

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

No. F.DE.15 (5/2) / PSB / 2022 / 2988 - 2992

Dated: 13/05/22

Order

WHEREAS, DAV PUBLIC SCHOOL, (School ID-1411186), Ashok Vihar, Delhi-110052, (hereinafter referred to as "the School"), run by the DAV College Managing Committee (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, every school is required to file a full statement of fees every year before the ensuing academic session under section 17(3) of the DSEAR, 1973 with the Directorate. Such statement is required to indicate estimated income of the school to be derived from fees, estimated current operational expenses towards salaries and allowances payable to employees etc. in terms of rule 177(1) of the DSEAR, 1973.

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 paras 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-1411186), Ashok Vihar, Delhi-110052** submitted its proposal for enhancement of fee for the academic session 2019-20. Accordingly, this order is dispensed off the proposal for enhancement of fee submitted by the school for the academic session **2019-20**.

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 2019-20, necessary records and explanations were also called from the school through email. Further, the school was also provided an opportunity of being heard on 18.10.2019 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.



AND WHEREAS, the reply of the school, documents uploaded on the web portal for fee increase and subsequent documents submitted by the school were thoroughly evaluated by the team of Chartered Accountants and key observations noted are as under:

A. Financial Observations

1. Para 57 of Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India states *"An enterprise should determine the present value of defined obligations and the fair value of any plan assets with sufficient regularity that the amounts recognised in the Financial Statements do not differ materially from the amounts that would be determined at the balance sheet date."*

As per practice adopted by the schools under the management of DAV CMC, the school provides for Gratuity and Leave encashment expense @ 7% and 3% respectively of Basic Pay and Dearness Allowance, which is transferred to DAV CMC. DAV CMC in turn manages and maintains the common pool of funds for all schools under its management and uses the same for payment of gratuity and leave encashment liability as and when the same arises in respect of the staff of respective school at the time of his/her resignation/ retirement.

The Directorate of Education, Govt. of NCT Delhi through its Order no. F.DE-15(212)/PSB/2019/1295-1299 dated 29.03.2019 issued post evaluation of fee increase proposal for the academic session 2017-18, directed to the school to obtain the actuarial valuation of its gratuity and leave encashment liabilities. Further, the school was also directed to disclose its liabilities on account of gratuity and leave encashment. Also invest the amount in the plan assets in accordance with the requirement of AS-15 from FY 2018-2019 onwards.

During the personal hearing, the school reported that it has taken an actuarial valuation report for its gratuity and leave encashment as on 31.03.2019. The actuary has determined the total liability of INR 5,36,11,687 for gratuity and INR 94,54,466 leaves encashment respectively as on 31.03.2019 whereas the school has reported total liability of INR 3,14,63,623 towards gratuity and INR 1,61,72,727 towards leaves encashment in its audited financial statements. Thus, the school has not recorded total liability in its financial statements which were determined by the actuary.

Amount in INR

Particulars	As per Actuary Report as on 31.03.2019	As per Audited FS for FY 18-19	Difference
Gratuity	5,36,11,687	3,14,63,623	2,21,48,064
Leave Encashment	94,54,466	1,61,72,727	-67,18,261
Total	6,30,66,153	4,76,36,350	1,54,29,803

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 and not complied with the directions given in order no. FDE15(212) PSB/2019/1295-1299 dated 29.03.2019 issued for academic session 2017-18 and Order no. F.DE-15/Act-I/WPC-4109/Part/13/902-906 dated 26.09.2017. During the discussion the school 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 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	4,76,36,350

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 46,93,935 towards gratuity and INR 20,11,721 towards leave encashment for the FY 2018-19. Since, the school has not provided any details of estimated provisions made towards gratuity and leave encashment in the budget estimates of FY 2019-20 hence, we have adjusted the actual provision made in the FY 2018-19 to arrive at 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.

2. Clause 2 of the Public Notice dated 04.05.1997 states “*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.”

As per Rule 177 of DSER, 1973 states that “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. And the aforesaid savings 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 developmental nature;*
- c) The expansion of the school building or for the 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.*

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.

