

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

No. F.DE.15 (1066)/PSB/2022/9983-9987

Dated: 15/12/22

**Order**

WHEREAS, DAV Public School (School ID - 1925287), Plot-3, Pocket-6, Jasola Vihar, Delhi - 110025 (hereinafter referred to as "**the School**"), run by the DAV College Managing Committee (hereinafter referred to as "**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.

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 Delhi School Education Act, 1973 (hereinafter read as "**the Act**") with the Director. Such statement will indicate estimated income of the school derived from fees, estimated current operational expenses towards salaries and allowances payable to employees etc in terms of Rule 177(1) of the Delhi School Education Rules, 1973 (hereinafter read as "**the Rules**").

AND WHEREAS, as per section 18(5) of the Act read with section 17(3), 24 (1) of the Act and Rule 180 (3) of the DSEA & R, 1973, responsibility has been conferred upon the Director (Education) to examine the audited financial, account and other records maintained by the school at least once in each financial year. The Section 18(5) and Section 24(1) of the Act and Rule 180 (3) 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.'*

Thus, the Director (Education) has the authority to examine the full statement of fees filled under section 17(3) of the DSEA, 1973 and returns and documents submitted under section 18(5) of DSEA, 1973 read with rule 180 (1) of DSER, 1973

AND WHEREAS, besides the above, the Director (Education) is also required to examine and evaluate the fee hike proposal submitted by the private unaided recognized schools which have been allotted land by the DDA/ other land-owning agencies with the condition in their allotment to seek prior approval from Director (Education) before any increase in fee.



AND WHEREAS, besides the above, the Hon'ble Supreme Court in the judgment dated 27.04.2004 passed in Civil Appeal No. 2699 of 2001 titled Modern School Vs. Union of India and others has conclusively decided that under section 17(3), 18(4) read along with rule 172, 173, 175 and 177 of the Rules, Directorate of Education has the authority to regulate the fee and other charges to prevent the profiteering and commercialization of education.

AND WHEREAS, it was also directed by the Hon'ble Supreme Court to the Director of Education in the aforesaid matter titled Modern School Vs. Union of India and others in Para 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 Director of Education to ensure the compliance of term, if any, in the letter of allotment regarding the increase of the fee by all the recognized unaided schools which are allotted land by DDA/ land owing agencies.

AND WHEREAS, accordingly, the DoE vide Order No. F.DE-15(40)/PSB/2019/4440-4412 dated 08.06.2022, directed all the private unaided recognized schools, running on the land allotted by DDA/other land-owning agencies at 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 academic session 2022-23

AND WHEREAS, in pursuance to Order dated 08.06.2022 of the DoE, the School submitted its proposal for enhancement of fee for the academic session 2022-23. Accordingly, this Order dispenses the proposal for enhancement of fee submitted by school for the academic session 2022-23.

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 DoE.

AND WHEREAS, in the process of examination of the fee hike proposal filed by the aforesaid school, necessary records and explanations were also called from the school through email dated 01.11.2022. The school was also provided an opportunity to be heard on 11.11.2022 to present its justifications/clarifications on the fee increase proposal. Based on the discussion with the school during a personal hearing, the school was further asked to submit the necessary documents and clarification on



various issues noted. In the aforesaid personal hearing, compliance of Order No. 15/ (199)/PSB/2021/3356-60 dated 09.09.2021 issued for FY 2019-20 were also discussed with the school and the school's submissions were taken on record

AND WHEREAS, on receipt of clarification as well as documents uploaded on the web portal for the fee hike post personal hearing, the fee hike proposal was evaluated by the team of Chartered Accountants and the key suggestions noted for improvement by the school are hereunder:

**A. Financial Suggestion for Improvements**

1. Clause No. 2 of 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 titled Delhi Abibhavak Mahasangh concluded states *"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."*

Clause 7.24 of Duggal committee report states *"school should be prohibited from discharging any of the functions, which rightly fall in the domain of the society out of the fees and other charges collected from the students; or where the parents are made to bear, even in part, the financial burden for the creation of facilities including building, on a land which had been given to the society at concessional rates for carrying out a philanthropic activity. One only wonders what is then the contribution of the society that professes to run the school"*.

