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

No. F.DE.15(675) / PSB / 2018 /30858-62 Dated: 24/12/18

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.

(2)

AND WHEREAS in response to this directorate's circular dated 23 Oct 2017 referred to above, **A.G. DAV Public School (School ID-1309234), Model Town, Delhi-110009** 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 an opportunity of being heard on 28 May 2018 at 04:00 PM and 22 June 2018 at 12:00 noon 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 2015-2016 and FY 2016-2017 revealed that the school has incurred expenditure on construction of building out of school funds and has capitalized building totalling to INR 1.74 crores in the aforesaid financial years, which is not in accordance with the aforementioned provisions. It was also noted that the school had utilized development fund amounting to INR 34.01 lakhs on the same which is not in compliance to Clause 14 of this Directorate's order No. F.DE./15 (56) /Act /2009 / 778 dated 11th February 2009. Further, this capital expenditure was incurred on the building without complying the requirements prescribed in Rule 177 of DSER, 1973.

It was also noted that there is a loan payable to DAV CMC amounting to INR 89.46 lakhs as on 31 March 2017, which the school confirmed was taken for construction of building. Further, the school has been accounting for interest on loan from DAVCMC and Directorate's Order No. F. DE-15/ACT-I/WPC-4109/PART/13/950 dated 4 October 2017 noted that interest of INR 10,06,550, INR 9,23,440 and INR 8,47,193 were credited to the loan account of DAVCMC during FY 2015-2016, FY 2014-2015 and FY 2013-2014 respectively. While the school represented at the time of evaluation of the proposal for enhancement of fee for FY 2016-2017 that the school is accounting for interest on loan from DAVCMC on a notional basis and that no payment of interest had been made to DAVCMC with no impact on the fund position of the school. Further, the school also represented that the outstanding loan of INR 1,21,90,437 as on 31 Mar 2016 was not payable to DAVCMC and was not to be considered as an outflow in the fund position. Accordingly, Directorate's order dated 4 Oct 2017 directed the school to reverse the notional interest entries, which has not been complied by the school.

Also, the school did not provide complete details regarding the loan, as to when the same was taken, principal amount of loan, interest component included in the closing balance of loan as on 31 Mar 2017, total payments made against the loan, etc. In absence of details, no adjustment has been made in respect of the outstanding loan from the amount to be recovered from the society.

This amount of INR 1.74 crores 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 per Clause 2 of Public Notice dated 4 May 1997 "*The school shall not charge building fund from the students as it is sole responsibility of the society who has established the school to raise such funds from their own sources of donation from the other associations because the immovable property of the school becomes the sole property of the society.*"

Order no. F. DE-15/ACT-I/WPC-4109/PART/13/950 dated 4 October 2017 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school was charging building fund from students in contravention of the above mentioned order. Accordingly, the school was directed to refund/adjust the amount collected from students.

During personal hearing, the school explained that basis the aforementioned order of the Directorate, the school adjusted the building fund from the fee of students during FY 2016-2017 itself and stopped collecting building fund from students from FY 2017-2018 onwards.

On review of the audited financial statements of the school for FY 2016-2017, it was noted that the school transferred the remaining building fund balance of INR 13,33,000 to development fund. The school explained that this amount related to students who have left the school and thus could not be adjusted. However, the school did not provide complete list of students from whom building fund was collected and who left the school.

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Also, the school did not provide any evidence of the steps taken by it to communicate with the students who left the school to collect the building fund.

Accordingly, the school is directed to send necessary communication to the students to whom building fund is payable and refund the amount to the concerned students. In case, the students don't turn up after relevant communication is sent to their last known addresses, the school should transfer the unclaimed amount as income in FY 2018-2019.

Thus, the amount of INR 13,33,000 has been adjusted while deriving the fund position of the school (enclosed in the later part of this order).

3. 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/13/950 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	1,49,77,156
Leave Encashment Fund	84,63,785
Total	**2,34,40,941**

   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 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).

4. During the personal hearing, the school explained that administration charges payable to DAV CMC are accounted for at the rate of 4% of the basic salary paid by the school to its staff. However, based on the details provided by the school and expenditure included in the audited financial statements of FY 2016-2017, it was noted that the school has provided administration charges @ 4% of basic salary and grade pay, which resulted in excess expenditure of INR 1,78,425 recorded in FY 2016-2017. This amount of INR 1,78,425 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.

