

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/ 951

Dated: 4/10/2017

ORDER

Whereas, the request of Veda Vyasa DAV Public School, Vikaspuri, New 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/13/507-511 dated 27.02.2017 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 Veda Vyasa DAV Public School against the fee hike rejection order of this Directorate and had decided to give an opportunity to the school to be heard in person.

And whereas, a committee was constituted to hear the case of the school in detail with a view to assist the Director of Education to dispose of the representation.

And whereas, in this connection, an opportunity of being heard was provided to the Manager/HoS of Veda Vyasa DAV Public School, Vikaspuri, New Delhi on 18.05.2017 at 03.00PM 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 18.05.2017 at 03.00PM 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 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</p> | <p>Though practice followed by DAV Schools is not in consonance with DSEA&amp;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> |

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| S. No. | Common Observation                                    | Clarification given by DAV CMC  | Remarks   |
|--------|---|---|---|
|        |   | leads to a huge saving as an institution and helps us bring uniformity across the institution.  |   |
| 2.     | Payments in relation to Gratuity and Leave Encashment | 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>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 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</li> </ul> |

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| S. No. | Common Observation                                    | Clarification given by DAV CMC  | Remarks   |
|--------|---|---|---|
|        |   | leads to a huge saving as an institution and helps us bring uniformity across the institution.  |   |
| 2.     | Payments in relation to Gratuity and Leave Encashment | 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>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 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</li> </ul> |

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| S. No. | Common Observation                       | Clarification given by DAV CMC   | Remarks  |
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|        |  |  | <p>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>                         |
| 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 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            |

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| S. No. | Common Observation                              | Clarification given by DAV CMC  | Remarks  |
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|        |   |   | which ought to be collected on actual basis.   |
| 5      | Operation of Bank Account in the name of DAVCMC | <p>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 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> | 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. |

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 school has been paying a sum equal to 4% of the total basic pay of staff of the school to DAVCMC society, as its administration fees, which aggregated to Rs. 57,07,174 for three years under review viz. 2013-14, 2014-15 and 2015-16. 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 providing | 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. |

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|    |  | <p>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>The school has also paid Rs. 5,00,000 as Donation/ Grant to DAVCMC from Pupil fund. This is contravention of Rule 149 of DSEA &amp; R 1973 which does not allow making donations out of Pupil Fund and 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>The amount was paid as part subscription during FY 2015-16 to defray expenses of holding a function in JLN stadium where school was a participant besides other school.</p>  | <p>No supporting was submitted to substantiate the claim. School is directed to recover the said amount from society within 60 days from the date of issue of this order. Compliance shall be verified at the time of next fee increase proposal of the school, if any.</p>   |
| 3. | <p>The development fund has not been treated as capital receipt &amp; has been used for meeting the overall expenditure of the school and Depreciation Reserve Fund has not been maintained. These are contraventions of Clause 14 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009 which states that 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 Reserve Fund, equivalent to the depreciation charged in the revenue accounts. The school has collected Rs. 5,92,66,790 an account of Development Fee during the period under inspection.</p> | <p>Development fee was treated as revenue receipts as the school does not have sufficient funds to meet establishment and administrative expenses.</p>  | <p>As per clause 14 of the order dated 11.02.2009, school is not allowed to treat development fee as revenue receipt and is required 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</p> |

