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

No. E.15(608)/PSB/2018/30173-77 Dated: 05-12-18

## ORDER

WHEREAS, this Directorate vide its order No. DE.15 (318)/PSB/2016/19786 dated 17 Oct 2017 of Directorate of Education, Govt. of NCT of Delhi, has issued 'Guidelines for implementation of 7th Central Pay Commission's recommendations in private unaided recognized schools in Delhi' and required that private unaided schools, which are running on land allotted by DDA/other govt. agencies with the condition in their allotment letter to seek prior approval of Director (Education) before any fee increase, need to submit its online fee increase proposal for the academic session 2017-2018. Accordingly, vide circular no. 19849-19857 dated 23 Oct 2017 the fee increase proposals were invited from all aforesaid schools till 30 Nov 2017 and this date was further extended to 14 Dec 2017 vide Directorate's order No. DE.15 (318)/PSB/2016/20535 dated 20 Nov 2017 in compliance of directions of Hon'ble High Court of Delhi vide its order dated 14 Nov 2017 in CM No. 40939/2017 in WPC 10023/2017.

AND WHEREAS, attention is also invited towards order of Hon'ble High Court of Delhi dated 19 Jan 2016 in writ petition No. 4109/2013 in the matter of Justice for All versus Govt. of NCT of Delhi and others where it has been directed by the Hon'ble Delhi High Court that the Director of Education has 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.

AND WHEREAS, The Hon'ble High Court while issuing the aforesaid direction has observed that the issue regarding the liability of Private unaided Schools situated on the land allotted by DDA at concessional rates has been conclusively decided by the Hon'ble Supreme Court in the judgment dated 27 Apr 2004 passed in Civil Appeal No. 2699 of 2001 titled Modern School Vs. Union of India and others wherein Hon'ble Supreme Court in Para 27 and 28 has held as under:-

"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 Supreme Court in the above said Judgment also held that under section 17(3), 18(4) read along with rule 172, 173, 175 and 177 of Delhi School Education Rules, 1973, Directorate of Education has the authority to regulate the fee and other charges to prevent commercialization of education.

AND WHEREAS in response to this directorate's circular dated 23 Oct 2017 referred to above, **DAV Public School (School ID-1106226), East of Loni Road, Delhi-110093** submitted its proposal for enhancement of fee for the academic session 2017-2018 in the prescribed format including the impact on account of implementation of recommendations of 7th CPC with effect from 1 Apr 2017.

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 expert 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, necessary records and explanations were also called from the school through email. Further, school was also provided opportunities of being heard on 28 May 2018 at 03:00 PM and 19 June 2018 at 10:00 AM 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 findings noted are as under:

## A. Financial Discrepancies

1. As per direction no. 2 included in the Public Notice dated 4 May 1997, "*it is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school becomes the sole property of the society*". Additionally, Hon'ble High Court of Delhi in its judgement dated 30 Oct 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 Feb 2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*"

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

   The financial statements of the school for the FY 2014-2015, 2015-2016 and 2016-2017 revealed that the school has incurred expenditure on construction of building out of school funds and has capitalized building totalling to INR 53.05 lakhs in the aforesaid financial years, which is not in accordance with the aforementioned provisions. Further, this capital expenditure was incurred on the building without complying the requirements prescribed in Rule 177 of DSER, 1973. This amount of INR 53.05 lakhs is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the Society within 30 days from the date of this order.

2. As a 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 school was directed by DoE through its Order no. F. DE-15/ACT-I/WPC-4109/PART/13/949 dated 4 October 2017 to obtain an actuarial valuation of its gratuity and leave encashment liabilities. Further, the school was directed to disclose its liabilities on account of gratuity and leave encashment along with corresponding investments in the financial statements from FY 2017-2018 onwards. The school is yet to obtain an actuarial certificate regarding its liability towards retirement benefits of the staff and has continued to maintain the investments with DAV CMC.

   Based on discussion with the school during personal hearing, the school provided details of fund balance with DAV CMC in respect of payments made by the school to DAV CMC towards maintenance of retirement benefits fund with DAV CMC including interest accrued for last two years. The balances disclosed by the school based on records maintained by DAV CMC as on 31 Mar 2017 have been indicated below:

| **Head** | **Balance as on 31 Mar 2017 (INR)** |
|---|---:|
| Gratuity Fund | 93,83,234 |
| Leave Encashment Fund | 52,86,805 |
| **Total** | **1,46,70,039** |

   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.*"

   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).

