

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/ 958

Dated: 13/10/2017

ORDER

Whereas, the request of DAV Public School, Sreshtha Vihar, Delhi 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/13/580-84 dated 06.03.2017 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 DAV Public School, Sreshtha Vihar, Delhi 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 DAV Public School on 17.05.2017 at 10.00AM 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 17.05.2017 at 10.00AM and during the hearing, the issues raised in the representation of the school were discussed at length.

And whereas, after examining the proposals of Fee Hike submitted by DAV Schools, it was observed that all DAV schools are run under the aegis of DAV College Management Committee (DAVCMC) which runs a number of schools and colleges in all over India and are following the same accounting and financial procedure across all schools, and these common accounting and financial procedures has led to issues such as making contribution to a pool account maintained by DAV CMC for payment of Leave Encashment and Gratuity, maintenance of three separate bank accounts, payment of Administrative Charges to DAV CMC, collecting Rs. 10,000 as building fund from students, deposit of extra funds of schools to DAVCMC, etc. The above procedures are not in consonance with the provisions of DSEA&R, 1973.

And whereas, in order to understand the procedure being followed as well as to seek clarification/justification on these issues, apart from hearing to the respective schools, as mentioned above, the Management of DAV CMC and Director (DAV CMC) alongwith their Account functionaries were called twice to discuss these issues and to



obtain necessary clarifications. In this regard, point-wise clarification has been provided by DAV CMC which is as under:

**Table 1: Common Observations**

S. No.	Common Observation	Clarification given by DAV CMC	Remarks
1.	The school has been paying a sum equal to 4% of the total basic pay of staff of the school to DAVCMC. As per Order no. DE. 15/ Act/ Duggal.Com /203 /99 /23033-23980 dated 15.12.1999 the management is restrained from transferring any amount from the Recognized Unaided School Fund to society or trust or any other institution.	DAV CMC is collecting administrative charges from the schools under its management for providing administrative support and varied facilities viz. financial audit of schools through audit and accounts section, academic audit, training of Principals, teachers and other staff of the schools through centre for academic Excellence, construction and property management by estate department, legal and taxation services, providing services relating to provident fund, gratuity, leave encashment and EDLI etc. In addition, DAV CMC is nominating local management committee, selection committee and building subcommittee for smooth functioning of the schools. DAV CMC is also organizing science, maths and ICT Olympiads and having a separate education board for our schools for classes up to VIIIth Standard. The entire administrative control is being dealt at DAV CMC level. All orders relating to postings, transfers, sanctions of purchases, circulars, notifications etc. are issued from DAV CMC, New Delhi. The DAV CMC has full fledged department for assessment and evaluation of schools, their principals and staff and based on feedback, necessary steps are being taken by DAV CMC for their improvement. We are also	Though practice followed by DAV Schools is not in consonance with DSEA&R, 1973. Keeping in view submission/ justification given by DAV CMC as well as keeping in view the managerial structure of DAV CMC to have a check and balances as well as economy in expenditure, the submissions of DAV CMC are taken on record.

S. No.	Common Observation	Clarification given by DAV CMC	Remarks
		<p>providing legal assistance to various schools for any legal disputes. DAV CMC has engaged staff for the above services and salaries and other statutory payments of staff are being met from these charges collected from schools is nominal considering the nature and quantum of services being provided by the DAV CMC. The schools contribute 4% of the Basic Pay of their staff as administrative Charges. The schools are not required to incur any cost for these services which leads to a huge saving as an institution and helps us bring uniformity across the institution.</p>	
2.	<p>Payments in relation to Gratuity and Leave Encashment</p>	<p>The gratuity and leave encashment benefits of all staff of DAV Schools are administrated/ controlled at Head office through common pool fund. All investments of contributions made by the schools are made by Head office in specified government securities and the payment of claims at the time of retirement and leaving the services are settled by head office. Separate school-wise ledger accounts are being maintained at DAV CMC showing liabilities for gratuity and leave encashment. There is no default of delay in settlement of claims.</p>	<p>During the course of hearing, DAV CMC was asked to submit the details of gratuity and leave encashment liabilities of the school as at 31<sup>st</sup> March, 2016 as per its books of accounts. Accordingly, the DAV CMC has submitted duly certified ledger account of Gratuity and Leave Encashment for each school.</p> <p>It may be noted that:</p> <ul style="list-style-type: none"> <li>- There is no actuary valuation of gratuity and leave encashment liabilities of the school.</li> <li>- Liabilities and corresponding investments against gratuity and leave encashment are not reflected in the books of accounts of the school. Also, benefit of interest earned on these investments is not passed on to individual school by DAV CMC.</li> </ul> <p>Thus, school is hereby</p>