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|    |  |   | utilised for the stipulated purposes in accordance with clause 14 of the order dated 11.02.2009. School is not to charge development fee unless it comply with directions of this Directorate.   |
| 4. | The school Balance Sheet shows a Reserve Balance of Rs. 1,21,00,000 which was created in FY 2012-13 and is not dedicated for any specific purpose. Hence, it is should be transferred to General Reserve.  | It has been noted and this amount shall be transferred to General Reserve a/c in FY 2016-17.  | Accepted by school. School should follow proper system of accounting while maintaining its books of accounts. Compliance shall be verified at the time of next fee increase proposal of the school.  |
| 5. | As per the financial statements of the school, the school has collected donation amounting to Rs. 57,15,000 and Rs.50,000 during the FY 2015-16 and FY 2013-14 respectively. Clause 8 of Public Notice dated 04.05.1997 stipulates that no donation to be taken or accepted or made compulsory from the students at the time of admission. The school needs to clearly explain the source of such donations.   | The amount was given by a donor to DAV CMC for carrying out construction of rooms and other welfare activities. The same was transferred to school by DAV CMC. The receipt for the donation was issued by DAV CMC only. | No supporting was enclosed to substantiate the claim. The compliance shall be verified at the time of next fee increase proposal of the school, if any.  |
| 6. | The following contraventions of Clause 22 of Order F.DE./15(56)/Act/2009/779 dated 11/02/2009 have been noted, which says that earmarked levies should be charged on 'no profit- no loss' basis and Rule 176 of DSEA & R 1973. <ul style="list-style-type: none"> <li>The school has been earning constant surplus from Pupil Fee/ fund collected from the students. The school has earned a surplus of Rs. 90,57,428 from Pupil Fund during the period under inspection and there is an overall accumulated balance of Rs. 4,45,70,391 under Pupil Fund account along with Rs. 3,89,83,836 diverted to school main account which is used for other activities of the school.</li> <li>The School has been earning surplus from Transport Fee collected from the students. The School has earned a surplus of Rs. 13,66,000 during FY 2013-14</li> </ul> | The pupil fund, surplus from transport fee and surplus from other earmarked levies have been used for meeting deficit in establishment and other expenses.  | 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. Further, school maintain proper books of accounts depicting clearly the amount collected, amount utilised and balance amount. The school should follow DOE instructions in this regard. |

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| <p>and FY 2015-16 and there is an overall accumulated funds of Rs. 44,25,256 along under Transport Fund account along with Rs. 13,69,165 diverted to school main account which is used for other activities of the school.</p> <ul style="list-style-type: none"> <li>The school has not maintained separate funds for the earmarked levies charged from the students except for transport fund and pupil fund. The account showing collection of other earmarked levies are kept/maintained separately but the expenses against such levies are not booked/ charged in the relevant account. This practice of accounting does not show as to how much expenses are incurred against earmarked levies. This is contravention of Clause 22 of Order F.DE./15(56)/Act/2009/779 dated 11/02/2009 which says that earmarked levies should be charged on 'no profit- no loss' basis and Rule 176 of DSEA &amp; R 1973.</li> </ul> |   |   |
| <p>7. The various components of fee as per books of accounts do not corroborate with the fee structure and number of students attending the school; though total/ consolidated collection did not show significant variations. Net difference (variation) was Rs. 11, 202, Rs. 49,085 and Rs. 1,03,465 for FY 2013-14, FY 2014-15 and FY 2015-16 respectively. It seems that there is a lack of internal control while booking fee under different heads on Fee Income so far as revenue protection is concerned.</p>  | <p>These small differences are due to concessions given to the needy students during the year.</p>  | <p>Contention of school is accepted considering the non-materiality of the amount involved.</p>   |
| <p>8. As a matter of old practice, the school, as per the directions of DAVCMC transfers all the funds collected by it from the students to DAVCMC; the fund are then paid back by DAVCMC to the school. However, as on Balance Sheet dates for the period under review, the school owed amount to DAVCMC because school has received back more funds than what it paid to DAVCMC. Balance owed to DAVCMC as at end of the year are as follow:-</p>  | <p>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</p> | <p>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</p> |

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| Particulars                                 | 2015-16     | 2014-15     | 2013-14   |
|---|-------------|-------------|-----------|
| Balance payable to DAV CMC at year end      | 4,45,25,547 | 1,96,33,031 | 20,38,266 |
| Balance Payable to DAV Publication Division | 11,30,824   | 14,16,761   | 12,54,238 |

School is required to provide a detailed clarification in regard to the above transactions with DAV CMC.