As per Clause 14 of Order No. F.DE. /15(56)/Act/2009/778 dated 11.02.2009 and Clause 7 of Order No. DE 15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 stated *"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 income generated from the investment made out of this fund, will be kept in a separately maintained Development Fund Account."*

Also, Rule 177 of DSER, 1973 states *"Income derived by an unaided recognized school by way of fees shall be utilized 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 utilized 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 recognized 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 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.*

Therefore, based on the above-mentioned provisions, the cost relating to land and construction of the school building should be borne by the society running the school and school funds, i.e., fees collected from the students should not be used for the purchase of land and construction of the school building. In this regard, it is also important to mention that society was allotted an institutional land at very low cost compared to the price of commercial and as well as residential land of that nearby locality. The reason for allotment of land at such low cost was the society came up with the offer to do noble work in the field of education and run the school in Delhi on charity and on a "no profit and no loss" basis. In its offer the society also undertook to execute this work from its resources or by arranging funds through donations, subscriptions, or any other legal possible manner. Based on the noble grounds, the DoE had recommended to the land owning agencies for allotment of land to society which would otherwise not be possible for the society to have such a prime land at this cost in such posh location.

Accordingly, if the DoE finds any deviation or non-compliance in any condition of land allotment letter, the society as well as the school are bound to comply and honour that immediately as per the direction of the DoE. Society cannot always claim the protection of Article 19(1)(g), 21 & 30 of the Constitution of India for non-interference by the DoE. Because the main source (i.e., land) which was required to establish and run the school was supported by DoE by recommending to land owning agency to allotment the land to the society. After considering the recommendation of the DoE, a clause was included in the land allotment letter of the school that the school shall not increase the fee without the prior sanction of the Director (Education) and shall follow the provisions of the Delhi School Education Act/Rules, 1973 and other instructions issued by the department from time to time.

On review of the audited financial statements from FY 2019-20 to FY 2021-22, it has been noted that the school has utilized INR 42,27,249 and INR 24,58,607 in FY 2019-20 and 2020-21 respectively on construction of school building by utilizing the development fund. The capital expenditure incurred by the school is not in accordance with above mentioned provisions given the fact the school has not implemented the complete recommendation of 7<sup>th</sup> CPC.

Accordingly, the capital expenditure incurred by the School of INR 66,85,856 i.e., (INR 42,27,249 plus INR 24,58,607) has been considered as funds available with the school with the direction to the school to recover this amount from society within 30 days from the date of issue of this order.

2. Clause 8 of Order No. DE 15/ Act/ Duggal.Com /203 /99 /23033-23980 dated 15.12.1999 states *"no amount whatsoever shall be transferred from the recognised unaided school fund of a school to the society or the trust or any other institution."*

On review of audited financial statements of FY 2021-22, it has been noted that the school has recoverable balances from the society of INR 56,97,747 as on 31.03.2022. Accordingly, this amount has been considered as fund available with the school while evaluating fees hike proposal with the direction to the school to recover this amount from society within 30 days from the date



of issue of this order. A similar observation was also noted in previous fee hike order No. 15/ (199)/PSB/2021/3356-60 dated 09.09.2021 issued for FY 2019-20.

Non-compliance with the above direction would be reviewed seriously, and appropriate action against the school under Section 24(4) of the DSEA, 1973 will be taken without giving any further opportunity.

3. The Hon'ble High Court of Delhi dated 19.01.2016 in WPC no 4109/2013 in the matter of *Justice for All vs. GNCT of Delhi and others* indicated that every recognized private unaided school to whom land was allotted by DDA shall not increase the rate of fees without the prior sanction of Directorate of Education. Accordingly, the Directorate vide order No. F.DE.15(40)/PSB/2019/2698-2707 dated 27.03.2019, directed that all the Private Unaided Recognized Schools running on the land allotted by DDA/other Govt. agencies on concessional rates or otherwise, with the condition to seek prior approval of Director of Education for increase in fee, to submit their proposals, if any, for approval from the Director of Education for the academic session 2018-19 and 2019-20. Moreover, as per the directions of the Supreme Court in *Modern School vs. Union of India & ORs.* (supra), a Circular dated 16.04.2010 has been issued which is as under:

- a) It is reiterated that annual fee-hike is not mandatory.
- b) School shall not introduce any new head of account or collect any fee thereof other than those permitted. Fee/funds collected from the parents/students shall be utilized strictly in accordance with rules 176 and 177 of the Delhi School Education Rules, 1973.
- c) If any school has collected fee in excess of that determined as per the procedure prescribed here-above, the school shall refund/adjust the same against subsequent instalments of fee payable by students.

