

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/13/902-906 Dated: 28/9/2017

ORDER

Whereas, the request of DAV Public School, Ashok Vihar, Phase-IV, Delhi-110052 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/13/487-491 dated 20.02.2017 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, Ashok Vihar 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 02.00PM at Conference Hall, Ludlow Castle School Sports Complex, Civil Lines, Delhi-110054.

And whereas, the submissions of the schools were heard by the above said committee on 17.05.2017 at 02.00PM 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.	<p>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.</p>	<p>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 providing legal assistance to various schools for any legal disputes. DAV CMC has engaged staff for the above</p>	<p>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.</p>

S. No.	Common Observation	Clarification given by DAV CMC	Remarks
		<p>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 31st 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"> - 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. <p>Thus, school is hereby directed:</p> <ul style="list-style-type: none"> - To have actuary valuation of its gratuity and leave encashment liabilities;

S. No.	Common Observation	Clarification given by DAV CMC	Remarks
			<ul style="list-style-type: none"> - 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. - 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.
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 obviously available to the school and calculations have accordingly been made. Reconciliation statement of

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			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 after examining these allow	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>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 Fee collected by the school has not been treated as capital receipt and Development Fund has not been maintained by the school. The school has also not maintained the Depreciation Reserve Fund in FY 2014-15 and FY 2015-16 equivalents to the depreciation charged during the period. These are contraventions of Clause 14 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009.	The development fund was partly used for upgradation and creation of facilities and balance amount was used for meeting salaries payment as tuition fee was not sufficient. Depreciation reserve fund investments could not be made due to paucity of funds.	As per clause 14 of the order dated 11.02.2009, school is not allowed to treat development fee as revenue receipt and to maintain depreciation reserve fund. School is directed to do proper accounting of the development fee collected and separate fund account should be maintained and the same should be utilised for the stipulated purposes in accordance with clause

			14 of the order dated 11.02.2009. School not to charge any development fee unless it comply with directions of this Directorate.
2.	The school has not capitalized various expenses of Capital Nature incurred during the period under inspection instead has treated them as revenue expenditure by charging them to Income & Expenditure account. The school has incurred Rs. 17,59,713 in FY 2013-14, Rs. 18,27,738 in FY 2014-15 and Rs. 16,42, 279 in FY 2015-16 on various assets - which should have been capitalized. This is not allowed as per Generally Accepted Accounting Principles (GAAP).	School building is 25 years old and requires regular repairs. The expenditure covers whitewash, repairs of boundary walls, toilets, rooms, etc. These expenses are not of capital nature.	The school has not submitted any document to substantiate its claim. School is directed to follow ICAI pronouncements relating to classification of expenditure as revenue expenditure or capital expenditure.
3.	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 Fee, Computer Fee and Science Fee collected by the school are earmarked levies. However, no separate fund for this charge is maintained by the school.	The surplus from earmarked levies is used for meeting short fall in tuition fee vis-à-vis establishment costs.	As per clause 22 of the order dated 11.02.2009, school is to charge earmarked levies on 'no profit no loss' basis and the same are to be utilised for the purposes for which these were collected. The school should follow DOE instructions in this regard.
4.	The school has taken a loan from the DAV Kulachi which has been written off by the school. The school has first set off its own bad debts against the loan amount and balance amount has been reported as income. Ideally the school should report the full amount of loan written off as income and report bad debts separately in the income & expenditure account.	It is agreed that the 'amount not payable and written back' should not be netted off with the 'amount recoverable and written off' and should be disclosed separately. However, it has no impact on financial position of school.	The school is advised to follow proper accounting practices while maintaining and preparing its financial statements.
5.	The school has made additions to building of Rs. 21,50,000 in FY 2015-16 and Rs. 14,58,213 in FY 2013-14 from the school funds. This is in contravention to	These expenditures have been made out of pupil fund fee as these are for the benefits of students.	Improper response. As per Modern School Judgment read with Rule 177 of DSEA & R, 1973 capital expenditure cannot form

Rule 177 of the DSEA & R 1973, which states that surplus earned by the school can be utilised for the expansion of the school building. However, in this case, the school does not have enough surplus to make any expansion/additions to the school building.	part of financial fee structure of the school and can be met out of the school savings only. The school should follow DOE instructions in this regard.
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Other discrepancies:

S. No.	Detail of discrepancy	Submissions of the school	Remarks
1.	The school has not complied with the conditions prescribed for extension of grant of provisional affiliation by CBSE. The school is having excess number of students and sections for pre-primary to 10th standard than prescribed in the extension letter issued by CBSE.	The school has complied with the land area requirement norms for recognition which number of students per class room as per circular No-DE15/45/Act-I/ Land Norms/ 2014/ 23930 dated 28.5.2014 of GNCTD. The no. of sections is not more than the number prescribed in the circular.	DDE district to verify the same by inspection in 01 month of issuance of this order.
2.	The school has started to charge increased fees from the students without any approval from the DoE during the first quarter of financial year 2016-17. This is noncompliance of Order No F.DE-15/ACT-I/WPC-4109/Part/13/10248-10255 dated 15/07/2016.	The school has stopped to collect increased fee from July, 2016 onwards after getting order from DOE in this regard.	School is directed to follow DoE instructions in this regard and refund/ adjust the excess amount collected.
3.	The school is charging maximum amount of Rs. 10,000 from every student in the form of Student Activity Welfare Fund (SAWF). Charging SAWF is at the discretion of the Principal of the School and the school has not shared any basis of charging this amount. Rs. 25,20,000, Rs. 27,42,000 and Rs. 20,38,472 has been collected respectively during FY 2015-16, FY 2014-15 and FY 2013-14 by school and reflected a Donations & Grants	School is 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	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

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	in the Income & Expenditure account of the school. This may be considered as contravention of Clause 8 of Public notice dated 04.05.1999 which does not permit the collection of donation from students.	as fees to be utilized for meeting establishment and administrative cost.	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.
4.	TDS has not been deducted on the amount paid to individuals appointed on temporary basis for extra-curricular activities by the school. This is non compliance of the provisions of Income Tax Act 1961.	Some experts are engaged by the school and honorarium was paid to them. There is no contravention of Income Tax Act, 1961.	The school is advised to follow all applicable acts.
5.	Interest on caution money/ security deposit is not refunded to the students along with the refund of the caution money/ security deposit. Security Deposit has not been kept deposited in a separate bank account by the school. The un-refunded caution money has not been considered as income in the next financial year and has not been taken into account while projecting fee structure for the ensuing academic year. These are contraventions 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 hence only principal amount was refunded. Unclaimed caution money shall be transferred to income during the current financial year.	The school has assured to comply the DOE directions. 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.
6.	As per the financial statements of the school, it has an outstanding loan balance of Rs. 10,00,000 as on 31.03.2016. At the same time, the school also has favourable bank balance of Rs. 26,32,358. It would have been possible for the school to pay off the loan.	The school is not in position to repay the loan taken from associate school as the school is in deficit.	Considered.

And whereas, after going through the representations dated 01.04.2017 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. **24,03,005/-** as per the following details:-

Particulars	Amount (Rs.)
Cash and Bank balances as on 31.03.16 as per audited Financial Statements	19,54,083
Investment as on 31.03.16 as per audited Financial Statements	13,13,284
Total	32,67,367
Less: Development Fund and Depreciation Reserve Fund#	-
Available Funds	32,67,367
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)	9,54,13,689
Other income for 2015-16 as per financial statement	9,39,508
Estimated availability of funds for 2016-17	9,96,20,564
Less: Budget expenses for the session 2016-17 as submitted by school management*	10,20,23,569
Net Deficit	-24,03,005

#In the Financial Statements of the school for FY 2015-16, development fee is nil. Also, school is not maintaining depreciation reserve fund in proper manner and there is no change in its balance during 2015-16. Hence, depreciation reserve fund is not considered in above calculations.

*School has proposed for 'Employee welfare including retirement benefit' amounting to Rs. 1.29 crores for FY 2016-17 whereas during FY 2014-15 and FY 2015-16 it has incurred an expenditure amounting to Rs. 64,17,303/- and Rs. 60,54,421/- respectively. It seems that the school has proposed an unreasonable increase and therefore, only 50% of the budgeted expenses are considered in the above calculations.

And whereas, in view of the above examination, it is evident that the school does not have sufficient 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 20.02.17, 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 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 using development fund for non permissible items. 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 01.04.2017 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, Ashok Vihar, Phase-IV, Delhi-110052, 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-2
Private School Branch
Directorate of Education

To

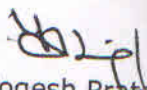
The Manager/HoS
DAV Public School, Ashok Vihar,
Phase-IV, Delhi-110052

No. F. DE-15/ACT-I/WPC-4109/PART/13/ 902-906

Dated: 28/9/2017

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