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 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.

the office bearers of the DAV College Management Committee.

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.

9. As per the financial statements of the school, the school has taken loan from DAV CMC but the purpose of the loan has not been specified. Summary of the amount outstanding as loan and interest provided is as follow:

The loan was taken from Society to meet the requirements of funds. This loan has since been paid in instalments.

Specific purpose of the loan is not mentioned by the school. Further, the school is paying interest on loan to the society which tantamount to transfer of funds.

| Particulars  | 2013-14   | 2014-15   | 2015-16 |
|--|-----------|-----------|---------|
| Loan taken by School from DAV CMC (Outstanding amount at year end) | 24,28,356 | 11,39,408 | -       |
| Interest provided during the year                                  | 2,17,020  | 2,11,052  | 47,956  |

Payment of interest to DAV CMC amounts to payment to Society from the school funds which is restricted by Order No. DE 15/ Act/ Duggal.Com /203 /99 /23033-23980 dated 15.12.1999. School is required to provide a detailed clarification in regard to the above transactions with DAV CMC.

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| 10. | The Fixed Assets appearing in the Balance Sheet/ Books of accounts are stated at an inflated value. The school is not maintaining the gross block (Cost) of assets and block of 'depreciation charge' on cumulative basis (Depreciation Block). On sale of any scrapped asset, the sale proceeds are treated as Misc. Income. Corresponding reduction in asset does not happen.   | Fixed assets are accounted for at the purchase price and are shown in the books of accounts at depreciated value.   | School is directed to maintain proper books of accounts in accordance with ICAI pronouncements for presentation of purchase of fixed assets and sale of assets.   |
| 11. | As per the financial statements of the school, the school has incurred expenditure on construction of building from the school funds. Rs. 53,16,191 in FY 2015-16 and Rs. 31,11,534 in FY 2013-14 has been spend on construction of building and the school has earned a surplus of Rs. 1,08,01,821 and Rs. 59,73,631 during FY 2015-16 and 2013-14 respectively. It seems that the school is increasing fee constantly and is incurring Capital expenditure on building construction from accumulated funds and such increased fee is un-necessary financial burden for the parents. | Rs. 53,16,191 was spent in 2015-16 on renovation of rooms in the building for children of special need out of the funds provided DAV CMC as mentioned in above point. Further, Rs. 31,11,534 spent during 2013-14 was not spent towards main school building and was spent for facilities for students out of pupil fund. | No supporting document enclosed to substantiate the claim. Compliance shall be verified at the time of next fee increase proposal of the school, if any.<br><br>Further, earmarked levies charged from the students should be utilised for the purposes for which these were collected. Compliance shall be verified at the time of next fee increase proposal of the school, if any. |
| 12. | As per Schedule 33 'Notes forming part of the Accounts', depreciation on fixed assets has been provided on the written down value method as the rates prescribed by the Income Tax Act, 1962. According to the accounting   | Depreciation on Fixed Assets is being charged on WDV basis at the rates prescribed in Income Tax Act, 1961. This is in line with  | School should follow DoE instructions in this regard.   |

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| practices prescribed, Depreciation should be charged as per Guidance Note 21 'Accounting for School' issued by ICAI. | Accounting Standards of the ICAI. |  |
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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 security deposit to the students along with caution money refund. Moreover, the school has not reflected un-refunded caution money belonging to ex-students as income in the next financial year after the 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 has Rs. 1,91,500 of Caution Money which is unclaimed/ unpaid. | The school is not earning any interest on caution money and as such only principal amount has been refunded. The outstanding amount belongs to students on roll and there is no excess amount left with the school for transferring to income account.  | 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.     | The land allotment letter stipulates that the school shall not make any construction, not even temporary, on the playground area. The school has however made many temporary structures on the playground area viz. Parking Sheds, Transformer Room, a raised platform.   | Transformer room and generator room are required to be built for safety of students and can only be built in open area as being essential for the safety of students.   | The school is advised to follow the conditions mentioned in the land allotment letter.  |
| 3.     | The school has not maintained any record in respect of the name of persons/firms/companies etc. in whom the school management/ DAVCMC/ Board Members are interested as Partner, Director or Shareholders etc.   | There are no transactions with any party where the management is interested.  | School should made proper disclosure in the 'Notes to Accounts' regarding related parties in accordance with ICAI pronouncement.  |
| 4.     | The school transfers its share of the liability on account of Gratuity and Leave Encashment to the DAVCMC, which in turn manages and maintains the fund for payment of gratuity and leave encashment to the school employees at the time of retirement. It is understood that this amount is paid to DAV CMC as a prevailing practice amongst the school under the management of DAV CMC.   | 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 | 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.  |