The Directorate, in its Order No. F.DE.15 (199)/PSB/2021/3356-60 dated 09.09.2021 issued to the school post evaluation of fee hike proposal for academic session 2019-20, noted that the school had increased its fee structure by 7.5% during first quarter and 10% during remaining academic session of 2017-18. Also, the school had further increased its tuition fees by 21% in academic session 2018-19. All the fees increase taken by the School in the aforesaid academic sessions were without seeking approval from the DoE. Accordingly, the school was directed to either refund the increased fee to the students or adjust the same against future dues from the students. However, the school has not complied with the above direction and continues to charge the increased fees from students.

During personal hearing, the same was discussed with the school and the school confirms that the school charges increased fee from the students and record its income on the basis of fee structure of FY 2017-18. Even the parents/students are not aware of the fact that the school charges excessive fee from them without taking approval from the DoE.

Further, from review of audited financial statements from FY 2019-20 to FY 2021-22, noted that school has created a current liability of INR 6,56,79,435 in the name of 'fees refundable to students' related to academic sessions 2018-19 to 2021-22 without having no earmarked fund available to refund the same as on 31.03.2022. Since, the school already issued fee receipts to the students without disclosing the fact of excess fee collected by them without taking approval from

DoE and the school has also utilised the funds for making payments of salaries and other operation expenditure. Accordingly, the same is considered as income of the school for those financial years.

Therefore, the excess fee collected and utilised by the school of INR 6,56,79,435 has been considered as fund available with the school while deriving the fund position. Further, it is hereby directed to the school to pass the necessary rectification entries in the books of accounts and disclose the fact about excess fee collection to the students/parents at the time of issuing fee receipts. The compliance of the same will be reviewed at the time of subsequent fee hike proposal submitted by the school.

4. The submissions of the school regarding payment of administrative charges @ 4% of basic pay (as per 6<sup>th</sup> CPC) of staff were taken on record and included in Directorate's order no. F.DE-15/ACT-I/WPC-4109/PART/13/ 958 dated 13.10.2017. Further, while evaluating the fees hike proposal for academic session 2017-18, the school was directed for not incurring administrative charges beyond 2% of the basic salary.

From review of audited financial statements from FY 2019-20 to FY 2021-22, it has been noted that the school has paid 'administrative charges' to DAV CMC @ 2% on basic pay and 'service charges' to DAV CMC @ 5% of basic pay. Therefore, service charges paid @5% is in excess of administrative charges allowed to school as per the previous order No. F.DE-15/ACT-I/WPC-4109/PART/13/ 959 dated 13.10.2017.

Accordingly, the service charges paid by the school to DAV CMC amounting to INR 99,76,556 i.e., (INR 33,65,926 in FY 2019-20 plus INR 32,58,779 in FY 2020-21 plus INR 33,51,851 in FY 2021-22) is considered as fund available with the school while deriving the fund position with the direction to the school to recover this amount from society within 30 days from the date of issue of this order. Further, it is hereby directed to the school to stop making payments in the name of service charges to DAV CMC with immediate effect.

Further, the amount of INR 55,00,000 proposed by the school for 'service charges paid to DAV CMC' in its budget of FY 2022-23 has not been considered as eligible expenditure while deriving the fund position.

5. Para 7.14 of AS-15 "*Employee Benefit*" issued by the Institute of Chartered Accountants of India (ICAI) states 'Plan Assets as:
  - a. assets held by a long-term employee benefit fund; and
  - b. qualifying insurance policies."

Further, the para 57 of the AS-15 states "*an enterprise should determine the present value of defined benefit obligations and the fair value any plan assets with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.*"

Review of the audited financial statements of FY 2021-22 revealed that the school has recorded liability for retirement benefits amounting to INR 5,77,78,898 as on 31.03.2022. However, as per the actuarial valuation report, total liability for retirement benefits were INR 5,77,67,002 as on



31.03.2022, resulting in excess provision by INR 11,896 in the audited financial statements of FY 2021-22.