   The school mentioned that DAV CMC is in the process of getting the actuarial valuation of retirement benefits of staff of all the schools under its management and the selection process of the actuary has been completed by DAV CMC for carrying out the valuation. It was further explained that the valuation exercise has been initiated for all school under the management of DAV CMC, thus, it has taken more time than expected in collecting the staff data from schools across India, verifying the same and submitting it to the Actuary for valuation. The school further mentioned that the liability as per actuarial valuation would be presented in the financial statements of the school for FY 2018-2019 along with investment in plan-assets as per the requirements of AS-15.

   While the school has initiated the process of actuarial valuation, the school should get the valuation of its liability towards staff retirement benefits from an actuary at the earliest and

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ensure that the liability and corresponding investments are disclosed appropriately in its financial statements for FY 2018-2019. The school should also invest the amount of funds available with DAV CMC towards retirement benefits of the staff of the school in the investments that qualify as 'Plan Assets' within 30 days from the date of this order.

In absence of actuarial valuation, expenditure towards gratuity and leave encashment budgeted by the school during FY 2017-2018 have been restricted to the amount of actual pay-out of the same to the staff upon retirement during FY 2017-2018 (as per ledger account submitted by the school) and adjusted from the budgeted expenses of FY 2017-2018 while deriving the fund position of the school (enclosed in the later part of this order).

3. Clause 14 of this DoE's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states "*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. Also, collection made under this head along with income generated from the investment made out of this fund, shall be kept separately in development fund account.*"

   Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/949 dated 4 Oct 2017 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school had treated development fee as revenue receipt and utilized the same for payment of establishment expenses. Further, the school was directed to maintain development fund in a separate bank account.

   On review of the financial statements for FY 2016-2017, it was noted that the school has continued to treat development fee as revenue receipt and is not maintaining depreciation reserve fund which is a pre-requisite for charging development fee. It was also noted that the school is carrying forward development fund in its financial statements since 1 April 2015 of INR 2.78 crores indicating that the school was earlier treating development fee as capital receipt, but resorted to treat the same as revenue receipt from FY 2015-2016 onwards. Further, it was observed that the school has not adjusted purchase of capital assets from the balance of development fund carried forward in its financial statements and had treated the same as purchase from free/general reserves of the school. The school mentioned that it was not able to pay the salaries with the available funds and had to utilize development fee for the same. Accordingly, balance of development fund reported in the financial statements of the school has not been considered while deriving the fund position of the school (enclosed in the later part of the order).

   Also, the school explained that it has not opened a separate bank account for development fund till date as per the directions. The school confirmed that the same will be opened in FY 2018-2019 and would be used for collection and utilisation of development fund going forward.

   The school is hereby directed to ensure that the development fund is treated as capital receipt and is utilized as per the directions issued in this regard by the Directorate. Also, school is directed to follow Guidance Note 21 issued by ICAI for accounting of development fund ("Restricted Fund"). The school is also instructed not to charge development fee unless it complies with the directions issued by the Directorate in respect of development fund.

4. As per the terms of lease deed entered with DDA for allotment of land to trust, annual ground amounting to INR 70,654 is required to be paid to DDA every year. However, during review if the financial statements of FY 2016-2017, it was noted that the school has not paid the annual ground rent to DDA. Further, during personal hearing, the school confirmed that it has not paid ground rent to DDA for a number of years of due to some dispute with DDA and is already in discussion with DDA for payment of a consolidated amount for previous years, however, the consolidated amount is not yet finalised.

   The school has budgeted an amount of INR 71,000 as ground rent payable for FY 2017-2018, which has been considered as part of budgeted expenses for FY 2017-2018 while deriving the fund position of the school (enclosed in the later part of the order).

   The school is hereby directed to get the amount of liability due to DDA towards ground rent finalised and make payment of the same. Penalty or interest payable due to non-payment of ground rent shall be recovered from the society. The school must also ensure that ground rent is paid to DDA on an annual basis in accordance with the Perpetual Lease Agreement.

