenticity of transactions. Matter to be referred to labour department, Govt. of NCT of Delhi for</p>	<p>This was inadvertent because this is due to the payment of INR 1,53,124 to the drivers in cash. The salary was paid on 10<sup>th</sup> day but inadvertently, it was reflected on 9<sup>th</sup> day which led to negative balance.</p> <p>Noted for future. However, the occurrence of lapse has been stopped now as the</p>	<p>Construction of building is responsibility of the Society on account of which the amount spent from school funds is required to be recovered from the Society. Refer Financial Discrepancy No. 8</p>

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S. No.	OBSERVATIONS IN PREVIOUS ORDER	DIRECTIONS IN PREVIOUS ORDER	SUBMISSIONS OF THE SCHOOL	REMARKS
		checking at legal compliances at their end, in tjis regard.	payments are made through banks Regarding the payment of 1 Cr. during three financial years to labours, it is clarified that services were taken from the labours for complete restoration of 32 blocks of toilets which included dismantling of the then existing structure of toilet and then reconstructing of toilet blocks, yearly whitewash of building and repair and painting and varnishing of school furniture, raising of boundary walls per Govt Instruction in wake of Peshawar attack.	
8.	<p>The following discrepancies were noted in the statutory payments made by the school during period under review:</p> <p>a. TDS on salary was not deducted as per the legal provisions prescribed by Income Tax Act, 1961.</p> <p>b. TDS was not deducted on many transactions as required by the Income Tax Act, 1961.</p> <p>c. TDS returns pertaining to couple of quarters were not available on record and complete</p>	<p>The school is directed to comply with all applicable statutory provisions and ensure that timely compliances are undertaken. It shall be verified at the time of next fee increase</p>	<p>WCT related issues, PF etc. are being taken care of.</p>	<p>The school is directed to comply with all applicable statutory provisions and ensure that payments and compliances are done timely. It shall be verified at the time of next fee increase</p>

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S. No.	OBSERVATIONS IN PREVIOUS ORDER	DIRECTIONS IN PREVIOUS ORDER	SUBMISSIONS OF THE SCHOOL	REMARKS
	<p>TDS returns were not available in some cases for inspection. It was also noted that TDS challans entered into TDS return were not mapped to the deductee records.</p> <p>d. TDS returns have been filed late in most of the cases which has led to levy of penalty for late filling of TDS returns and the penalty levied has not been paid too. Moreover, there are defaults in the TDS returns filed by the school</p> <p>e. In some instances TDS was deposited later than due date.</p> <p>f. The school has taken registration under WCT in last quarter of FY 2013-2014, but the school was subject to WCT before that too. School has not deducted and paid WCT on many payments made by it. Moreover, there was delay in deposit of WCT and filing of returns in some cases.</p> <p>g. The school has not ensured the deduction and payment of PF of all the contractual employees.</p> <p>h. The school has not paid ESI on due dates and the payment of PF on due date cannot be verified in the absence of relevant documents.</p>	<p>proposal of the school, if any.</p>		<p>proposal of the school, if any.</p>

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S. No.	OBSERVATIONS IN PREVIOUS ORDER	DIRECTIONS IN PREVIOUS ORDER	SUBMISSIONS OF THE SCHOOL	REMARKS
	<p>The contractors/ service providers/ manpower suppliers are not following PF and ESIC rules and this may lead to whole liability on the school in respect of payment of ESIC and PF in respect of persons deployed in school by vendors.</p>			
9.	<p>The school does not have details of the students to whom the caution money was refundable. Caution money refundable is reflected as liability in the books of accounts and the school management has explained that caution money and transport security is refunded to the students as and when demanded along with the original receipt issued by the school. Moreover, as required by Order no. DE/15/150/ACT/ 2010/4854-4869 dated 09 Sep 2010, the school has not sent registered letter to the ex-students to claim refund of caution money. The un-refunded caution money has not been considered as income of next financial year and has not been taken into account while projection fee structure for ensuing academic session. These are contraventions of Clause 18 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11 Feb 2009. It was further noted that in some cases the caution</p>	<p>The school should ensure to follow proper accounting practices to maintain its books of accounts in proper manner.</p>	<p>The caution money was given to the claimants with interest as and when they approached the school and no registered letters were sent to the claimant for refund of caution money with an intention to minimize expenses. In compliance of the directions vide no. F.DE-15/ACT- IWPC- 4109/PART/13/875 dated 22 Aug 2017, remaining students were informed through speed posts to receive their caution money. No caution money appears in financial statement as on 31<sup>st</sup> March 2017 as unclaimed caution money has been transferred to</p>	<p>Considered.</p>