Further, school has invested INR 5,96,64,503 (INR 4,15,79,147 towards gratuity plus INR 1,80,85,357 towards leave encashment) with LIC and submitted the investment proof. As the investment with LIC qualifies as plan assets within the meaning of AS-15. Therefore, amount invested by the school has been considered while deriving the fund position of the school with the direction to the school to maintain the investments in the plan assets.

6. Clause 14 of this Directorate's Order No.F.DE/15 (56)/Act/2009/778 dated 11.02.2009 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 from this fund, will be kept in a separately maintained Development fund Account."*

Para 99 of Guidance Note-21 'Accounting by school' issued by the Institute of Chartered Accountants of India (ICAI), relating to restricted fund, *"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"*.

Based on the above-mentioned provisions, upon utilization of development funds, the school needs to create the 'Development Fund Utilisation Account' (or by any other name), which may be treated as deferred income. And this deferred income should be written off in proportion to the depreciation charged to the revenue account. By following the aforesaid accounting treatment specified in para 99 of GN-21, the depreciation reserve fund would be mere an accounting head, and school need not the require creation of equivalent investments against the depreciation reserve.

From review of presentation of the audited financial statements of FY 2021-22, it has been noted that the school upon purchase of assets out of the development funds, transfers an amount equivalent to the cost of the assets to General Funds instead of transferring to deferred income which may be written off in proportion of deprecation charged on the assets. As the school has not been following correct accounting treatment with respect development fund utilization resulting incorrect reporting of General Reserve.

Further, on review of the audited financial statements of FY 2021-22, the school has reported a development fund balance of INR 3,98,18,018 against which the cash/bank balance available of INR 1,81,18,586.

During the personal hearing, the school explained that due to paucity of funds it has utilized some of the development funds for payment of salary and salary related cost but was not passed the correct accounting entries in the books of accounts due to which fund balance fund balance is not matching with cash, bank and investment.



Accordingly, the development fund balance to the extent of INR 1,81,18,586 has been considered while deriving the fund position of the school with the direction to the school to rectify its books and accounts by passing the necessary accounting entries in its books and accounts. The school is further directed to ensure the collection and utilization of development fee/ funds in accordance with above cited Clause 14 of the order dated 11.02.2009.

**B. Other Suggestion for Improvements**

1. Section 13 (1) of the Right to Education Act, 2009 states that *"no school or person shall, while admitting a child, collect any capitation fee and subject the child or his or her parents or guardian to any screening procedure"*.

Section 13 (2) of the Right to Education Act, 2009 states that *"Any school or person, if in contravention of the provisions of sub-section (1):*

- a. *receives capitation fee, shall be punishable with fine which may be extended to ten times the capitation fee charged.*
- b. *subjects a child to screening procedures shall be punishable with a fine which may extend to twenty-five thousand rupees for the first contravention and fifty thousand rupees for each subsequent contravention.*

And section 2(b) of the Right to Education Act, 2009 states *"capitation fee" means any kind of donation or contribution or payment other than the fee notified by the school.*

Further, the Supreme Court in its Judgement dated 02.05.2016 in the matter of *Modern Dental College and Research Centre Vs. State of Madhya Pradesh [Medical Council of India]* held that education is a noble profession and emphasized that:

*"Every demand of capitation fee by educational institutions is unethical & illegal. It emphasized that commercialization and exploitation are not permissible in the education sector and institutions must run on a 'no-profit-no-loss' basis".*

The Hon'ble Supreme Court categorically held that *"though education is now treated as an 'occupation' and, thus, has become a fundamental right guaranteed under Article 19(1) (g) of the Constitution, at the same time shackles are put in so far as this particular occupation is concerned, which is termed as noble. Therefore, profiteering and commercialization are not permitted, and no capitation fee can be charged. The admission of students has to be on merit and not at the whims and fancies of the educational institutions,"*

Further, the Hon'ble High Court in LPA 196/2004 in the matter of *'Rakesh Goyal Vs. Montfort School and Section 13(1) of RTE Act, 2009'* states *"no school or person shall, while admitting a child, collect any Capitation fee/Donation from the parents. Any school or person who contravenes this provision and receives a capitation fee, shall be punishable with a fine which may extend to ten times the capitation fee charged"*.