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.*"

(6)

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, Activity/Misc. Fee and Computer & Science fee from students. However, the school has not maintain 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, which was also mentioned in DOE's order No. F. DE-15/ACT-I/WPC-4109/PART/13/950 dated 4 October 2017. Details of calculation of surplus, 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
Computer & Science Fee	36,95,444	10,03,302	26,92,142
Transport Fee^	2,18,02,390	1,97,98,051	20,04,339
Activity/Misc. Fee	45,99,741	-*	45,99,741

^ 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

* The school has not submitted details/breakup of expenses incurred against the earmarked levy 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 Computer Fee and Activity/Misc charges. 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 Computer Fee and Activity/Misc. charges. 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 tuition fee and annual charges, as applicable collected from the students. The school explained that annual charges are not sufficient to meet other revenue expenses of the school. Thus, the surplus generated from earmarked levies has been applied towards meeting 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 earmark 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 ......*"

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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 students and based on details submitted by the school, it has been utilised on co-curricular activities, Repair & Maintenance expenses, etc. Details of collection and utilization of pupil fund provided by the school for FY 2016-2017 is included hereunder:

Particulars	Nature	Amount (INR)
Pupil Fund	Income	40,29,300
Repair & Maintenance	Expense	1,00,41,652
Activity/NCC/Toppers award	Expense	7,62,505
Picnic	Expense	12,03,650
Subscription	Expense	15,000
Functions	Expense	9,69,713
Examination	Expense	6,59,887
Net Deficit reflected by school		**(96,23,107)**

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. 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.*"

   Basis the presentation made in the audited financial statements for FY 2016-2017 submitted by the school, it was noted that the school transferred an amount equivalent to the purchase cost of the assets from development fund to general reserve instead of accounting treatment as indicated in the guidance note cited above.

   Also, the school has enclosed a consolidated fixed assets schedule giving details of all assets carried over by the school in its audited financial statement for FY 2016-2017 and has not prepared separate fixed assets schedules for assets purchased against development fund and those purchased against general reserve.

   This being a procedural finding, the school is instructed to make necessary rectification entries relating to development fund to comply with the accounting treatment indicated in the Guidance Note. Further, the school should prepare separate fixed assets schedule for assets purchased against development fund and other assets purchased against general reserve/ fund.

4. In accordance with Clause 14 of DoE's Order No. F.DE./15 (56) /Act /2009 / 778 dated 11 Feb 2009 states "*Development fee, not exceeding 15% .... 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.*" and DoE's order No. F. DE-15/ACT-I/WPC-4109/PART/13/950 dated 4 October 2017, the school was directed to maintain development fund in a separate bank account. The school is yet to open separate bank account for development fund. During personal hearing, 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 above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

5. The school has not prepared Fixed Asset register (FAR) in proper format. The school has only captured the asset name, date of purchase 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.

6. 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 Fee', 'Activity/Misc. Fee', etc. under the head 'Other Fees'.

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

7. Review of the fee structure for FY 2016-2017 submitted along with the proposal for fee by the school indicated that the school had filed incorrect details of tuition fee for FY 2016-2017. The details for the same are provided hereunder:

Class	Monthly fee for FY 2016-2017 reported in proposal (INR)	Actual monthly fee for FY 2016-2017 as per fee structure of school (INR)
Nursery to 5th	3,189	2,965
6th to 10th	3,189	2,965
11th to 12th	3,375	3,140

The school is advised to be cautious while submitting details with the Directorate and ensure that the same is not repeated in subsequent proposals.

Further, it was noted that the school has disclosed only the closing balances of funds (Development Fund, Depreciation Reserve Fund, caution money fund, etc.) in the Notes to the Balance Sheet and had not reflected additions and deletions in the fund accounts.

Accordingly, the school is advised to properly disclose details of additions and deduction from each funds for understanding the movement of the fund during the year and reconciliation with financial information included in the financial statements.

8. 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/13/950 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 existing students against the fee due in 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 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 20,02,80,606 out of which cash outflow in the year 2017-18 is estimated to be INR 14,42,15,559. This results in net surplus of INR 5,60,65,047. The details are as follows:

Particulars	Amount (INR)
Cash and Bank Balance as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	4,27,25,291
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	12,68,825
Current Account balance with DAV CMC as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	1,64,95,828
Total Liquid Funds Available with the School as on 31 Mar 2017	**6,04,89,944**
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]	13,53,63,572
Add: Recovery of amount spent on additions to building to be recovered from the society [Refer Financial Finding No. 1]	1,73,77,083
Add: Recovery of Excess Administrative charges paid to DAV CMC during FY 2016-2017 [Refer Financial Finding No. 4]	1,78,425
Gross Estimated Available Funds for FY 2017-2018	**21,34,09,024**
Less: FDR against specific funds (FDRs with CBSE)	9,72,887
Less: Development Fund [Refer Note 2]	97,22,531
Less: Depreciation Reserve Fund [Refer Note 4]	-
Less: Caution Money (Net of transfer to income in FY 2017-2018) [Refer Note 3]	11,00,000
Less: Building fund to be refunded to students [Refer Financial Finding No. 2]	13,33,000
Less: Retirement Benefits [Refer Financial Finding No. 3]	-
Net Estimated Available Funds for FY 2017-2018	**20,02,80,606**
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 5]	14,42,15,559
Estimated Surplus as on 31 Mar 2018	**5,60,65,047**