S. No.	OBSERVATIONS IN PREVIOUS ORDER	DIRECTIONS IN PREVIOUS ORDER	SUBMISSIONS OF THE SCHOOL	REMARKS
	money has been refunded in cash without any supporting /original receipt being attached with the voucher.		income. Also, school did not take any caution money after 2005.	
10.	Some discrepancies were observed in FY 2013-2014 pertaining to the refund amount given to the students who withdrew from the school. This is contravention of Clause (b) of Order No 15 DE/Act/2010/ 726-36 dated 11 Feb 2011.	The school should follow DOE instructions in this regard.	Details of refund to students have been submitted along with ledger account for the FY 2016-2017.	The school submitted the ledger account and copies of receipts, but did not submit complete details and calculations of refund. From the details provided by the school it appears that the school did not comply with the directions in this regard. The school is directed to ensure compliance in this regard and not to make any deduction from fee refund (other than admission fee) before start of academic session. On account of non-compliance to the direction, the school is



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S. No.	OBSERVATIONS IN PREVIOUS ORDER	DIRECTIONS IN PREVIOUS ORDER	SUBMISSIONS OF THE SCHOOL	REMARKS
				liable for necessary action in accordance with section 24(4) of the DSEA, 1973.
11.	On verification of payments made to teaching and non-teaching staff, some discrepancies have been noted in respect of rules applicable /governing the school. In some case of payments made to guest and contractual teachers by the school, the salary due per terms of employment and salary paid were not in consensus. Moreover, it was also noted that there is a difference of INR 6,57,466 in Salary Due and Salary Payable as on 31 March 2016.	The school is directed to comply with all applicable statutory provisions and ensure that timely compliances are undertaken. Compliance shall be verified at the time of next fee increase proposal of the school, if any.	Details of contractual staff hired by the school along with the reason for hiring along with appointment/ increment letters of 10 staff has been enclosed. Also, formal increment letters were not issued to 4 staff.	The school has not submitted any reconciliation of the difference noted on account of salary due and salary paid. The school is directed to reconcile the difference and submit the same to Directorate along with next fee hike proposal.
12.	The school has not transferred 10% of the surplus to Reserve Fund as required by the Rule 177 of DSEA & R 1973 and earmarked levies collected were not specifically used for the related expenditure as required by Rule 176 of DSEA & R 1973.	The school is directed to comply with the DoE instructions in this regard.	Due to non-availability of surplus funds with the school.	The school is directed to ensure compliance of DSER, 1973.
13.	The school has not utilized the interest on deposit pledged in favour of the Government as the same was not received by the school.	The school is directed to comply with the DoE	Interest was accrued and added to FD.	Considered.

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S. No.	OBSERVATIONS IN PREVIOUS ORDER	DIRECTIONS IN PREVIOUS ORDER	SUBMISSIONS OF THE SCHOOL	REMARKS
		instructions in this regard.		
14.	Minute book of the selection committee has not been maintained by the school. It was also noted that the appointment of all teachers are being ratified in the upcoming Managing Committee meeting although the teachers start attending the school for 2-3 months before ratification	The school is directed to maintain proper minute books of meeting of selection committee.	It was clarified to the inspection committee that the process of selection of the staff / teacher is through a well designated procedure as laid down in <b>Rule 96 of DSEA&amp;R, 1973</b> and the observation of the selection committee are maintained. Selections are finalized by the committee and in the interest of education of students, the appointments are issued in anticipation of ratification from the Managing Committee because managing committee cannot be called on every now and then.	The school is directed to ensure compliance with Rule 96 of DSER, 1973.
15.	Inspecting team was not able to carry out the complete physical verification of assets as the school has not updated the Fixed Assets Register (FAR). School has converted the Psychology lab in to class room hence assets of psychology lab cannot be verified. They have verified only School Buses, Smart Boards, Transformer and Building of school.	The school is directed to maintain proper fixed assets register with complete.	The school has submitted copy of FAR	The school has prepared a Fixed Assets Register (FAR) that only captures asset name, date of receipt, purchase cost and quantity. The school should also include details such as supplier name, invoice number,