Further, The Directorate of Education, vide Order No. DE15/ Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and Order No.F.DE, /15(56)/Act/2009/778 dated 11.02.2009, indicated



the following types of fee that a recognised private unaided school can collect from the students/ parents:

- a. Registration Fee
- b. Admission Fee:
- c. Caution Money
- d. Tuition Fee
- e. Annual Charges
- f. Earmarked Levies
- g. Development Fee

Based on the provisions mentioned above, charging of ' Science fees, Computer Fees, Insurance and Miscellaneous Fees ' from the students is in the nature of capitation fee only. Additionally, if the school is charging unwarranted fee under different heads or introduce new head of fee other than the prescribed heads of fee and accumulates surplus fund out of it, it is also prima-facie considered to be a collection of capitation fee in other manner and form.

Accordingly, the collection of science fees, computer fees, insurance and miscellaneous Fees indicates that the school is engaged in profiteering and commercialization of education.

As per Section 27 of the DSEA, 1973, the manager of the school is responsible to look after the operation of the school smoothly and to ensure compliance with the provision of the DSEAR, 1973 including the compliance of the High Court/Supreme Court and orders/circulars issued by the Directorate of Education from time to time in this regard. As the manager and principal have been bestowed with the power to ensure the school's proper functioning, including ensuring the admission process transparently are jointly as well as in their personal capacity be responsible for levy and collection of capitation fee and any another unauthorized fee collected by the school.

Therefore, the school is directed to not charge capitation as mentioned above with immediate effect and submit the compliance within 30 days from the date of issue of this order. Non- compliance with this direction would be reviewed seriously and a necessary action against the school will be initiated U/s 24(4) of the DSEA, 1973 by the department.

2. From a review of documents submitted by the school post personal hearing, the following has been noted with respect to the Fixed Asset Register (FAR) maintained by the school:

- No tagging of the assets has been done in Fixed Assets Register (FAR) and location is not identified due to which assets could not be physically verified.
- Depreciation for the individual assets is not recorded in the FAR, only cost of the assets is available in the FAR and WDV of the assets is not available.
- Invoice number, manufacturer's serial number and location of the asset is not mentioned in the fixed assets register.

Therefore, the School is hereby directed to prepare a FAR, which should include details such as asset description, purchase date, supplier name, invoice number, manufacturer's serial number, location, purchase cost, other costs incurred, depreciation, asset identification number, etc. to facilitate identification of asset and documenting complete details of assets at one place. The school

is further directed to comply with the directions for preparing FAR with relevant details mentioned above according to the process for periodic physical verification of assets and documenting the results of physical verification of assets. The same shall be verified at the time of evaluation of the fee hike proposal for subsequent years. This being a procedural finding, no financial impact is warranted on the fund position of the school.

3. The school is not complying with the DoE Order No.F.DE.15/Act-I/08155/2013/5506-5518 dated 04.06.2012 as well as the conditions specified in the land allotment letter which require that the school should provide 25% reservation for children belonging to EWS/DG category. Therefore, the school is directed to ensure admission in accordance with the aforesaid order. Further, the school is also required to provide uniform and textbooks to the EWS/DG category students. However, from the audited financial statements, the expenditure incurred by the school towards uniform and textbooks cannot be determined. Therefore, the concerned Deputy Director Districted are requested to ensure compliance with this regard by the school. From the information provided by the school, the percentage of admission allowed to the school to EWS is provided below.

Particulars	FY 2022-23
Total Students	3,015
EWS Students*	652
% of EWS students	21.37%

\*Included EWS and other non-fee paying students.

4. Clause 24 of DoE Order dated 11.02.2009 states *"Every recognized unaided school covered by the Act, shall maintain accounts on the principles applicable to a non-business organization/ not-for-profit organization as per Generally Accepted Accounting Principles (GAAP). Such schools shall prepare their financial statement consisting of a Balance Sheet, Income & Expenditure Account and Receipt & Payment account every year."*

Further, Appendix-III (Part-I-General instructions and accounting principles) of Guidance Note-21 states:

1. *"the financial statement of the Schools should be prepared on accrual basis.*
2. *a statement of all significant accounting policies adopted in the preparation and presentation of the balance sheet and income and expenditure account should be included in the School's Balance sheet.....*
3. *accounting policies should be applied consistently from one financial year to the next. Any change in the accounting policies which has a material effect in the current period, or which is reasonably expected to have a material effect in later periods should be disclosed...."*