**B. Other Discrepancies**

1. Clause 19 of Order No. F.DE./15(56)/Act/2009/778 dated 11 Feb 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 Feb 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 Transport Fees, Magazine charges, Computer Fee, 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, which has been utilised for meeting other expenses of the school or has been incurring losses (deficit) which has been met from other fees/income, which was also mentioned in DOE's order No. F. DE-15/ACT-I/WPC-4109/PART/13/949 dated 4 October 2017. Details of calculation of surplus/deficit, based on breakup of expenditure provided by the school for FY 2016-2017 is given below:

| **Earmarked Fee** | **Income (INR)** | **Expenses (INR)** | **Surplus (INR)** |
|---|---|---|---|
| | A | B | C=A-B |
| Magazine Charges | 10,96,844 | 4,00,531 | 6,96,313 |
| Computer Fee | 7,09,180 | 5,21,766 | 1,87,414 |
| Transport Fee^ | 29,68,100 | 31,52,443 | (1,84,343) |
| Science Fee | 1,93,410 | 4,25,445 | (2,32,035) |
| Group Insurance & Diary Charges | -* | -* | - |

^ 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.

* School has not submitted breakup of income and expenditure against Group Insurance and Diary charges collected from students

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 charging Group Insurance charges and Diary charges from the students of all classes. Thus, the fee charged from all students loses its character of earmarked levy, being a non-user based fees. Thus, based on the nature of the Group Insurance charges and Diary charges and details provided by the school in relation to expenses incurred against the same, the school should not charge such fee as earmarked fee and should incur the expenses relating to these from annual charges. The school explained that tuition fee collected from students is not sufficient to meet the establishment cost and annual charges are also not sufficient to meet other revenue expenses of the school. Thus, the surplus generated from earmarked levies has been applied towards meeting establishment cost/revenue expenditure on account of which fund balance of earmarked levies could not separate from the total funds maintained by the school. Accordingly, total fees (including earmarked fee) have been included in the budgeted income and budgeted expenses (including those for earmarked purposes) while deriving the fund position of the school (enclosed in the later part of this order).

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.

2. The Directorate of Education, in its Order No. DE.15/Act/Duggal.Com/ 203/99/23033-23980 dated 15 Dec 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 the all students and based on details submitted by the school, utilised on co-curricular activities and Repair & Maintenance expenses. Details of collection and utilization of pupil fund provided by the school for FY 2016-2017 is included hereunder:

| **Particulars** | **Nature** | **Amount** |
|---|---|---|
| Pupil Fund | Income | 24,27,050 |
| Function & Co-curricular Expenses | Expense | 1,38,518 |
| Repair & Maintenance | Expense | 6,27,257 |

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| | |
|---|---|
| **Net Surplus reflected by school** | **16,61,275** |

Based on the fact that the fee head of 'Pupil Fund' has not been defined for recognised private unaided school and the purposes for which the school has utilised the same is covered under 'Annual Charges' collected by the school from students, the school is directed not to collect pupil fund from students with immediate effect. For the purpose of evaluation of the fee hike proposal for FY 2017-2018, the above-mentioned fee has been included in budgeted income while deriving the fund position of the school (enclosed in the later part of this order).

3. The school has not prepared Fixed Asset register (FAR) in proper format. The school has only captured the asset name and the amount in the FAR. The school has not included complete details in the FAR such as serial number, location, invoice number, supplier, identification number, cost of asset, other cost, depreciation, etc. to facilitate identification of asset and complete details of assets at one place .

   During personal hearing, the school confirmed that it will update the FAR with details above in FY 2018-2019. 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.

4. Part IV of Appendix III - 'Instructions for preparing Income and Expenditure Account' of Guidance Note 21 issued by the Institute of Chartered Accountants of India specifies that "*Any item under which income or expense exceeds 1 per cent of the total fee receipts of the School or INR 5,000, whichever is higher, should be shown as a separate and distinct item against an appropriate account head in the Income and Expenditure Account. These items, therefore, should not be shown under the head 'miscellaneous income' or 'miscellaneous expenses'.*"

   The school, in its audited Income and Expenditure Account for the FY 2016-2017 has not segregated all items of income and expenses that exceeded 1% of the total fee receipts and had clubbed 'Pupil Fund', 'Group Insurance Fee' and 'Grant for Eco Club', etc. under the head 'Other Income'.

