

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

No. F.DE.15 (666) / PSB / 2022 / 4180-4184

Dated: 03/06/22

Order

WHEREAS, **DAV Public School (School Id: 1411232), Pushpanjali Enclave, Pitampura, New Delhi – 110034** (hereinafter referred to as “**the School**”), run by the **Dayanand Anglo Vedic College Trust and Management Society** (hereinafter referred to as the “**Society**”), is a private unaided school recognized by the Directorate of Education, Govt. of NCT of Delhi (hereinafter referred to as “**DoE**”), under the provisions of Delhi School Education Act & Rules, 1973 (hereinafter referred to as “**DSEAR, 1973**”). The School is statutorily bound to comply with the provisions of the DSEAR, 1973 and RTE Act, 2009, as well as the directions/guidelines issued by the DoE from time to time.

AND WHEREAS, as per section 18(5) of the DSEAR, 1973 read with sections 17(3), 24 (1) and rule 180 (3) of the above DSEAR, 1973, responsibility has been conferred upon to the DoE to examine the audited financial Statements, books of accounts and other records maintained by the school at least once in each financial year. Sections 18(5) and 24(1) and rule 180 (3) of DSEAR, 1973 have been reproduced as under:

Section 18(5): *‘the managing committee of every recognised private school shall file every year with the Director such duly audited financial and other returns as may be prescribed, and every such return shall be audited by such authority as may be prescribed’*

Section 24(1): *‘every recognised school shall be inspected at least once in each financial year in such manner as may be prescribed’*

Rule 180 (3): *‘the account and other records maintained by an unaided private school shall be subject to examination by the auditors and inspecting officers authorised by the Director in this behalf and also by officers authorised by the Comptroller and Auditor-General of India.’*

AND WHEREAS, besides the above, the Hon’ble Supreme Court in the judgment dated 27.04.2004 held in Civil Appeal No. 2699 of 2001 titled Modern School Vs. Union of India and others has conclusively decided that under sections 17(3), 18(4) read along with rules 172, 173, 175 and 177, the DoE has the authority to regulate the fee and other charges, with the objective of preventing profiteering and commercialization of education.

AND WHEREAS, it was also directed by the Hon’ble Supreme Court, that the DoE in the aforesaid matter titled Modern School Vs. Union of India and Others in para’s 27 and 28 in case of private unaided schools situated on the land allotted by DDA at concessional rates that:

“27....

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



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

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

AND WHEREAS, the Hon'ble High Court of Delhi vide its judgement dated 19.01.2016 in writ petition No. 4109/2013 in the matter of Justice for All versus Govt. of NCT of Delhi and Others, has reiterated the aforesaid directions of the Hon'ble Supreme Court and has directed the DoE to ensure compliance of terms, if any, in the letter of allotment regarding the increase of the fee by recognized unaided schools to whom land has been allotted by DDA/ land owning agencies.

AND WHEREAS, accordingly, the DoE vide order no. F.DE.15 (40)/PSB/2019/2698-2707 dated 27.03.2019, directing all the private unaided recognized schools, running on the land allotted by DDA/other land-owning agencies on concessional rates or otherwise, with the condition to seek prior approval of DoE for increase in fee, to submit their proposals, if any, for prior sanction, for increase in fee for the session 2018-19 and 2019-20.

AND WHEREAS, in pursuance to order dated 27.03.2019 of this Directorate **DAV Public School (School Id: 1411232), Pushpanjali Enclave, Pitampura, New Delhi – 110034** submitted its proposal for enhancement of fee for the academic session **2018-19**. Accordingly, this order is dispensed off the proposal for enhancement of fee submitted by the school for the academic session **2018-19**.

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

AND WHEREAS, in the process of examination of fee hike proposal filed by the aforesaid School for the academic session 2018-2019, necessary records and explanations were also called from the school through email. Further, the school was also provided an opportunity of being heard on 02 December 2019 to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted. During the aforesaid hearing compliances against order no. F.D.E.-15(649)/PSB/2018/30708-30712 dated 19.12.2018 issued for academic session 2017-18 were also discussed and school submissions were taken on record.