On review of Financial Statements for the year ended 31.03.2018, it has been noted that school has spent INR 12,16,830 on construction of POTA cabin on third floor, passage for connecting to third floor and dismantling of temporary rooms on third floor and has charged the aforesaid amount as "Building repairs". However, the same should have been capitalized. The above expenditure was incurred without complying the provision of Section 177 of DSER, 1973. Thus, the amount incurred by the school on construction of POTA cabin amounting to INR.12,16,830 has been included in the calculation of available funds of the school.

As per Order No. DE15(212)/PSB/2019/1295-1299 DATED 29.03.2019, direction was given for recovery of INR. 31,18,932 for the expenses incurred on building in FY 2015-16 & 2016-17, which was incurred without complying the requirements prescribed in Rule 177 of DSER, 1973. However, as per response submitted by school vide letter dated 29.04.2019, the amount has not been recovered from society. Accordingly, the amount of INR 31,18,932 is hereby added to the fund position of the school.

The school is also directed to recover the aforesaid amounts of INR 43,35,762 from the society within 30 days from the issue of this order.

3. 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. DE15(212)/PSB/2019/1295-1299 DATED 29.03.2019 post implementation of the recommendations of 7th CPC, the school should not incur administrative charges beyond 2% of the basic salary.

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)	12,08,452
2.	Other – Establishment (grouped under Establishment Cost)	30,21,132
	Total Administrative Charges	42,29,584

Further, on review of Financial Statements, it was noted that the school has paid administrative charges paid in excess of 2%. Thus, administrative charges paid over and above 2% of basic pay amounting to INR 59,51,788 has been adjusted while deriving the fund position of the school. The detail calculation are as follows:

Amount in INR

Particulars	FY 2017-18	FY 2018-19
Basic Pay	3,36,48,240	6,40,47,907
Total	3,36,48,240	6,40,47,907
Applied Rate	11%	7%
Administrative charges (as per applied rate) (A)	36,76,127	42,29,584
Allowable rate	2%	2%
Administrative charges (as per allowable rate) (B)	6,72,965	12,80,958
Difference (A-B)	30,03,162	29,48,626
Less: Administrative charges payable (as per audited financial statements)	-	-
Balance recoverable from Society	30,03,162	29,48,626

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 - 'Collections for specific purposes to be spent for that purpose' of the DSER, 1973 states "Income derived from collections for specific purposes shall be spent only for such purpose."

Para no. 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."

Sub-rule 3 of Rule 177 of DSER, 1973 states "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."

Also, earmarked levies collected from students are a form of restricted funds, which, according to Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India, are required to be credited to a separate fund account when the amount is received and reflected separately in the Balance Sheet.

Further, the aforementioned Guidance Note 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).

From the information provided by the school and taken on record, it has been noted that the school charges earmarked levies in the form of annual fees, transport fees, computer fee, smart board fee, science fees, home science fee, insurance, etc. from students. However, the school has not maintained separate fund accounts for these earmarked levies and the school has been generating surplus from earmarked levies that has been utilised for meeting other expenses of the school, which was also mentioned in Directorate's order no. F.DE-15(212)/PSB/2019/1295-1299 dated 29.03.2019. Details of calculation of surplus, based on breakup of expenditure provided by the school for FY 2016-17 & 2017-2018 & 2018-19 is given below:

Particulars	Transport Fee	Pupil Fund	Computer and Smart Board Fee	Science Fee and Home Science Fee	Activity Charges	Magazine and Report Card Fees
For the year 2016-17						
Fee Collected during the year (A)	26,80,600	38,48,950	32,62,450	15,03,750	22,42,500	13,98,450