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S. No.	OBSERVATIONS IN PREVIOUS ORDER	DIRECTIONS IN PREVIOUS ORDER	SUBMISSIONS OF THE SCHOOL	REMARKS
				<p>manufacturer's serial number, location, other costs incurred, depreciation, asset identification number, etc. to facilitate identification of asset and documenting complete details of assets at one place. The school is directed to update the FAR with relevant details mentioned above.</p>
16.	<p>That the PTA representative Mr. Jitender Chhikara is closely related with the school and his children are having 100% fee concession from the school. He has attended Managing Committee meeting for all the three years under inspection. In such a scenario, the independent decision making of Mr. Jitender Chhikara is to be looked into.</p>	<p>Compliance shall be verified at the time of next fee increase proposal of the school, if any.</p>	<p>List of parents in PTA committee whose children are paying full fee/concession during FY 2016-2017 and copy of minutes of PTA meeting in 2016-2017 is enclosed.</p>	<p>Based on details provided by the school, it has stopped giving concessions to the PTA representatives. The school is directed to ensure compliance in future.</p>
17.	<p>The school has given free-ship to 6 students due to support of their parents/relatives in the establishment of school.</p>	<p>Compliance shall be verified at the time of next fee</p>	<p>No response</p>	<p>The school did not submit required documents</p>

S. No.	OBSERVATIONS IN PREVIOUS ORDER	DIRECTIONS IN PREVIOUS ORDER	SUBMISSIONS OF THE SCHOOL	REMARKS
	<p>There are two complaints filed against the school in Labour Court. The cases are pending and the current status of the cases is not known.</p>	<p>increase proposal of the school, if any</p>		<p>regarding the status of pending cases. Thus, the compliance could not be evaluated. The same will be verified at the time of subsequent fee hike evaluation.</p> <p>On account of non-submission of documents, compliance to the direction could not be evaluated. Thus, the school is liable for necessary action in accordance with section 24(4) of the DSEA, 1973.</p>

Though the school did not comply with many directions of this Directorate included in its previous orders, basis which the proposal for enhancement of fee submitted by the school for the academic session 2017-2018 should have been out-rightly rejected. However, the Directorate has gone further and carried out a preliminary analysis of the audited financial statements submitted by the school for FY 2016-2017 and budgeted income and expenditure for FY 2017-2018 in order to derive the fund position of the school in relation to FY 2017-2018 for which proposal for enhancement of fee has been submitted by the school. Based on the preliminary financial analysis, it has been derived that total funds available with the school for the financial year 2017-2018 are estimated to be INR 24,73,84,440 out of which cash outflow during FY 2017-2018 is estimated to be INR 20,41,20,000. This results in net surplus of INR 4,32,64,440 after meeting all

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the expenses for FY 2017-2018 (including financial implication of implementing 7<sup>th</sup> CPC) as detailed hereunder:

Particulars	Amount (INR)
Cash and Bank Balance as on 31st March 2017 (as per audited financial statements of FY 2016-2017)	2,00,40,675
Investment as on 31st March 2017 (as per audited financial statements of FY 2016-2017)	38,12,652
<b>Total Liquid Funds Available with the School as on 31 Mar 2017</b>	<b>2,38,53,327</b>
Add: Estimated Fees and other incomes for FY 2017-2018 based on audited financial statements of FY 2016-2017 of the school [Refer Note 1]	17,72,70,730
Add: Recovery from society of cost incurred on additions to Building from 2013-2014 to 2016-2017 [Refer Financial Finding No.8]	5,46,54,829
Add: Recovery from Society against purchase of vehicles [Refer Financial Finding No.10]	50,78,921
<b>Gross Estimated Available Funds for FY 2017-2018</b>	<b>26,08,57,807</b>
Less: Development Fund [Refer Financial Finding No. 3]	-
Less: Depreciation Reserve Fund (Refer Note 2)	-
Less: Staff retirement benefits (33.33% of the liability determined by actuary as on 31 Mar 2017) [Refer Financial Finding No.11]	1,34,73,367
Less: Caution Money Fund (Net of transfer to income in FY 2017-2018) ('Nil' as per audited financial statements of FY 2016-2017)	-
<b>Net Estimated Available Funds for FY 2017-2018</b>	<b>24,73,84,440</b>
Less: Budgeted Expenses for FY 2017-2018 (Refer Note 3)	20,41,20,000
<b>Net Surplus as on 31 March 2018</b>	<b>4,32,64,440</b>

#### Notes:

1. Fee and income as per audited financial statements of FY 2016-2017 has been considered with the assumption that the amount of income during FY 2016-2017 will at least accrue during FY 2017-2018.
2. Depreciation reserve is more of an accounting head for appropriate treatment of depreciation in the books of account of the school in accordance with Guidance Note 21 issued by the Institute of Chartered Accountants of India. Thus, there is no financial impact of depreciation reserve on the fund position of the school. Accordingly, it is not considered in table above.
3. Per the Budgeted Receipt and Payment for FY 2017-2018 submitted by the school along with proposal for fee increase, the school had estimated the total expenditure of INR 22,81,85,000 (including arrears for salary as per 7<sup>th</sup> CPC of INR 2,53,00,000), which in some instances was found to be unreasonable/ excessive. Based on the explanations and details provided by the school during personal hearing, all the expense heads as budgeted have been considered even though certain expenditures were increased substantially by the school as compared to FY 2016-2017. However, during review of budgeted expenses, discrepancies were noted in some of the expense heads,

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which were adjusted from the budgeted expenses. Therefore, the following expenses have been adjusted while considering the budgeted expenses for FY 2017-2018:

Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Finishing & furnishings	15,48,654	1,50,00,000	-	1,50,00,000	Refer Financial Finding 8
Two wheelers	-	65,000	-	65,000	Refer Financial Finding 10
Vehicle purchase	56,13,620	90,00,000	-	90,00,000	
<b>Total</b>	<b>71,62,274</b>	<b>2,40,65,000</b>	<b>-</b>	<b>2,40,65,000</b>	

In view of the above examination, it is evident that the school has sufficient funds for meeting all the budgeted expenditure for the financial year 2017-2018.

And whereas per direction no. 2 of Public Notice dated 4 May 1997, it is the responsibility of the society who has established the school to raise funds from their own sources or donations from the other associations for construction of building because the immovable property of the school becomes the sole property of the society. Further, Hon'ble High Court of Delhi in its judgement dated 30 Oct 1998 in the case of Delhi Abibhavak Mahasangh concluded that tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society. Thus, the cost of additions to the building reflected in the financial statements of the school met out of the fee collected from students is required to be recovered from the society within 30 days from the date of this order.

And whereas, as per clause No. 14 of Order No. F.DE./ 15(56)/ACT/2009/778 dated 11 Feb 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." The school has not complied with the directions in this regard included in the previous order of this directorate.

And whereas Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "Accounting for defined benefit plans is complex because actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses." Further, the Accounting Standard defines Plan Assets (the form of investments to be made against liability towards retirement benefits) as:

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- (a) assets held by a long-term employee benefit fund; and
- (b) qualifying insurance policies.

The school is been directed to ensure compliance with Accounting Standard 15 by making the equivalent investment against the liability so determined in the mode specified under the said Accounting Standard within a period of three years.

And whereas, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973. guidelines, orders and circulars issued from time to time by this Directorate it was recommended by the team of Chartered Accountants that the school has failed to comply with most of the directions given to the school after evaluation of the fee hike proposal for the academic session 2016-2017 and that the funds available with the school for implementation of recommendations of 7<sup>th</sup> CPC and to carry out its operations for the academic session 2017-18 are sufficient and the fee increase proposal of the school may be rejected.