AND WHEREAS, the reply of the school, documents uploaded on the web portal for fee increase together with subsequent documents/ clarifications submitted by the school were thoroughly evaluated by the team of Chartered Accountants. And after evaluation of fee proposal of the school the key observations and status of compliance against order no. F.D.E.-15(649)/PSB/2018/30708-30712 dated 19.12.2018 issued for academic session 2017-18 are as under:



A. Financial Observations

1. As per direction no. 2 included in the Public Notice dated 4.05.1997, *"it is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school becomes the sole property of the society"*. Additionally, Hon'ble High Court of Delhi in its judgement dated 30.10.1998 in the case of Delhi Abibhavak Mahasangh concluded that *"The tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society."* Also, clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/ 883-1982 dated 10.02.2005 issued by this Directorate states *"Capital expenditure cannot constitute a component of the financial fee structure."*

Accordingly, based on the aforementioned public notice and High Court Judgement, the cost relating to land and construction of the school building has to be met by the society, being the property of the society and school funds i.e. fee collected from students is not to be utilised for the same.

Rule 177 of DSER, 1973 states *"(1) Income derived by an unaided recognised school by way of fees shall be utilised in the first instance, for meeting the pay, allowances, and other benefits admissible to the employees of the school. Provided that savings, if any from the fees collected by such school may be utilised by its managing committee for meeting for meeting the capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely:*

- i. *award of the scholarships to students,*
- ii. *establishment of any other recognised school, or*
- iii. *assisting any other school or educational institution, not being a college, under the management of the same society or trust by which the first mentioned school is run.*

(2) The savings referred to in sub-rule (1) shall be arrived at after providing for the following, namely:-

- (a) *pension, gratuity and other specified retirement and other benefits admissible to the employees of the school,*
- (b) *the needed expansion of the school or any expenditure of a development nature,*
- (c) *the expansion of the school building or for the expansion or construction of any building or establishment of hostel or expansion or construction of any building or establishment of hostel or expansion of hostel accommodation,*
- (d) *co-curricular activities of the students,*
- (e) *reasonable reserve fund, not being less than ten percent, of such savings."*

Therefore, as per Rule 177 of DSER, 1973 income derived by an unaided recognised school by way of fees shall be utilised in the first instance, for meeting the pay, allowances and other benefits admissible to the employees of the school. Provided that savings, if any, from the fees collected by such school may be utilised by its management committee for meeting capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely award of scholarships to students, establishment of any other recognised school, or assisting any other school or educational institution, not being a college, under the management of the same society or



trust by which the first mentioned school is run. The aforesaid savings shall be arrived at as per the conditions laid down in Rule 177 of DSER, 1973.

The Directorate through order no. F.D.E.-15(649)/PSB/2018/30708-30712 dated 19.12.2018 issued for academic session 2017-18 it was noted that in FY 2014-15, 2015-16 and 2016-17 the school funds amounting INR 31,00,714 were utilised for capital expenditure on purchase of land, construction of building and installation of elevator in contravention of aforesaid public notice, High court judgement and Rule 177 of DSER, 1973. School was directed to recover the aforesaid amount from the society running the school. However, during personal hearing, school has submitted that it has not recovered any amount from the society.

Now, the school has submitted different explanation for this addition. The school has submitted that, although this has been capitalized under the head building, but this is not an addition to the school building. As per the school submission, amount of INR 10,44,868 was incurred for re-development and renovation of sports grounds, cricket pitch fixing of grills, laboratories and hence cannot be considered as addition to building. Since, the financial statements of the school have already been certified by its statutory auditor and we assume that the statutory auditor must have vouched the nature of these transactions before certifying the financial statements of the school. Therefore, the claim of the school not to treat this expenditure as an addition to school building cannot be accepted.

Accordingly, amount of INR 31,00,714 is hereby added to the fund position of the school with the direction to the school to recover the same from the society within 30 from date of issue of this order.

2. Rule 177 of DSER, 1973 specified the manner in which the school should utilise fee collected from the students. And the Director's Order No. DE15/ Act/ Duggal.com/203/99/23033/23980 dated 15.12.1999 states "*management of the school is restrained form transferring any amount from the recognised school fund to society or trust or any other institution*". The Supreme Court also through its judgements on a review petition in 2009 confirm restriction on transfer of fund to the society"

The audited financial statements of the school for FY 2017-18, reflected receivable balance (Reserve Fund) of INR 1,49,87,146 from DAV CMC (Society) which has been carried over from the previous year. During the personal hearing, the school has submitted that the society is paying interest @8% per annum. In financial year 2018-19 the school has booked INR 11,98,972 towards interest on this fund. Therefore, the total amount recoverable as on 31.03.2019 of INR 1,61,86,118 has been included while deriving the fund position of the school with the direction to the school to the recover this amount from the society within 30 days from date of issue of this order.