   The school is directed to ensure that all subsequent financial statements are prepared in accordance with Guidance Note 21.

5. As per clause 1 of Order No. DE./15(150)/Act/2010/ 4854-69 dated 9 Sep 2010, "*Caution money/ security deposit shall not be charged/ collected beyond INR 500 (Rupees five hundred only) per student.*" However, the amount collected as caution money reflected in the audited Receipt and Payment Account for FY 2016-2017 could not be reconciled with the details of new admissions during FY 2016-2017 provided by the school. The school could not provide any reconciliation for the difference noted as under:

| Particulars | Amount/ No. |
|---|---|
| No. of new admissions in the school during FY 2016-2017, as per details provided by school {B} | 126 |
| Caution money receipt @ INR 500 per new admission (A) | INR 63,000 |
| Caution Money receipt reported in the audited Receipt and Payment Account for FY 2016-2017 (B) | INR 89,600 |
| Difference – Excess Collected (C) = (B-A) | INR 26,600 |

Direction no. 3 of the public notice dated 4 May 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 Feb 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.*"

The following were noted under DoE's order No. F. DE-15/ACT-I/WPC-4109/PART/13/949 dated 4 October 2017:

- School had not maintained separate bank account for deposit of caution money collected and was directed to maintain separate bank account for collection of caution money and interest earned on the same, if any, is to be credited to the caution money account.
- School had not refunded interest on caution money along with refund of caution money to exiting students and was instructed to include interest earned on caution money in the refund amount.

During the personal hearing, school mentioned that it has stopped collecting caution money from students from FY 2017-2018 onwards. Also, the school has started adjusting the caution money already collected from old students against the fee due from FY 2018-2019. The same would be completely adjusted in FY 2018-2019. Thus, based on the explanation provided by the school, the school should refund total caution money within FY 2018-2019 and should not collect it subsequently. The amount to be refunded to students after adjusting the income recorded by the school during FY 2017-2018 towards unclaimed caution money, as per details provided by the school, has been considered while deriving the fund position of the school (enclosed in the later part of this order).

**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 2017-18 amounting to INR 8,10,05,127 out of which cash outflow in the year 2017-18 is estimated to be INR 7,51,79,214. This results in net surplus of INR 58,25,913. The details are as follows:

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| Particulars | Amount (INR) |
|---|---|
| Cash and Bank Balance as on 31 March 2017 (as per audited financial statements of FY 2016-2017) | 1,24,60,171 |
| Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017) | 1,02,24,223 |
| Current account with DAV CMC as on 31 March 2017 (as per audited financial statements of FY 2016-2017) | (39,26,658) |
| **Total Liquid Funds Available with the School as on 31 Mar 2017** | **1,87,57,736** |
| Add: Estimated Fees and other incomes for FY 2017-2018 based on audited financial statements of FY 2016-2017 of the school [Refer Note 1] | 5,93,86,558 |
| Add: Recovery of amount spent on construction of building to be recovered from the society [Refer Financial Finding No. 1] | 53,05,861 |
| **Gross Estimated Available Funds for FY 2017-2018** | **8,34,50,155** |
| Less: Development Fund [Refer Finding No. 3] | - |
| Less: Caution Money (Net of transfer to income in FY 2017-2018) [Refer Note 2] | 5,75,000 |
| Less: Increased fee collected in FY 2016-2017 refunded in FY 2017-2018 [Refer Note 3] | 18,70,028 |
| **Net Estimated Available Funds for FY 2017-2018** | **8,10,05,127** |
| Less: Budgeted Expenses for FY 2017-2018 [Refer Note 4] | 7,51,79,214 |
| **Estimated Surplus as on 31 Mar 2018** | **58,25,913** |