Review of the audited financial statements of the school revealed that the school has been recording income on cash basis while expenses are being recoded on accrual basis. Thus, the school is not following Generally Accepted Accounting Principles (GAAP). Therefore, the school is hereby directed, to maintain its books of account in accordance with GAAP from subsequent financial years and made necessary adjustment in its books of accounts accordingly. The compliance with this direction shall be verified while evaluating the fee increase proposal of the subsequent year





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 FY 2022-23 amounting to **INR 24,66,46,432** out of which cash outflow for the FY 2022-23 is estimated to be **INR 18,95,39,893**. This results in surplus of **INR 5,71,06,539** after meeting all expenditures. The details are as follows:

Particulars	Amount
Cash and Bank balances as on 31.03.22 as per Audited Financial Statement	3,81,59,936
Investments as on 31.03.22 as per Audited Financial Statements (Refer Note 1)	12,72,91,416
Gratuity and Leave Encashment pool fund with DAV CMC	41,54,312
<b>Liquid fund as on 31.03.22</b>	<b>16,96,05,664</b>
Add: Recoverable from society for addition to the building (Refer Financial Suggestion No. 1)	66,85,856
Add: Balance recoverable from society towards Capital/ Current Reserve Fund (Refer Financial Suggestion No. 2)	56,97,747
Add: Excess fees collected and utilized but not recorded as income (Refer Financial Suggestion No. 3)	6,56,79,435
Add: Recovery from society towards excess administrative charge (Refer Financial Suggestion No. 4)	99,76,556
Add: Fees for FY 2021-22 as per Audited Financial Statements (Refer Note 2 below)	11,29,23,795
Add: Other income for FY 2021-22 as per audited Financial Statements (Refer Note 2 below)	1,06,04,436
Add: Additional income of annual charges and development fund (Refer Note No. 2 Below)	32,74,113
Less: Arrears of fee recorded in FY 2021-22 related to FY 2020-21. (Refer Note No. 2 Below)	1,53,57,726
<b>Total available funds for FY 2022-23</b>	<b>36,90,89,876</b>
Less: FDR in joint name with DOE/CBSE and the manager of the school	4,25,476
Less: Salary reserve fund investment as on 31.03.2022	4,42,34,879
Less: Depreciation reserve fund as on 31/03/2022 (Refer Note 3 below)	-
Less: Investment made with LIC against provision made for retirement benefits (Refer Financial Suggestion No. 5)	5,96,64,503
Less: Development Fund (Refer Financial Suggestion No. 6)	1,81,18,586
<b>Estimated Available Funds for FY 2022-23</b>	<b>24,66,46,432</b>
Less: Budgeted Expenditure for FY 2022-23 (Refer Note 4 & 5 below)	16,72,17,737
Less: Salary arrears (Refer Note 6 below)	2,23,22,156
<b>Estimated Surplus</b>	<b>5,71,06,539</b>

**Note 1:** The detail of fixed deposit held by the school as per the audited financial statements of FY is provided below:

S. No	Particulars	Amount In INR	Remarks
1	FDR in Joint name of Manager and CBSE	4,25,476	Considered separately.
2	FDR against Development fund	75,63,000	

S. No	Particulars	Amount In INR	Remarks
3		1,05,55,586	Specific funds hence, considered separately.
4	Salary Reserve	1,28,00,236	Part of the funds position as it is available with the school for utilization.
5	Salary Reserve	1,27,98,009	
6	Salary Reserve	1,50,88,530	
7	Salary Reserve	26,11,944	
8	Salary Reserve	9,36,160	
9	LIC	5,96,64,503	Specific funds hence, considered separately.
10	Other Investment	48,47,972	Part of the funds position as it is available with the school for utilization.
	<b>Total</b>	12,72,91,416	
	As per AFS 2021-22	12,72,91,416	
	<b>Difference</b>	-	

**Note 2:** The Department vide its order No.F.No.PS/DE/2020/55 dated 18.04.2020 and order No.F.No.PS/DE/2020/3224-3231 dated 28.08.2020 issued guidelines regarding the chargeability of fees during the pandemic COVID 2019. The department in both the above-mentioned orders directed to the management of all the private schools not to collect any fee except the tuition fee irrespective of the fact whether running on the private land or government land allotted by DDA/other government land owing agencies and not to increase any fee in academic session 2020-21 till further direction.