3. Order no. F.DE-15/ACT-1/WPC/4109/PART/13/ 7914-7923 dated 16 Apr 2016 regarding fee increase proposals for FY 2016-2017 which states "*In case, the schools have already charged any increased fee prior to issue of this order, the same shall be liable to be adjusted by the schools in terms of the sanction of the Director of Education on the proposal.*"



Post evaluation of the fee increase proposal of the school for FY 2016-17, the Directorate rejected the fee increase proposal of the school vide Order No. No. F. DE-15/ACT-I/WPC-4109/PART/13/927-931 dated 26.09.2017 and directed the school to school to adjust/refund the increased fee collected from students. However, based on the information submitted by the school, the school collected increased fee @ 10% from students during FY 2016-17 and has not adjusted/refunded the same to students, which was in contravention of aforementioned order. During the evaluation of fee increase proposal for FY 2017-18, the school had submitted that INR 59,65,045 has collected on account of increased fee during the FY 2016-17.

During the personal hearing, the school submitted that the increased fee has been refunded/adjusted in the quarter ending March 2019. As per the Order No. F.D.E.-15(649)/PSB/2018/30708-30712 dated 19.12.2018 issued for academic session 2017-18, it was noted that the school has refunded INR 13,19,825 during FY 2017-18 Accordingly, the balance amount of INR 46,45,220 (i.e INR 59,65,045 – INR 13,19,825) has been adjusted while deriving the fund position of the school with the direction not to collect increased fee from students in future without prior approval of the Directorate.

4. As per practice adopted by the schools under the management of the DAV CMC, the school provides for Gratuity and Leave encashment expense @ 7% and 3% respectively of Basic Pay and Dearness Allowance, which is then transferred to the DAV CMC. The DAV CMC in turn manages and maintains common pool of funds for all the schools under its management and uses the same for payment of gratuity and leave encashment liability as and when arises on account of his/her resignation or retirement. The department had directed to the school through its order no. F. DE-15/ACT-I/WPC-4109/PART/13/927-931 dated 26.09. 2017 to obtain an actuarial valuation of its gratuity and leave encashment liabilities and disclose its liabilities on account of gratuity and leave encashment along with corresponding investments in its financial statements.

Further, during personal hearing of last academic session 2017-18, the school had agreed to report its liability as per the actuarial valuation along with investment in plan assets as per the requirements of AS-15 from financial year 2018-19. The school also agreed to invest the amount of funds available with DAV CMC in plan assets.

The school for the first time has obtained Actuary report for gratuity and leave encashment as at 31.03.2019 which has been taken on record. As per the Actuary report, the school has liability towards gratuity and leave encashment as on 31.03.2019 for INR 10,57,45,227 and INR 2,17,07,707 respectively. But the school has not recorded total liability towards gratuity and leave encashment in its audited financial statements. The details are as under.

(Amount in INR)			
Head	As per Actuary Report as on 31.03.2019 (A)	As per Audited FS of FY 2018-19 (B)	Difference C=(A-B)
Gratuity and Leave Encashment	12,74,52,934	7,74,49,466	5,00,03,468

Further, according to Para 7.14 of the Accounting Standard 15 – ‘Employee Benefits’ issued by the Institute of Chartered Accountants of India, “Plan assets comprise:

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

Based on the discussion with the school during the personal hearing, the school has not invested any amount in the plan assets in accordance with the requirement of AS-15. During the discussion the school has also provided details of fund balance with DAV CMC in respect of payment made to DAV CMC towards maintenance of gratuity and leave encashment including the interest accrued. However, this investment is in the form of fund balance maintained by DAV CMC. The balance disclosed by the school based on records maintained by the DAV CMC as on 31.03.2019 have been indicated below.