S. No.	Common Observation	Clarification given by DAV CMC	Remarks
			<p>directed:</p> <ul style="list-style-type: none"> <li>- To have actuary valuation of its gratuity and leave encashment liabilities;</li> <li>- To disclose its liabilities on account of gratuity and leave encashment along with the corresponding amount of investments against that in its financial statements from the financial year 2017-18. Also, wherever the existing provisions for these liabilities are in excess of the liabilities determined by the actuary, the excess amount so provided shall be transferred to general reserve fund of the school. In case, the amount currently provided is lesser than amount determined by the actuary, school shall provide the balance amount in a reasonable and prudent manner ensuring that burden of same is spread over the years and not charged in a single year.</li> <li>- To add back the amount of interest, as was earned on gratuity and leave encashment fund by DAV CMC over the years, duly certified by the statutory auditor of the school, in the corresponding investment accounts of the school.</li> </ul>
3	Reserve Fund/ Loan with DAVCMC	Some of the schools in order to secure their money deposit with DAV CMC as reserve fund. DAV CMC is paying interest on these deposits @ 8% per annum which is higher than bank FD rates. Out of this reserve fund, loans etc. to the needy schools are arranged and they pay interest on these loans and advances.	As per Order no. DE 15/ Act/ Duggal.Com /203 /99 /23033-23980 dated 15.12.1999 the management is restrained from transferring any amount from the Recognized Unaided School Fund to society or trust or any other institution. Thus, the school is hereby directed strictly to ensure that exact amount of interest is received from the society. This fund is

S. No.	Common Observation	Clarification given by DAV CMC	Remarks
			obviously available to the school and calculations have accordingly been made. Reconciliation statement of interest received /receivable should be attached with next year's fee hike proposal.
4	One time fees collection of Rs. 10,000/-	Some of the schools are charging one time fees of Rs.10,000/- at the time of admission for various student development activities over the period of their stay in the schools which normally is 12 to 14 years. As discussed in the meeting held on 03.07.2017, the collection under this head is being treated as fees to be utilized for meeting establishment and administrative cost.	School is not allowed to charge one time fees at the time of admission for development activity of students. Charging of one-time fees at the time of admission tantamount to capitation fee which is prohibited under section 13 of the Right of Children To Free and Compulsory Education Act, 2009. The school is hereby directed not to charge any such fee from the students in future and to adjust the fee already collected against the monthly fee due. The alleged purposes for which fee is collected seems to be under earmarked levies which ought to be collected on actual basis.
5	Operation of Bank Account in the name of DAVCMC	As per the financial scheme each school maintains three bank accounts, viz. School Account and Pupil Fund Account, both being operated by Head of the School and Manager and the third being DAV CMC account which is operated by office bearers of the Managing Committee. The third account has been maintained with a view of exercise financial control over the schools. The schools are required to transfer all fees collections and other revenues to this account and the expenditure of the school is recouped from this account after they are approved by DAV CMC. All schools have to submit expenditure statements alongwith documentary evidences to Head Office who	Accepted, in view of 'Scheme of Management' of the school, as approved by the DoE at the time of granting of recognition to the school, school is allowed to maintain a bank account in the name of 'DAV College Management Committee'. The said bank account can be operated by the office bearers of the DAV College Management Committee.



S. No.	Common Observation	Clarification given by DAV CMC	Remarks
		<p>after examining these allow the expenses to be withdrawn from this account. The schools have to justify the expenditure vis.a.vis. budgets which are submitted by the schools before the start of the financial year. This scheme of management has been approved by Directorate of Education.</p> <p>At times schools are unable to deposit the cheques sent by DAV CMC in time due to postal delay or shortage of funds and as per the accounting practices such cheques have to be shown as cheques in hand at the close of financial year with corresponding credit to DAV CMC. This is only a book entry and these cheques are subsequently cleared from the fee income transferred by the schools to this bank account.</p>	

The above clarifications of DAV CMC are taken on record.