**Notes**:

1. Fee and income as per audited financial statements of FY 2016-2017 has been considered with the assumption that the amount of income during FY 2016-2017 will at least accrue during FY 2017-2018.
2. Unclaimed caution money of INR 1,25,000, as declared by the school to be treated as income during FY 2017-2018, has been adjusted from the liability towards caution money as on 31 Mar 2017 of INR 7,00,000 (as per audited financial statements of FY 2016-2017) and net balance of INR 5,75,000 refundable to students has been considered for deriving the net estimated available funds with the school for FY 2017-2018.
3. The school had collected excess fee amounting to INR 19.99 lacs during FY 2016-2017 without prior approval of the directorate. The school was directed to refund/adjust the amount vide order No. F. DE-15/ACT-I/WPC-4109/PART/13/949 dated 4 October 2017. Based on the above order, the school recorded the excess amount collected from students during FY 2016-2017 as refundable to students in its financial statements of FY 2016-2017. Based on for details provided by the school, it has refunded/adjusted INR 18.70 lacs during FY 2017-2018 and the remaining amount, which pertains to students who left the school is yet to be refunded. Hence, INR 18.70 lacs has been considered while arriving at the Net Estimated Available Funds for FY 2017-2018.
4. Per the Budgeted Receipt and Payment Account for FY 2017-2018 submitted by the school along with proposal for fee increase, the school had estimated the total expenditure during FY 2017-2018 of INR 8,26,84,736, which in some instances was found to be unreasonable/ excessive. Based on the explanations and details provided by the school during personal hearing, some of the expenses heads as budgeted were considered, while other expense heads were restricted to 110% of the expense incurred during FY 2016-2017 giving consideration to general rise in cost/inflation and especially because FY 2017-2018 is the year of implementation of 7th CPC where additional financial burden of increase salary of staff is already there. Certain expenses in excess of 10% and expenditure under new heads have not been considered in the

evaluation of fee increase proposal. The same were discussed during personal hearing with the school. Therefore, the following expenses have been adjusted while considering the budgeted expenses for FY 2017-2018:

| Expense Heads | FY 2016-2017 | FY 2017-2018 | Amount Allowed | Amount Disallowed | Remarks |
|---|---|---|---|---|---|
| Gratuity Fund Contribution | 20,25,706 | 26,33,663 | 16,42,506 | 9,91,157 | Refer Financial Finding No. 2 |
| Leave Encashment contribution | 8,68,214 | 11,12,813 | 10,124 | 11,02,689 | Refer Financial Finding No. 2 |
| Administrative charges | 5,98,937 | 27,68,276 | 7,90,936 | 19,77,340 | Refer # below |
| Building R&M | 6,27,257 | 21,00,000 | 6,89,983 | 14,10,017 | No reasonable explanation/ justification provided by the school for change in expense. Thus, amount equal to 110% of the expense incurred during FY 2016-2017 has been considered. |
| Other (R & M)- Comp | 4,38,708 | 8,00,000 | 4,82,579 | 3,17,421 | |
| Furniture & Equipment (R & M) | 1,24,682 | 3,00,000 | 1,37,150 | 1,62,850 | |
| Function & Co-curricular activities | 4,87,229 | 15,00,000 | 5,35,951 | 9,64,048 | |
| Refreshment | - | 2,00,000 | - | 2,00,000 | School included new expense heads but did not provide any details/ justification regarding the same. Thus, the same have not been allowed. |
| Uniform Expenses | - | 2,00,000 | - | 2,00,000 | |
| APP Sabhal Arya Jagat | 28,100 | 30,000 | - | 30,000 | Donations are not allowed unless the school has complied with the requirements of Rule 177 |
| DAV United Foundation | 95,500 | 1,00,000 | - | 1,00,000 | |
| Students' Security (Refundable) | 1,66,250 | 50,000 | - | 50,000 | Considered separately in the fund position table above |
| **Total** | **54,60,583** | **1,17,94,752** | **42,89,230** | **75,05,522** | |

# the school budgeted administrative charges payable to DAV CMC at the rate of 7% of basic pay (against 4% charged previously) on account of implementation of pay scales recommended by 7th Central Pay Commission (CPC) for the staff at DAV CMC. Considering that the basic salary of the staff at school has also increased substantially on account of implementation of 7th CPC during FY 2017-2018, administrative charges have been allowed @ 2% of basic salary, which results in a 32% increase in the amount (compared with FY 2016-2017) and should be sufficient to absorb the impact of increased cost at DAV CMC.

In view of the above examination, it is evident that the school sufficient funds for meeting all the budgeted expenditure for the financial year 2017-2018.

ii. The directions issued by the Directorate of Education vide circular no. 1978 dated 16 Apr 2010 states "*All schools must, first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a*

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*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.*" The school has sufficient funds to carry on the operation of the school for the academic session 2017-2018 on the basis of existing fees structure.