(Amount in INR)	
Head	Balance as on 31.03.2019
Gratuity & Leave Encashment balance with DAV CMC	7,74,49,466

Accordingly, the investment in the form of fund balance maintained by DAV CMC in respect of the liability towards retirement benefits of the school does not qualify as ‘Plan Assets’ within the meaning of Accounting Standard 15 (AS-15). Further, the school has provisioned INR 90,94,239 towards gratuity and INR 38,97,532 towards leave encashment for the FY 2018-19 without depositing any amount in the plan assets in accordance with AS-15 despite being directed several times. Since the school has not deposited any amount in the plan assets in accordance with AS-15 and not complied with the directions given in order no. F.D.E.-15(649)/PSB/2018/30708-30712 dated 19.12.2018 issued for academic session 2017-18 and Order no F. DE-15/ACT-I/WPC-4109/PART/13/927-931 dated 26.09.2017. Therefore, these provisions towards gratuity and leave encashment for FY 2018-19 has been restricted to actual payment to the staff upon retirement during FY 2018-19 (as per details submitted by the school, total payment made towards gratuity and leave encashment was INR 23,66,616 and INR 10,25,619 respectively) and adjusted from the expenses of FY 2018-19 while deriving the fund position of the school.

Accordingly, the school is directed to report the total liability of gratuity and leave encashment in its financial statement as determined by the actuary and make equivalent investments in the plan assets within 30 days from the date of this order.

5. As per practice adopted by the schools under the management of DAV CMC, administration charges are paid to DAV CMC at the rate of 4% of the basic salary paid by the school to its staff till 2016-17. From FY 2017-18, the DAVCMC has started to charge from school, administrative charges @7% of the basic salary on account of increase in employee cost due to VII pay commission to DAV CMC. Moreover, the school was directed vide order no. FDE15(649) PSB/2018/30708-712 dated 19.12.2018 post implementation of the recommendations of 7th CPC, the school should not incur administrative charges beyond 2% of the basic salary and recover the excess admin charges paid amounting to INR 5,42,306.



To ensure compliance of aforesaid order, it has been noted that in FY 2018-19 the school has started a new practice for providing and presenting the administrative charges in its Financial Statements in two accounting heads namely 'Other establishment' and 'Administration Charges for Schools'.

Amount in INR

S. No.	Particulars	FY 2018-19
1.	Administration Charges for Schools (grouped under Administration Charges)	24,38,906
2.	Other – Establishment (grouped under Establishment Cost)	61,09,801
	Total Administrative Charges	85,48,707

Further, on review of Financial Statements, it was noted that the school has paid administrative charges in excess of 2%. Thus, administrative charges paid over and above 2% of basic pay amounting to INR 1,22,43,868 for FY 2017-18 and FY 2018-19 along with INR 5,42,306 for FY 2016-17 has been adjusted while deriving the fund position of the school. The detail calculation are as follows:

Amount in INR

Particulars	2017-18	2018-19
Basic Pay	10,87,99,231	12,72,80,073
Total	10,87,99,231	12,72,80,073
Applied Rate	8%	7%
Administrative charges (as per applied rate) (A)	84,16,747	85,48,707
Allowable rate	2%	2%
Administrative charges (as per allowable rate) (B)	21,75,985	25,45,601
Difference (A-B)	62,40,762	60,03,106
Less: Administrative charges payable (as per audited financial statements)	-	-
Balance recoverable from Society	62,40,762	60,03,106

The school is directed to recover this amount from the DAV CMC within 30 days from the issue of this order.

B. Other Observations

1. Clause 19 of Order No. F.DE./15(56)/Act/2009/778 dated 11.02.2009 states "*The tuition fee shall be so determined as to cover the standard cost of establishment including provisions for DA, bonus, etc., and all terminal, benefits as also the expenditure of revenue nature concerning the curricular activities.*"

Further clause 21 of the aforesaid order states "*No annual charges shall be levied unless they are determined by the Managing Committee to cover all revenue expenditure, not included in the tuition fee and 'overheads' and expenses on play-grounds, sports equipment, cultural and other co-curricular activities as distinct from the curricular activities of the school.*"

Rule 176 provides "*Income derived from collections for specific purposes shall be spent only for such purpose.*" Further, as per Clause 22 of Order No. F.DE./15(56)/ Act/2009/778 dated 11.02.2009 states "*Earmarked levies will be calculated and collected on 'no-profit no loss' basis and spent only for the purpose for which they are being charged.*"

And as per Sub-rule 3 of Rule 177 of DSER, 1973 "*Funds collected for specific purposes, like sports, co-curricular activities, subscriptions for excursions or subscriptions for magazines, and annual charges, by whatever name called, shall be spent solely for the exclusive benefit of the students of the concerned school and shall not be included in the savings referred to in sub-rule (2).*"

Further, Sub-rule 4 of the said rule states "*The collections referred to in sub-rule (3) shall be administered in the same manner as the monies standing to the credit of the Pupils Fund as administered.*"

However, as per audited Financial Statements of the school, it has been noted that the school charges earmarked levies in the form of Transport Fees, Computer fee, Science fee, Activity fee etc. from students. However, the school has not maintained separate fund accounts for these earmarked levies and has been generating surplus from earmarked levies, which has been utilised for meeting other expenses of the school or has been incurring losses (deficit) which has been met from other fees/income.