Expenses during the year (B)	15,13,173	40,14,388	21,58,581	1,24,942	44,29,416	-
Difference for the year (A-B)	11,67,427	(1,65,438)	11,03,869	13,78,808	(21,86,916)	13,98,450
For the year 2017-18						
Fee Collected during the year (A)	29,91,550	39,20,400	47,66,650	22,66,980	31,59,000	15,66,040
Expenses during the year (B)	17,92,861	37,41,755	13,46,254	1,09,870	11,14,875	-
Difference for the year (A-B)	11,98,689	1,78,645	34,20,396	21,57,110	20,44,125	15,66,040
For the year 2018-19						
Fee Collected during the year (A)	29,17,900	37,82,700	37,92,900	18,54,250	21,90,000	11,80,730
Expenses during the year (B)	19,43,762	26,09,639	12,70,916	54,792	9,36,819	-
Difference for the year (A-B)	9,74,138	11,73,061	25,21,984	17,99,458	12,53,181	11,80,730
Total	33,40,254	11,86,268	70,46,249	53,35,376	11,10,390	41,45,220

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 include 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. Details of collection and utilization of pupil fund provided by the school for FY 2016-17, 2017-18 & 2018-19 is included hereunder:

Amount in INR.

Particulars	Pupil Fund	Magazine and Report Card Fees
For the year 2016-17		
Fee Collected during the year (A)	38,48,950	13,98,450
Expenses during the year (B)	40,14,388	-
Difference for the year (A-B)	(1,65,438)	13,98,450
For the year 2017-18		
Fee Collected during the year (A)	39,20,400	15,66,040
Expenses during the year (B)	37,41,755	-
Difference for the year (A-B)	1,78,645	15,66,040

For the year 2018-19		
Fee Collected during the year (A)	37,82,700	11,80,730
Expenses during the year (B)	26,09,639	-
Difference for the year (A-B)	11,73,061	11,80,730
Total	11,86,268	41,45,220

Based on the fact that the fee head of 'Pupil Fund & Magazine & report card fees' 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 2019-20, the above-mentioned fee has been included in budgeted income while deriving the fund position of the school

3. As per Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states *"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, fixtures 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 Reserve Fund, equivalent to the depreciation 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."*

Para 99 of Guidance Note on Accounting by Schools (2005) 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."

On review of Financial Statements for FY 2017-18 & 2018-19, it is noted that the school has incurred expenditure of INR. 1,10,221 on library books and reflected the same as utilisation of development fund in the audited Financial Statements which is not in accordance with clause 14 of the mentioned order.

Further, noted that 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 instruction in this regard and maintain separate bank account for deposit and utilization of development fund. Further, the school should ensure that development fund is utilised only towards purchase of furniture, fixture and equipment.

4. 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, Clause 18 of Order no F.DE/15(56)/Act/2009/778 dated 11.02.2009 states "*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.*"

On review of audited Financial Statements for the year ended 31.03.2018 and post evaluation of proposal for enhancement of fee for FY 2018-19 we noted that:

- As on 31.03.2019 caution money balance is INR. 7,27,000, whereas caution money balance should be 13,42,500 for 2685 students.
- School had not refunded the caution money along with interest thereon on to the students. Hence, the school is directed to refund caution money along with interest to students.

The school had not reflected un-refunded caution money belonging to ex-students as income in the next financial year after the expiry of thirty days from the date of communication with the students to collect

their caution money and had also not taken this into account while projecting fee structure for ensuring academic year. The school is instructed to follow DOE's directions in this regard.

5. 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 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.

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 2019-20 amounting to INR. 16,45,53,308 out of which cash outflow in the year 2019-20 is estimated to be INR. 14,78,58,883. This results in net surplus of INR. 1,66,94,425. The details are as follows:

Particulars	Amount
Cash and Bank balances as on 31.03.19 (as per audited Financial Statements of FY 2018-19)	53,31,150
Current Account Balance with DAV CMC as on 31.03.2019 (as per audited Financial Statements of FY 2018-19)	4,76,36,350
Liquid funds as on 31.03.2019	5,29,67,500
Add: Recovery of additions to building reflected in financial statement for FY 2016-17 from the Society [Refer Financial Observation No. 2]	43,35,762
Add: Recovery from DAV CMC from excess payment of administrative charges [Refer Financial [Refer Financial Observation No. 3]	59,51,788
Add: Fees for FY 2018-19 as per Audited Financial Statements (we have assumed that the amount received in FY 2018-19 will at least accrue in FY 2019-20)	10,35,47,322
Add: Other income for FY 2018-19 as per Audited Financial Statements (we have assumed that the amount received in FY 2018-19 will at least accrue in FY 2019-20)	21,57,326
Add: Arrears for fees hike @15% (FY 2018-19)	1,09,88,655
Gross Available Funds for FY 2019-20	17,99,48,353
Less: Development Fund (Refer Note 1 Below)	37,77,075
Less: Caution Money as on 31.03.2019 (as per audited financial statements of FY 2018-19) [Refer Other Observations No.4]	7,27,000
Net Estimated availability of funds for 2019-20	17,54,44,278
Total cash outflow (Revenue Expenditure + Capital Expenditure - Depreciation) (Refer Note 2 & 3 Below)	14,51,76,669
Salary Arrears (VII pay commission) (Refer Note 4 Below)	2,00,00,000
Estimated Surplus/(Deficit)	1,02,67,609

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 16th April 2010 states "All schools must, first, 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 2,11,52,723 in its audited financial statements of FY 2018-19. 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 one year (FY 2018-19) from students has been considered for deriving the fund position of the school, which is considered sufficient basis the spending pattern of the school in past.
2. Under the following heads the School has proposed expenditure in excess of 10% as compared to the actual expenditure incurred in FY 2018-19 or proposed new head of expenditure for which the school has not offered satisfactory explanation/ justification. Therefore, the aforesaid expenditure in excess of 10% over the previous year and/or new head of expenditure have not been considered in the evaluation of fee increase proposal:

Particulars	As per audited Income and Expenditure Account for F.Y. 2018-19	As per budgeted Income and Expenditure Account for F.Y. 2019-20	Net Increase/ (Decrease) (INR)	% Change	Amount disallowed
Bus Hire Charges	10,78,270	18,50,000	7,71,730	72%	6,63,903
Telephone Expenses	1,06,127	1,50,000	43,873	41%	33,260
Postage & Telegram	8,955	1,10,000	1,01,045	1128%	1,00,150
Uniform Expenses	29,110	50,000	20,890	72%	17,979
Advertisement & Publicity	1,30,290	3,00,000	1,69,710	130%	1,56,681
Agency Charges	38,44,797	45,00,000	6,55,203	17%	2,70,723
Audit Fees	20,000	2,00,000	1,80,000	900%	1,78,000
Misc. Expenses	7,62,204	15,00,000	7,37,796	97%	6,61,576
Other Expenses	3,82,384	19,50,000	15,67,616	410%	15,29,378
Total	63,62,137	1,06,10,000	42,47,863		36,11,649

3. The administrative charges estimated over and above 2% of basic pay amounting to INR 59,49,458 has been adjusted in the estimated cash outflow. For detail refer financial observation no. 3 above.
4. 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 VI pay commission. Accordingly, the impact of salary arrears amounting to INR. 2,18,00,000 (Approx) 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 2019-20 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 2019-20. Accordingly, the fee increase proposal of the school may be rejected.

AND WHEREAS, it is noticed that the school has utilised INR 1,02,87,550 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 1,02,87,550 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 2019-20. Therefore, Director (Education) has rejected the proposal submitted by the school to increase the fee for the academic session 2019-20.

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 session 2019-20 of **D.A.V. PUBLIC SCHOOL, (School ID-1411186), Ashok Vihar, Phase IV, Delhi-110052** has been rejected by the Director of Education.

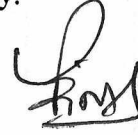
Further, the management of said school is hereby directed under section 24(3) of DSEA 1973 to comply with the following directions:

1. Not to increase any fee in pursuance to the proposal submitted by school on any account for the academic session 2019-20 and if the fee is already increased and charged for the academic session 2019-20, 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
D.A.V. PUBLIC SCHOOL
School ID 1411186
Ashok Vihar, Phase IV, Delhi-110052

No. F.DE.15 (5/2) / PSB / 2022 / 2988-2992

Dated: 13/05/22

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