Further, the department in pursuance of the order dated 31.05.2021 in WPC 7526/2020 of Single Bench of the Hon'ble High Court of Delhi and interim order dated 07.06.2021 in LPA 184/2021 of the Division Bench of Hon'ble High Court of Delhi and to prevent the profiteering and commercialisation, directed to the management of all the petitioners private unaided recognised schools through its order No. F. No.DE.15(114)/PSB/2021/2165-2174 dated 01.07.2021:

- (i) *"to collect annual school fee (only all permitted heads of fees) from their students as fixed under the DSEAR, 1973 for the academic year 2020-21, but by providing deduction of 15% on that amount in lieu of unutilized facilities by the students during the relevant period of academic year 2020-21". And if the school has collected the fee in excess to the direction issued by the Hon'ble Court, the same shall be refunded to the parents or adjusted in the subsequent month of fee or refund to the parents.*
- (ii) The amount so payable by the concerned students be paid in six equal monthly instalments w.e.f. 10.06.2021.
- (iii) The above arrangement will also be applicable with respect to collection of fees for academic session 2021-22.

From review of the audited financial statements for FY 2021-22 and based on the further information provided by the school, it has been noted that the school has reported 85% of the annual charges and development charges its audited financial statements of FY 2021-22. Therefore, the income collected by the school during the FY 2021-22 with respect to annual charges and development fee has been grossed up in order after deducting the income of FY 2020-



21 to make comparative income with the FY 2022-23. The detailed calculation has been provided below.

Particulars	Income as per AFS of FY 2021-22	Income Considered in the Above Table	Remarks
Tuition Fee	7,63,98,049	7,63,98,049	
Annual Charges	80,71,291	94,95,636	The school recorded 85% of these income as per the DoE order. Therefore, it has been grossed up in order to determine the normal income of the school.
Development fund	1,04,82,016	1,23,31,784	

Similarly, annual charges and development fees amounting to INR 1,53,57,726 for FY 2020-21 received in FY 2021-22 has been excluded while calculating fund position

**Note 3:** As per the Duggal Committee report, there are four categories of fees that can be charged by a private unaided School. The first category of fee comprised of ‘Registration fee and all one Time Charges’ levied at the time of admissions such as admission and caution money. The second category of fee comprises ‘Tuition Fee’ which is to be fixed to cover the standard cost of the establishment and to cover the expenditure of revenue nature for the improvement of curricular facilities like library, laboratories, science, and computer fee up to class X and examination fee. The third category of the fee should consist of ‘Annual Charges’ to cover all expenditure not included in the second category and the fourth category consist of all ‘Earmarked Levies’ for the services rendered by the school and be recovered only from the ‘User’ students. These charges are transport fee, swimming pool charges, Horse riding, tennis, midday meals etc. This recommendation has been considered by the Directorate while issuing order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and order No. F.DE./15(56)/Act/2009/778 dated 11.02.2009.

The purpose of each head of the fee has been defined and it is nowhere defined the usage of development fee or any other head of fee for investments against depreciation reserve fund.

Further, Clause 7 of order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and clause 14 of the 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, upgradation 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 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”. Thus, the above direction provides for:

- Not to charge development fee for more than 15% of tuition fee.
- Development fee will be used for purchase, upgradation and replacement of furniture, fixtures, and equipment.
- Development fee will be treated as capital receipts.
- Depreciation reserve fund is to be maintained.

Thus, the creation of the depreciation reserve fund is a pre-condition for charging of development fee, as per above provisions and the decision of Hon'ble Supreme court in the case of Modern School Vs Union of India & Ors.: 2004(5) SCC 583. Even the Clause 7 of the above direction does not require to maintain any investments against depreciation reserve fund. Also, as per para 99 of Guidance Note-21 'Accounting by School' 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."

Accordingly, the depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue account) is mere of an accounting head for the appropriate accounting treatment of depreciation in the books of account of the school in accordance with Guidance Note -21 issued by the Institute of Chartered Accountants of India. Thus, there is no financial impact of depreciation reserve on the fund position of the school. Accordingly, the depreciation reserve fund has not been considered while deriving the fund position of the school.