Also, as per Guidance Note 21 Accounting by Schools issued by the ICAI, earmarked levies collected from students are a form of restricted funds, and which are required to be credited to a separate fund account when the amount is received and reflected separately in the Balance Sheet. The above-mentioned Guidance Note-21 lays down the concept of fund-based accounting for restricted funds, whereby upon incurrence of expenditure, the same is charged to the Income and Expenditure Account ('Restricted Funds' column) and a corresponding amount is transferred from the concerned restricted fund account to the credit of the Income and Expenditure Account ('Restricted Funds' column). However, school has not been following fund-based accounting in accordance with the principles laid down by aforesaid Guidance Note.

The similar observation was also noted in order no. FDE15(649) PSB/2018/30708-30712 dated 19.12.2018 issued for academic session 2017-18 and it was directed to the school to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from students. Unintentional surplus, if any, generated from earmarked levies has to be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies during subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on no-profit no-loss basis and not to include fee collected from all students as earmarked levies. It was also submitted by school that at times, they have been used to meet shortfall in Tuition Fee vis-à-vis Establishment cost as Tuition Fee is not sufficient and thus, utilised the earmarked levies for meeting the shortfall. Details of income and expenditure of earmarked levies as per audited financial statements for FY 2016-17 and 2017-18 are as follows:



(Amount in INR)

Particulars	Transport Fee	Computer and I.T. Fee	Science Fee and Home Science Fee	Activity Income
For the year 2016-17				
Fee Collected during the year (A)	1,50,76,500	1,47,32,790	18,23,750	33,24,000
Expenses during the year (B)	1,19,92,906	44,32,925	4,49,466	45,57,539
Difference for the year (A-B)	30,83,594	1,02,99,865	13,74,284	(12,33,539)
For the year 2017-18				
Fee Collected during the year (A)	1,45,57,830	1,35,25,905	18,57,903	25,01,775
Expenses during the year (B)	1,36,92,363	1,06,70,943	20,12,718	28,15,196
Difference for the year (A-B)	8,65,467	28,54,962	(1,54,815)	(3,13,421)
Total	39,49,061	1,31,54,827	12,19,469	(15,46,960)

Notes

- The school has not maintained separate details regarding 'Computer Fees' and 'Smart Board Fee', rather it has combined these together for deriving surplus/deficit
- School has not provided details/breakup of expenses incurred against these earmarked levies.
- The school has not apportioned depreciation on vehicles used for transportation of students in the expenses stated in table above for creating fund for replacement of vehicles, which should have been done to ensure that the cost of vehicles is apportioned to the students using the transport facility during the life of the vehicles.

On the basis of aforementioned orders, earmarked levies are to be collected only from the user students availing the service/facility. In other words, if any service/facility has been extended to all the students of the school, a separate charge should not be levied for the service/facility as the same would get covered either under tuition fee (expenses on curricular activities) or annual charges (expenses other than those covered under tuition fee).

The school is hereby directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from students. Unintentional surplus, if any, generated from earmarked levies has to be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies during subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on no-profit no-loss basis and not to include fee collected from all students as earmarked levies.

The act of the school of charging unwarranted fee or any other amount/fee under head other than the prescribed head of fee and accumulation of surplus fund thereof tantamount to profiteering and commercialization of education as well as charging of capitation fee in other form.

2. The Directorate of Education, in its Order No. DE.15/Act/Duggal.Com/ 203/99/23033-23980 dated 15.12.1999, indicated the heads of fee/ fund that recognised private unaided school can collect from the students/ parents, which include:

- Registration Fee
- Admission Fee
- Caution Money
- Tuition Fee
- Annual Charges
- Earmarked Levies
- Development Fee

Further, clause no. 9 of the aforementioned order states *"No fee, fund or any other charge by whatever name called, shall be levied or realised unless it is determined by the Managing Committee in accordance with the directions contained in this order"*

The aforementioned order was also upheld by the Hon'ble Supreme Court in the case of Modern School vs Union of India & Others.