The submissions made by the school are analyzed in light of above discussion with DAV CMC on common observations and in accordance with the provisions of Delhi School Education Act and Rules, 1973 and directions are issued there-under:-

**Table -2: Financial discrepancies:-**

S. No.	Detail of discrepancy	Submissions of the school	Remarks
1.	The development fund has been treated as revenue receipt and used for meeting over all expenditure of the school. This is contravention of Clause 14 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009 which states that development fund should be treated as Capital Receipt and restricts the use of development fund for supplementing the resources for purchase, up-gradation and replacement of furniture fixtures and equipment's. The school	The school was in deficit and development fee was used for salaries and other expenses.	As per clause 14 of the order dated 11.02.2009, school is not allowed to treat development fee as revenue receipts and is to utilise the development fee for the stipulated purposes only



	has received Development fee of Rs. 1,75,14,010, Rs. 1,91,91,245 and Rs. 2,07,17,853 in FY 2013-14, FY 2014-15 and FY 2015-16 respectively.		such as for supplementing the resources for purchase, upgradation and replacement of furniture, fixtures and equipment. School is not to charge development fee unless it comply with the directions of this Directorate.
2.	The School transferred Fixed assets without any consideration to the schools under the management of same society viz. DAV CMC during FY 2014-15. Fixed Assets (Computers) costing Rs. 2,49,375, Rs. 60,879 and Rs. 72,150 were transferred to Col. Vr. Mohan DAV Public School, Dayanand Model Se. School and Vedic Mohan Ashram respectively. But as per the Audited Financial Statements of the school, necessary accounting for Fixed Assets have not been made by the school and this is vitiating the true and fair view of the Balance Sheet. Moreover, Rs. 69,000 and Rs. 3,150 were transferred to Vedic Ashram by the school during FY 2013-14. However, these transfers are not separately identifiable in the Audited Financial statements of the school. These may be considered as violations of Clause 8 of order No. DE.15/Act/Duggal.com/ 203/99/ 23033-23980 dated 15/12/1999 and clause 23 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009, which stipulates that no amount shall be transferred from the recognized unaided school fund of a school to the society or the trust or any other institution.	The school has transferred some computers of small value to associate school to tide over their financial position. This is in line with Rule 177 (1)(c) of DSEA & R, 1973.	Improper justification by school. School is mentioning that it is in deficit and on the other hand supporting to other schools. As per Rule 177 of DSEA & R, 1973 assistance to other school can only be made out of savings of the school. Further, school is directed to do correct accounting entries for these assets transfers. Compliance shall be verified at the time of next fee increase proposal of the school.
3.	The school has not complied with Order No. F.DE-15/ACT-I/WPC-4109/Part/13/7914-7923 dated 15-07-2016. The school has charged increased fee from the students in FY 2016-17 and	The school is awaiting approval of its proposal of fee hike. The school does not have funds to refund	Improper response. The School should follow the DOE instructions in



no refund/ adjustments of the excess fee collected by the school has been done as required by the above mentioned order. The school has collected Rs. 76,28,189 of increased fee for FY 2016-17.	the increased amount of fee collected from students.	this regard.
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**Table -3: Other discrepancies:**

S. No.	Detail of discrepancy	Submissions of the school	Remarks
1.	The school has not refunded interest on caution money to the students along with caution money. Moreover, the school has not reflected un-refunded caution money as income in the next financial year after expiry of thirty days and has also not taken this into account while projecting fee structure for ensuing academic year. This is contravention of Clause 18 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009.	The school is not earning any interest on caution money and therefore only principal amount is refunded. We have noted your suggestions of transferring unclaimed caution money to income.	As per clause 18 of the order dated 11.02.2009, school should maintain separate bank account for the caution money collected and interest earned on the same, if any, is to be credited to the caution money account. 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
2.	Review of the financial statements of the school has revealed that the school has undertaken transaction with the society/ trust DAV CMC during the period under review. Balance outstanding as payable or receivable along with transactions identified from the Financial statements of the school are as follow:	DAV CMC is collecting administrative charges from the schools under its management for providing administrative support and varied facilities viz. financial audit of schools through audit and accounts section, academic audit, training of Principals, teachers and other staff of the schools through centre for academic Excellence, construction and property management by estate department, legal and taxation	Though practice followed by DAV Schools is not in consonance with DSEA&R, 1973. Keeping in view submission/ justification given by DAV CMC as well as keeping in view the managerial structure of DAV CMC to have a check and balances as well as economy in expenditure, the submissions of DAV CMC are taken on record.