Whereas per direction no. 2 of Public Notice dated 4 May 1997, it is the responsibility of the society who has established the school to raise funds from their own sources or donations from the other associations for construction of building because the immovable property of the school becomes the sole property of the society. Further, Hon'ble High Court of Delhi in its judgement dated 30 Oct 1998 in the case of Delhi Abibhavak Mahasangh concluded that tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society. Thus, the additions to the building should not be met out of the fee collected from students and is required to be recovered from the society.

And whereas per clause 22 of Order No. F.DE./15 (56)/Act/2009/778 dated 11 Feb 2009, user charges should be collected at 'no profit and no loss' basis and should be used only for the purpose for which these are collected. The school has continued to charge earmarked fee higher than the expenses incurred against the same and has utilised the surplus earned for meeting other expenses of the school and has thus continued its non-compliance. Accordingly, the school is advised to maintain separate fund in respect of each earmarked levy charged from the students in accordance with the DSEA & R, 1973 and orders, circulars, etc. issued thereunder. Surpluses/deficits under each earmarked levy collected from the students shall have to be adjusted for determining the earmarked levy to be charged in the academic session 2018-2019.

And whereas per clause 14 of Order No. F.DE./15(56)/ACT/2009/778 dated 11 Feb 2009, Development Fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up-gradation and replacement of furniture, fixture and equipment. Development Fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a depreciation reserve fund, equivalent to the deprecation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund, will be kept in a separately maintained development fund account. The school is advised to maintain a separate bank account/ investments for Development Fund, create depreciation reserve and comply with the directions regarding proper accounting and presentation of Development Fund in the School's financial statements.

And whereas Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "Accounting for defined benefit plans is complex because actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses." Further, the Accounting Standard defines Plan Assets (the form of investments to be made against liability towards retirement benefits) as:

(a) assets held by a long-term employee benefit fund; and

(b) qualifying insurance policies.

The school has been directed to ensure compliance with Accounting Standard 15 including measurement of its liability towards retirement benefits of the staff by a qualified actuary and making the investment against the liability so determined in the mode specified under the said Accounting Standard.

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 the funds available with the school for implementation of recommendations of 7th CPC and to carry out its operations for the academic session 2017-18 are sufficient and the fee increase proposal of the school may be rejected.

And whereas, recommendations of the team of Chartered Accountants along with relevant materials were put before Director of Education for consideration and who after considering all material on record has found that the school have sufficient funds for meeting the financial implications of 7th CPC salary and other expenses for the financial year 2017-2018. Thus, the fee increase proposal submitted by the school finds no merit in respect of sanction for increase in fee. Therefore, Director (Education) rejects the proposal submitted by the school for enhancement of fee for the academic session 2017-2018.

Accordingly, it is hereby conveyed that the proposal of enhancement of fee for session 2017-2018 of **DAV Public School (School ID-1106226), East of Loni Road, Delhi-110093** has been rejected by the Director of Education. 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 2017-2018. In case, the school has already charged increased fee during FY 2017-2018, 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 communicate with the parents through its website, notice board and circular about approval of fee increase proposal of the school by the Directorate of Education.
3. To rectify the financial and other irregularities/violations as listed above and submit the compliance report within 30 days from the date of issue of this order to D.D.E.(PSB).
4. To ensure that the salaries and allowances shall come out from the fees whereas capital expenditure will be a charge on the savings in accordance with the principles laid down by Hon'ble Supreme Court of Delhi in its Judgment of Modern School vs Union of India. Therefore, school not to include capital expenditure as a component of fee structure to be submitted by the school under section 17(3) of DSEA, 1973.
5. To utilise 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.

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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 has to be read in continuation to this Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/949 dated 4 October 2017 issued to the School.

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

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

**To:**
The Manager/ HoS
DAV Public School
School ID 1106226
East Loni Road, Delhi-110093

No. DE.15/(608)/PSB/2018/30173-77 Dated: 05.12.18

**Copy to:**

1. P.S. to Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. P.A. to Spl. Director of Education (Private School Branch), Directorate of Education, GNCT of Delhi.
4. DDE concerned
5. Guard file.

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