It was noted that the school's fee structure includes pupil fund, which is collected from all the students and based on details submitted by the school, it has been utilised towards varied expenses of the school including function expenses, art & craft and repairs and maintenance.

Based on the fact that the fee head of 'Pupil Fund' has not been defined for recognised private unaided school and the purposes for which the school has utilised the same is covered under 'Annual Charges' collected by the school from students, the school is directed not to collect pupil fund from students with immediate effect.

For the purpose of evaluation of the fee hike proposal for FY 2018-19, the above-mentioned fee has been included in total income while deriving the fund position of the school.

3. Para 99 of Guidance Note no. 21 on "Accounting by Schools" issued by the Institute of Chartered Accountants of India states *"Where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year."*

As per, Para 102 of the aforementioned Guidance Note states *"In respect of funds, schools should disclose the following in the schedules/notes to accounts:*

- (a) *In respect of each major fund, opening balance, additions during the period, deductions/utilisation during the period and balance at the end;*
- (b) *Assets, such as investments, and liabilities belonging to each fund separately;*

- (c) Restrictions, if any, on the utilisation of each fund balance;
(d) Restrictions, if any, on the utilisation of specific assets.”

From the financial statement for the FY 2016-17 to 2018-19, it has been noted that the school transferred an amount equivalent to the purchase cost of the assets from development fund to general reserve instead of accounting treatment as indicated in the guidance note cited above. Also, the school has enclosed a consolidated fixed assets schedule giving details of all assets carried over by the school in its audited Financial Statement for FY 2017-18 and has not prepared separate fixed assets schedules for assets purchased against development fund and those purchased against general reserve.

Further, no disclosure is given on face of balance sheet for “Fund utilized against assets”, which should be equal to cost of all assets purchased from development fund. And, as per guidance note, depreciation reserve should be created for the amount equivalent to depreciation charged on assets during the year purchased from development fund, however management has transferred the whole amount of depreciation charged on all assets (i.e., including the depreciation charged on assets procured from general funds.

The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school. The school is directed to follow DOE directions in this regard and maintain separate bank account for deposit and utilization of development fund.

4. As per the Director’s order no. FDE15(649) PSB/2018/30708-30712 dated 19.12.2018 issued for academic session 2017-18, it was observed that the school has prepared a Fixed Assets Register (FAR) that only captures asset name, date and amount. The school should also include details such as supplier name, invoice number, manufacturer’s serial number, location, depreciation, asset identification number, etc. to facilitate identification of asset and documenting complete details of assets at one place.

The school is again directed to update the FAR with relevant details mentioned above. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

5. As per Clause 3 of the public notice dated 04.05.1997 published in the Times of India states “No security/ deposit/ caution money be taken from the students at the time of admission and if at all it is considered necessary, it should be taken once and at the nominal rate of INR 500 per student in any case, and it should be returned to the students at the time of leaving the school along with the interest at the bank rate.”

Further, as per Clause 18 of Order no F.DE/15(56)/Act/2009/778 dated 11.02.2009 “No caution money/security deposit of more than five hundred rupees per student shall be charged. The caution money, thus collected shall be kept deposited in a scheduled bank in the name of the concerned school

and shall be returned to the student at the time of his/her leaving the school along with the bank interest thereon irrespective of whether or not he/she requests for refund."

Further, Clause 3 and 4 of Order no. DE/15/150/Act/2010/4854-69 dated 09.09.2010 stated "In case of those ex-students who have not been refunded the Caution Money/Security Deposit, the schools shall inform them (students) at their last shown address in writing to collect the said amount within thirty days. After the expiry of thirty days, the un-refunded Caution Money belonging to the ex-students shall be reflected as income for the next financial year & it shall not be shown as liability. Further, this income shall also be considered while projecting fee structure for ensuing Academic year."

However, as per order no. FDE15(649) PSB/2018/30708-30712 dated 19.12.2018, issued for academic session 2017-18 school had not maintained separate bank account for deposit of caution money collected and not credited the interest earned thereon to the credit of caution money account. It was also noted that interest on caution money was not paid to the students at the time of payment. School was directed to open a separate bank account for caution money deposit and to transfer the interest thereon to the credit of caution money account and to refund the caution money to the students along with interest.