**Note 4:** All budgeted expenditure of the school has been considered while deriving the fund position of the school except the following:

Particulars	Income as per AFS for FY 2021-22	Income as per Budgeted of FY 2022-23	Disallowed	Remarks
In respect of owned vehicle	2,23,171	8,50,000	8,50,000	Neither expenditure nor Income with respect to transportation has been considered
In respect of not owned vehicle	-	70,00,000	70,00,000	
Insurance charges	2,26,224	7,00,000	7,00,000	
Newspaper and periodical	-	15,000	15,000	New head of expenses introduced.
Professional charges	-	2,00,000	2,00,000	
Telephone, postage and telegrams	-	1,10,000	1,10,000	
Services charges to DAV CMC	-	55,00,000	55,00,000	Refer Financial suggestion No. 5
Admin Charges	13,40,740	37,78,875	22,67,325	
Capital Expenditure - Building	-	50,00,000	50,00,000	Capital expenditure not allowed as per Rule 177 of DSER, 1973. Refer financial suggestion No. 1

**Note 5:** While evaluating the fee hike proposal, department considers that how much liquid funds would require the school for a particular session for smooth operation without compromising with the quality of education. Thus, while deriving the fund position of the school all legitimate



expenditures revenue as well as capital in accordance with the provisions DESAR, 1973 and pronouncement of Courts judgment have been considered. Therefore, balance of the other current assets other and current liabilities has not been considered. Because it is clear that the current assets, loans and advances and current liabilities are cyclic in nature and the same have already been considered in the form of budgeted income and expenditure of the school in the earlier years. Thus, current assets, loans and advances and current liabilities will always reflect in the financial statements at the end of the financial year.

**Note 6:** Salary arrears proposed by the school of INR 2,23,22,156 related to DA arrears have been considered while deriving the fund position.

- ii. In view of the above examination, it is evident that the school have adequate funds for meeting all the operational expenditures for the FY 2022-23. In this regard, the directions issued by the Directorate of Education vide circular no. 1978 dated 16.04.2010 states 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 along with certain financial suggestions that were identified (appropriate financial impact has been taken on the fund position of the school) and certain procedural suggestions 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 2022-23. Accordingly, the fee increase proposal of the school may be rejected.

AND WHEREAS, it is noticed that the school has incurred INR 2,23,60,159 in contravention to the provisions of DSEAR, 1973 and other orders issued by the departments from time to time. Therefore, the school is directed to recover the aforesaid amount from society/ management. The receipts along with copy of bank statements showing receipt of the above-mentioned amount should be submitted with DoE, in compliance of the same, within 30 days from the date of issue of this order. Non-compliance with this direction shall be viewed seriously as per the provision of DSEAR, 1973 without providing any further opportunity of being heard.

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 funds are available with the school for meeting financial implication for the academic session 2022-23.

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




Accordingly, it is hereby conveyed that the proposal for fee hike of **DAV Public School (School ID - 1925287), Plot-3, Pocket-6, Jasola Vihar, Delhi - 110025** filled by the school in response to the Order No. F.DE.-15(40)/PSB/2019/4440-4412 dated 08.06.2022 for the academic session 2022-23, is rejected by the Director (Education) with the above conclusion and suggestions.

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

1. Not to increase any fee/charges during FY 2022-23. In case, the school has already charged increased fee during FY 2022-23, the school should make necessary adjustments from future fee/refund the amount of excess fee collected, if any, as per the convenience of the parents.
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 is issued with the prior approval of the Competent Authority.

  
(Nandini Maharaj)  
Additional Director of Education  
(Private School Branch)  
Directorate of Education, GNCT of Delhi

To  
The Manager/ HoS  
DAV Public School  
(School ID - 1925287),  
Plot-3, Pocket-6, Jasola Vihar,  
Delhi - 110025

No. F.DE.15 (1066 )/PSB/2022/9983-9987

Dated: 15/12/22



**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 (South East) 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.

*Nandini*

**(Nandini Maharaj)**  
**Additional Director of Education**  
**(Private School Branch)**  
**Directorate of Education, GNCT of Delhi**