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. 1,88,58,528/- and Rs. 1,44,39,329/- respectively.

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 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

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|----|---|---|--|
|    |   |   | year.<br>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. |
| 5. | As per the financial statements of the school, the school has made financial transactions with DAV Publication Division. Rs. 11,30,824, Rs. 14,16,761 and Rs. 12,54,238 was due outstanding as payable to DAV Publication Division at the end of FY 2015-16, FY 2014-15 and FY 2013-14 respectively. School is required to provide a detailed clarification in regard to the transactions with DAV CMC. | The school is purchasing school books from DAV publication division for further sale to the students and the amount payable to the publication division was on account of the same. | School is directed to ensure that the transactions entered with DAV publication division should be at Arms' Length price and school is to maintain proper internal control systems in relation to procurement of goods and services.       |

And whereas, after going through the representations dated 30.03.2017 and submissions made by the school during the hearing held on 18.05.2017 as well as financial statements/budget of the school available with this Directorate, it emerges that:-

The school is having deficit of Rs. **14,02,120** /- as per the following details:-

| Particulars   | Amount(Rs)        |
|---|-------------------|
| Cash and Bank balances as on 31.03.16 as per audited Financial Statements   | 31,00,814         |
| Investment as on 31.03.16 as per audited Financial Statements   | -                 |
| Add: Amount recoverable against Interest paid to Society  | 4,76,028          |
| Add: Donation to DAVCMC from Pupil Fund   | 5,00,000          |
| Total   | 40,76,842         |
| Less: Development Fund and Depreciation Reserve Fund#   | -                 |
| Available Funds   | 40,76,842         |
| 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) | 20,77,75,256      |
| Other income for 2015-16 as per financial statement   | 1,37,04,697       |
| Estimated availability of funds for 2016-17   | 22,55,56,795      |
| Less: Budget expenses for the session 2016-17 as submitted by school management*  | 22,69,58,915      |
| <b>Net Deficit</b>  | <b>-14,02,120</b> |

#In the balance sheet of the school for FY 2015-16, development fee fund and depreciation reserve fund are nil.

\*The school has submitted its total expenses for FY 2016-17. The increase in establishment expenses for the year is around 15%. It found to be unreasonable increase and accordingly, the same is not considered in above calculations and only 10% increase in establishment expenditures is considered. Further, 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. Also, school has proposed for Building Construction amounting to Rs. 50,00,000/- and it is not considered in above calculations as it was upheld in Modern School Judgment that capital expenditure cannot form part of financial fee structure and can be only made out of the savings of the school.

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 27.02.17, 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 30.03.2017 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 Veda Vyasa DAV Public School, Vikaspuri, New Delhi, 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.

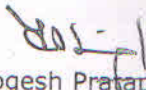


Further, the management of said school is hereby directed under section 24(3) of DSEAR 1973 to comply with the following directions:

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  
Veda Vyasa DAV Public School,  
Vikaspuri, New Delhi

No. F. DE-15/ACT-I/WPC-4109/PART/13/ 951  
Copy to:-

Dated: 4/10/2017

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.
6. Director (IL), DDA to check whether the school has complied with the conditions of land allotment letter while constructing temporary structures.

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