During the personal hearing, school submitted that it has stopped collecting caution money from students and has started adjusting the caution money already collected from old students against the fee due from them and will adjust the balance amount payable in the coming financial years. Thus, based on the explanation provided by the school, the school should refund/adjust total caution money and should not collect it subsequently. Thus, amount payable as on 31.03.2018 against caution money has been considered while deriving the fund position of the school.

After detailed examination of all the material on record and considering the clarification submitted by the school, it was finally evaluated/ concluded that:

- i. The total funds available for the year 2018-19 amounting to INR **40,57,80,150** out of which cash outflow in the year 2018-19 is estimated to be INR **29,84,12,635**. This results in net surplus of INR **10,73,67,515**. The details are as follows:

Particulars	Amount
Cash and Bank balances as on 31.03.18 as per audited Financial Statements	4,00,70,908
Investments as on 31.03.18 as per audited Financial Statements	5,65,05,860
Gratuity Pool fund & Leave Encashment with DAV CMC as on 31 March 2018	7,15,39,970
Liquid Funds as on 31.03.2018	16,81,16,738
Add: Recovery from the society for the amount spent on land and building (Refer Financial Observation No. 1)	31,00,714

Particulars	Amount
Add: Capital fund/ Reserve fund of schools/ colleges with DAV CMC in the books of Schools/ Colleges as on 31 March 2018 (Refer Financial Observation No. 2)	1,61,86,118
Add: Recovery of excess administration charges from DAV CMC (Refer Financial Observation No. 5)	1,27,86,174
Add: Fees for 2018-19 as per audited Financial Statements	22,61,10,180
Add: Other income for 2018-19 as per audited Financial Statements	56,62,576
Gross Available Funds for FY 2018-19	43,19,62,500
Less: Refund of excess fee collected by the school during FY 2016-17 adjusted in FY 2018-19 (Refer Financial Observation No. 4)	46,45,220
Less: Amount of gratuity and leave encashment as on 31.03.2018 (Refer Financial Observation No. 4)	-
Less: Development Fee (Refer Note- 1)	1,95,63,630
Less: Caution Money balance as on 31.03.2018	19,73,500
Net Available Funds for FY 2018-19	40,57,80,150
Total cash outflow (Revenue Expenditure + Capital Expenditure - Depreciation) Refer Note 2	27,05,85,627
Less: Arrears of salary as per 7th CPC as on 31.03.2019 (Refer No-3)	2,78,27,008
Cash Surplus	10,73,67,515

Notes:

1. The Supreme Court in the matter of Modern School held that development fees for supplementing the resources for purchase, upgradation and replacements of furniture and fixtures and equipment can be charged from students by the recognized unaided schools not exceeding 15% of the total annual tuition fee. Further, the Directorate's circular no. 1978 dated 16.04.2010 states "All schools must, first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase." Over a number of years, the school has accumulated development fund and has reflected the closing balance of INR 3,29,08,822 in its audited financial statements of FY 2017-18. Accordingly, the accumulated reserve of development fund created by the school by collecting development fee more than its requirement for purchase, upgradation and replacements of furniture and fixtures and equipment has been considered as free reserve available with the school for meeting the financial implication of 7th CPC to be implemented by the school. However, development fund equivalent to amount collected in FY 2018-19 amounting INR 1,95,63,630 from students has not been considered as fund available with school.
2. The school has not made investment with LIC (or any other agency) equivalent to liabilities towards gratuity and leave encashment as per actuarial valuation report as on 31.03.2019. Therefore, the provision made by the school towards gratuity and leave encashment for FY 2018-19 has been not considered. However, the gratuity and leave encashment actually paid by the school during financial year 2018-19 amounting to INR 23,66,616 and INR 10,25,619

respectively have been considered in the calculation of available fund of the school (Refer Financial Observation No.4).

3. As per order No. DE.15 (318)/PDB/2016/18117, dated 25.08.2017, the Managing Committee of all the private unaided recognized schools were directed to implement the Central Civil Revised Pay Rules 2016 in respect of the regular employees of the corresponding status in their schools with effect from 01.01.2016 as adopted by the Government of NCT of Delhi vide its circulars No. 30-3(17)/(12)/VII Pay Comm./Coord./2016/110006-11016 dated 19.08.2016 and No. 30-3(17)/(12)/VII Pay Comm./Coord./2016/12659-12689 dated 14.10.2016. Further, vide order no. F.DE.15/ (318)/PSB/2019/11925-30 dated 09.10.2019, the managing committee of all Private Unaided Schools once again directed to implement the recommendation of 7th CPC with effect 01.01.2016 within 15 days from the date of issue of aforesaid order.