And whereas, recommendations of the team of Chartered Accountants along with relevant materials were put before Director of Education for consideration and who after considering all material on record has found that the school has faltered in complying in the directions of this directorate and has sufficient funds for meeting the financial implications of 7<sup>th</sup> CPC salary and other expenses for the financial year 2017-2018. Therefore, Director (Education) rejects the proposal submitted by the school for enhancement of fee for the academic session 2017-2018.

Accordingly, it is hereby conveyed that the proposal of enhancement of fee for session 2017-2018 of **Modern Convent School (School ID-1821190), Sector-4, Dwarka, New Delhi - 110078** 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 any fee/charges during FY 2017-2018. In case, the school has already charged increased fee during FY 2017-2018, the school should make necessary adjustments from future fee/refund the amount of excess fee collected, if any, as per the convenience of the parents.
2. To communicate with the parents through its website, notice board and circular about rejection of fee increase proposal of the school by the Directorate of Education.
3. To rectify the financial and other irregularities/violations as listed above and submit the compliance report within 30 days from the date of this order to D.D.E.(PSB).
4. To ensure that the salaries and allowances shall come out from the fees whereas capital expenditure will be a charge on the savings in accordance with the principles laid down by Hon'ble Supreme Court of Delhi in its Judgment of Modern School vs Union of India. Therefore, school not to include capital expenditure as a component of fee structure to be submitted by the school under section 17(3) of DSEA, 1973.



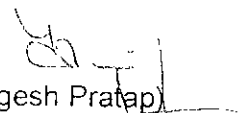
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5. To utilise the fee collected from students in accordance with the provisions of Rule 177 of the DSER, 1973 and orders and directions issued by this Directorate from time to time.
6. The Compliance Report detailing rectification of the above listed deficiencies/ violations must also be attached with the proposal for enhancement of fee of subsequent academic session, as may be submitted by the school. Compliance of all the directions mentioned above will be examined before evaluation of proposal for enhancement of fee for subsequent academic session.

Non-compliance of this order or any direction herein shall be viewed seriously and will be dealt with in accordance with the provisions of section 24(4) of Delhi School Education Act, 1973 and Delhi School Education Rules, 1973.

This order has to be read in continuation to this Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/875 dated 22 August 2017 issued to the School

This order is issued with the prior approval of the Competent Authority.

  
(Yogesh Pratap)  
Deputy Director of Education  
(Private School Branch)  
Directorate of Education,  
GNCT of Delhi

**To:**

The Manager/ HoS  
Modern Convent School,  
School ID-1821190  
Sector-4, Dwarka  
Delhi - 110078

No. F.DE.15( 24 )/PSB/2018/ 2019/ 927-931

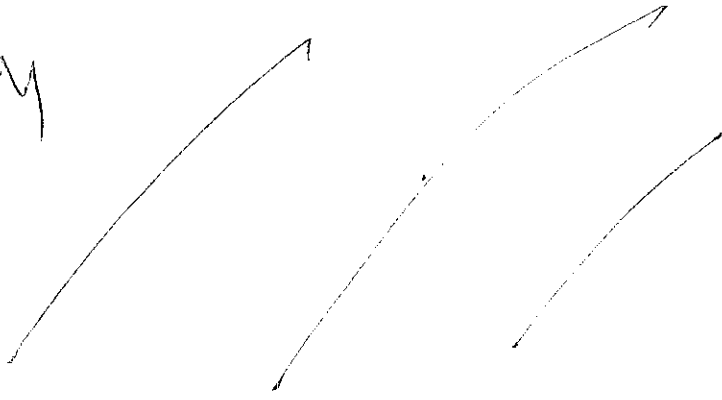
Dated: 22/01/2019

**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 Spl Director of Education (Private School Branch), Directorate of Education, GNCT of Delhi
4. DDE concerned
5. Guard file

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Handwritten signature of Yogesh Pratap in black ink.

(Yogesh Pratap)  
Deputy Director of Education  
(Private School Branch)  
Directorate of Education,  
GNCT of Delhi