Particulars	2015-16	2014-15	2013-14
Administrati on Charges paid by School to DAV CMC	19,91,800	18,17,575	17,30,098
Deposit with DAV CMC	2,76,787	37,36,627	34,59,840
Interest Income earned on Deposit with DAV CMC	-	2,76,787	2,56,284
Current Account Balance with DAV CMC (Payable)	1,39,87,083	-	-
Account Balance (Payable) Publication Division (Main A/c)	13,24,615	2,33,251	15,03,777
Current Account Balance with DAV CMC (Receivable)	-	14,97,844	1,09,03,106

services, providing services relating to provident fund, gratuity, leave encashment and EDLI etc. In addition, DAV CMC is nominating local management committee, selection committee and building subcommittee for smooth functioning of the schools. DAV CMC is also organizing science, maths and ICT Olympiads and having a separate education board for our schools for classes up to VIIIth Standard. The entire administrative control is being dealt at DAV CMC level. All orders relating to postings, transfers, sanctions of purchases, circulars, notifications etc. are issued from DAV CMC, New Delhi. The DAV CMC has full fledged department for assessment and evaluation of schools, their principals and staff and based on feedback, necessary steps are being taken by DAV CMC for their improvement. We are also providing legal assistance to various schools for any legal disputes. DAV CMC has engaged staff for the above services and salaries and other statutory payments of staff are being met

Thus, the school is hereby directed strictly to ensure that exact amount of interest is received from the society. This fund is obviously available to the school and calculations have accordingly been made. Reconciliation statement of interest received /receivable should be attached with next year's fee hike proposal.



		<p>from these charges collected from schools is nominal considering the nature and quantum of services being provided by the DAV CMC. The schools contribute 4% of the Basic Pay of their staff as administrative Charges. The schools are not required to incur any cost for these services which leads to a huge saving as an institution and helps us bring uniformity across the institution.</p> <p>The deposits with DAV CMC has been realised and only small amount of interest was receivable as on 31.3.2016.</p> <p>The school is purchasing books from DAV publication division for further sales to students. Amount payable to publication division is towards cost of books purchased from them.</p>	<p>School should implement proper internal control system in relation to procurement of goods and services ensuring that all transactions are entered with at arms' length prices only.</p>
3.	<p>As per the notes to Accounts forming part of Audited Financial Statements the school provides for Gratuity and Leave encashment expenses being 5% and 3% respectively of Basic Pay and D.A. which is paid to DAV College Management Committee (DAV CMC), which in turn manages and maintains the fund for payment of gratuity and leave encashment to the school employees at the time</p>	<p>The gratuity and leave encashment benefits of all staff of DAV Schools are administrated/ controlled at Head office through common pool fund. All investments of contributions made by the schools are made by Head office in</p>	<p>During the course of hearing, DAV CMC was asked to submit the details of gratuity and leave encashment liabilities of the school as at 31<sup>st</sup> March, 2016 as per its books of accounts. Accordingly, the DAV CMC has submitted duly certified ledger account of</p>



of retirement. This is understood as a uniform practice adopted by all the schools under the management of DAV CMC.

specified government securities and the payment of claims at the time of retirement and leaving the services are settled by head office. Separate school-wise ledger accounts are being maintained at DAV CMC showing liabilities for gratuity and leave encashment. There is no default of delay in settlement of claims.

As per DAV CMC submission, the Gratuity fund and Leave Encashment fund balance of the school as at 31.03.2016 are Rs. 2,44,61,937/- and Rs. 1,61,90,227/- respectively.

Gratuity and Leave Encashment for each school.

It may be noted that:

- There is no actuary valuation of gratuity and leave encashment liabilities of the school.
- Liabilities and corresponding investments against gratuity and leave encashment are not reflected in the books of accounts of the school. Also, benefit of interest earned on these investments is not passed on to individual school by DAV CMC.

Thus, school is hereby directed:

- To have actuary valuation of its gratuity and leave encashment liabilities;
- To disclose its liabilities on account of gratuity and leave encashment along with the corresponding amount of investments against that in its financial statements from the financial year 2017-18. Also, wherever the existing provisions for these liabilities are in excess of the liabilities determined

4h.