Further, section 10 of DSEA states “ *the scales of pay and allowances, medical facilities, mention, gratuity, provident fund and other prescribed benefits of the employees of recognized private school shall not be less than those of the employees of the corresponding status in school run by the appropriate authority*”. Therefore, employees of all the private unaided recognized schools are entitled to get the revised pay commission. This legal position has been settled by the Hon’ble High Court long back at the in the matter of WPC 160/2017; titled as Lata Rana Versus DAV Public School & Ors vide order dated 06.09.2018 for implementation of sixth pay commission recommendations.

On review of audited financial statements of the school and as per explanation given, school is paying the salary as per VII pay commission. Accordingly, the impact of salary arrears amounting to INR 2,78,27,008 which is still pending for payment (as provided by the school) has also been considered while deriving the fund position of the school with the direction to the school to implement the recommendations of 7th CPC in full within 30 days from the date of issue of this order. A strict action against the school would be initiated u/s 24(3) of DSEA, 1973 for non-compliance with the direction cited above.

- ii. In view of the above examination, it is evident that the school has sufficient funds to carry on the operation of the school for the academic session 2018-19 at the existing fees structure. In this regard, Directorate of Education has already issued directions to the schools vide order dated 16.04.2010 that,

“All Schools must, first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase.”

AND WHEREAS, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that along with certain financial and other observations that were identified (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural observations which were also noted (appropriate instructions against which have been given in this order), that the

sufficient funds are available with the school to carry out its operations for the academic session 2018-19. Accordingly, the fee increase proposal of the school may be rejected.

AND WHEREAS, it is noticed that the school has utilised INR 3,20,73,006 in contravention of provisions of DSER, 1973 and other orders issued by the departments from time to time. Therefore, the school is directed to recover INR 3,20,73,006 from the society. The amount of above receipt along with copy of bank statements showing receipt of above-mentioned amount should be submitted with DoE, in compliance of the same, within thirty days from the date of issuance of this order. Non-compliance of this shall be taken up as per DSEA&R, 1973.

AND WHEREAS, recommendation of the team of Chartered Accountants along with relevant materials were put before the Director of Education for consideration and who after considering all the material on the record, and after considering the provisions of section 17 (3), 18(5), 24(1) of the DSEA, 1973 read with Rules 172, 173, 175 and 177 of the DSER, 1973 has found that the school has sufficient funds for meeting financial implication for the academic session 2018-19. Therefore, Director (Education) has rejected the proposal submitted by the school to increase the fee for the academic session 2018-19.

AND WHEREAS, the school is directed, henceforth to take necessary corrective steps on the financial and other observations noted during the above evaluation process and submit the compliance report within 30 days from the date of this order to the D.D.E (PSB).

Accordingly, it is hereby conveyed that the proposal of enhancement of fee for the academic session 2018-19 of **DAV Public School (School Id: 1411232), Pushpanjali Enclave, Pitampura, New Delhi – 110034** has been rejected by the Director of Education.

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

1. Not to increase any fee in pursuance to the proposal submitted by school on any account for the academic session 2018-19 and if the fee is already increased and charged for the academic session 2018-19, the same shall be refunded to the parents or adjusted in the fee of subsequent months.
2. To ensure payment of salary is made in accordance with the provision of Section 10(1) of the DSEA, 1973. Further, the scarcity of funds cannot be the reason for non-payment of salary and other benefits admissible to the teachers/ staffs in accordance with section 10 (1) of the DSEA, 1973. Therefore, the Society running the school must ensure payment to teachers/ staffs accordingly.
3. To utilize the fee collected from students in accordance with the provisions of Rule 177 of the DSER, 1973 and orders and directions issued by this Directorate from time to time.



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

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



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

To:

The Manager/ HoS
DAV Public School (School Id: 1411232),
Pushpanjali Enclave, Pitampura,
New Delhi – 110034

No. F.DE.15 (666) / PSB / 2022/ 4180-4184

Dated: 03/06/22

Copy to:

1. P.S. to Principal Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. DDE (North West B) ensure the compliance of the above order by the school management.
4. In-charge (I.T Cell) with the request to upload on the website of this Directorate.
5. Guard file.



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