Notes:

1. The school was allowed by DoE to increase fee by 5% vide Order No. F.DE-15/ACT-I/WPC-4109/PART/13/950 dated 4 October 2017 and the school had already collected increased fee of 10% during April 2016 to September 2016. Therefore, there was no amount recoverable or payable to students on account of fee hike during FY 2017-2018. Hence, fee and income as per audited financial statements of FY 2016-2017 (after adjusting the balance of building fund of INR 13,33,000 included in development fund, which is to be refunded to students as per Financial Finding No. 2) has been considered with the assumption that the amount of income during FY 2016-2017 will at least accrue during FY 2017-2018.

2. Development Fund balance as on 31 March 2017 of INR 1,10,55,531 as per audited financial statement includes Building Fund balance of INR 13,33,000 transferred by the school in FY 2016-2017. This amount of INR 13,33,000, which has to be refunded to students as per Financial Finding No. 2 has been adjusted.

3. Unclaimed caution money of INR 2,50,000, 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 13,50,000 (as per audited financial statements of FY 2016-2017) and net balance of INR 11,00,000 refundable to students has been considered for deriving the net estimated available funds with the school for FY 2017-2018.

4. The school has charged depreciation on fixed assets and has transferred the same to depreciation reserve on liabilities side of the Balance Sheet of the school. While balance of development fund as per audited financial statements of FY 2016-2017 (after adjustment as per Note 2) has been adjusted for deriving the fund position of the school as above, depreciation reserve is more of an accounting head for appropriate 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, it is not considered in table above.

5. 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 16,59,32,500, 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 allowed based on calculations/details provided by the school. 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 2016-17	FY 2017-18	Amount Allowed	Amount Disallowed	Remarks
Basic Pay	2,29,22,349	6,26,45,200	6,00,00,000	26,45,200	Based on the calculation of salary as per 7th CPC provided by the school, the gross salary was computed as INR 7.89 crores, which has been allowed in totality and balance adjusted
Dearness Allowance	2,61,56,261	58,81,400	29,02,606	29,78,794	
PF Contribution	64,19,886	82,23,200	76,25,365	5,97,835	Amount considered based on the calculation of salary as per 7th CPC provided by the school
EDLI Charges	2,73,428	3,49,500	3,24,066	25,434	
Gratuity Fund Contribution	32,25,627	41,80,700	11,76,977	30,03,723	Refer Financial Finding No.3
Leave Encashment contribution	13,82,369	17,91,700	1,90,262	16,01,438	Refer Financial Finding No.3
Administrative charges	10,95,319	43,85,200	12,00,000	31,85,200	Refer # below
Electricity and water charges	13,45,769	20,00,000	15,46,627	4,53,373	Amount considered based on the submission of the school regarding actual expenditure incurred by it during FY 2017-2018.
Repair & Maintenance	1,05,62,461	1,10,00,000	39,74,056	70,25,944	
Any other (Volleyball/	5,80,157	2,00,000	-	2,00,000	Capital expenditure proposed to be carried

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Expense Heads	FY 2016-17	FY 2017-18	Amount Allowed	Amount Disallowed	Remarks
Basketball courts)					out by the school without complying the requirements of Rule 177 of DSER, 1973. Thus, not considered.
Total	7,39,63,626	10,06,56,900	7,89,39,959	2,17,16,941	

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 10% 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 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 and after considering existing funds/reserves.

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 cost of building reflected in the financial statements of the school met out of the fee collected from students 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 under each earmarked levy collected from the students shall have to

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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 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, 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 irregularities that were identified (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings which were also noted (appropriate instructions against which have been given in this order), 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. Accordingly, 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.

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Accordingly, it is hereby conveyed that the proposal of enhancement of fee for session 2017-2018 of **A.G. DAV Public School (School ID-1309234), Model Town, Delhi-110009** 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.

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

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This order has to be read in continuation to this Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/950 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
A.G.DAV Public School
School ID 1309234
Model Town, Delhi-110009

No. F.DE.15(675) / PSB / 2018 /30858-62 Dated: 24/12/18

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