			<p>by the actuary, the excess amount so provided shall be transferred to general reserve fund of the school. In case, the amount currently provided is lesser than amount determined by the actuary, school shall provide the balance amount in a reasonable and prudent manner ensuring that burden of same is spread over the years and not charged in a single year.</p> <p>- To add back the amount of interest, as was earned on gratuity and leave encashment fund by DAV CMC over the years, duly certified by the statutory auditor of the school, in the corresponding investment accounts of the school.</p>
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And whereas, after going through the representations dated 28.03.2017 and submissions made by the school during the hearing held on 17.05.2017 as well as financial statements/budget of the school available with this Directorate, it emerges that:-

The school is having deficit of Rs. **21,45,464/-** as per the following details:-

<b>Particulars</b>	<b>Amount (Rs.)</b>
Cash and Bank balances as on 31.03.16 as per School submission	2,43,98,595
Investment as on 31.03.16 as per School submission	2,93,51,656
Add: Amount recoverable as interest from DAV CMC	2,76,787
Total	5,40,27,038
Less: Development Fund and Depreciation Reserve Fund#	-
Less: Amount payable to DAV CMC (current A/c)	1,39,87,083



Available Funds	4,00,39,955
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)	21,34,96,714
Other income for 2015-16 as per financial statement	39,76,285
Estimated availability of funds for 2016-17	25,75,12,954
Less: Budget expenses for the session 2016-17 as submitted by school management*	25,96,58,600
<b>Net Deficit</b>	<b>21,45,646</b>

#In the balance sheet of the school for FY 2015-16, development fee fund is nil. Further, school is not able to earmark its investments against the depreciation reserve fund maintained by it. Therefore, the same is not considered in the above calculations.

\*School has also budgeted for Vehicles which amounts Rs. 20,00,000/-. This expenditure is not considered in the above calculation as same cannot be charged from each student and the school should purchase the vehicles out of the accumulated surplus generated from transport fee.

And whereas, in view of the above examination, it is evident that the school does not have sufficient liquid funds to meet the financial implications for the financial year 2016-17.

And whereas, the school proposal for fee increase for the session 2016-17 was earlier declined vide order dated 06.03.17, on the ground that the school had sufficient funds. During the hearing, the school has represented that it do not have adequate funds and it shall not be able to manage its operational expenses for the year from the available funds.

And whereas, as per clause 22 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009, user charges should be collected on no profit and no loss basis and should be used only for the purpose for which these are collected. Accordingly, the school is advised to maintain separate fund in respect of each earmarked levies charged from students in accordance with the DSEA & R, 1973 and orders, circulars, etc., issued there under. If there are large surpluses under any earmarked levy collected from the students, the same shall be considered or adjusted for determining the earmarked levy to be charged in the next academic session.

And whereas, as per clause No. 14 of Order No. F.DE./ 15(56)/ACT/2009/778 dated 11.02.2009, 'Development Fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up-gradation and replacement of furniture, fixture and equipment. Development Fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a depreciation reserved fund, equivalent to the deprecation charged in the revenue accounts and the collection under this head along with and income generated



from the investment made out of this fund, will be kept in a separately maintained development fund account.' Accordingly, school is advised to maintain separate development fund and utilized the same strictly in accordance with the DSEA & R, 1973 and orders, circulars, etc., issued there under.

And whereas, it is evident that the school has followed unsustainable financial practices and using development fund for non permissible items and also, is not maintaining development fund account in proper manner in accordance with clause 14 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009. 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 must not charge development fee unless it comply with instructions of this Directorate in this regard.

And whereas, these recommendations along with 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 does not have sufficient liquid funds to meet the financial implications for the financial year 2016-17 and the representation dated 28.03.2017 and subsequent submissions made in this regard find merit in respect of sanction for increase in fee and hereby accepted on the basis of above mentioned observations. Further, Director (Education) has decided to allow the school to increase the existing fee by 5% for the session 2016-17.

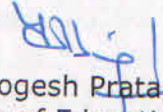
Accordingly, it is hereby conveyed that the representations for fee hike of DAV Public School, Sreshtha Vihar, Delhi-110092, has been accepted by the Director of Education and the school is hereby allowed to increase the existing fee by 5% for the session 2016-17.

Further, the management of said school is hereby directed under section 24(3) of DSEAR 1973 to comply with the following directions:

1. To comply with all the directions/ instructions as mentioned in this order.
2. 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).
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.

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



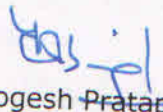
To  
The Manager/HoS  
DAV Public School, Sreshtha Vihar,  
Delhi-110092

No. F. DE-15/ACT-I/WPC-4109/PART/13/ 958

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