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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( )/PSB/2018/ 30853-57  
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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 7<sup>th</sup> 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 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.....

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.....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, **DL DAV Public School (School ID 1411228), Pitampura, New Delhi-110034** 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 7<sup>th</sup> 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 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 15 June 2018 at 4:00 PM 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 the Directorate's Order No. DE 15/Act/Duggal.com/203/ 99/23033/23980 dated 15 Dec 1999, the management is restrained from transferring any amount from the recognized unaided school fund to society or trust or any other institution. The Supreme Court also through its judgement on a review petition in 2009 restricted transfer of funds to the society.

The audited financial statements of the school for FY 2016-2017 reflected a receivable balance (of Reserve Fund) of INR 82,62,973 from DAV CMC (Society), which has been carried over from previous financial year. The school was directed to prepare a reconciliation statement of interest received/ receivable through this Directorate's Order No. F.DE-15/ACT-I/WPC-4109/PART/13/959 dated 13 October 2017, which was provided by the school (in the form of ledger account of the school with DAV CMC as of 31 March 2018) and taken on record. From the ledger account submitted by the school, it was observed that interest of two financial years (INR 6,61,038 for FY 2016-2017 and INR 7,13,921 for FY 2017-2018) was credited to



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4. 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 FY 2014-2015 revealed that the school has incurred expenditure on construction of building out of school funds and has capitalised building totalling to INR 6,25,904, 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. Accordingly, this amount of INR 6,25,904 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.

5. 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 @ 4.38% of basic salary and grade pay, which resulted in excess expenditure of INR 6,11,167 recorded in FY 2016-2017. This amount of INR 6,11,167 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."*

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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, Science Fees, Computer Fees, IT Fees, insurance, etc. from students. However, the school has not maintained separate fund accounts for these earmarked levies and the school has been generating surplus from earmarked levies, 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/13/959 dated 13 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
Transportation charges^	1,76,86,200	1,41,52,806	35,33,394



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	2,15,57,990
Leave Encashment Fund	2,81,30,629
<b>Total</b>	<b>4,96,88,619</b>

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).

the school, which was calculated at the rate of 8% per annum compounded annually. This amount of interest along with the balance carried over from previous year of INR 82,62,973 totalling to INR 96,37,932 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. Director's order no. F.DE-15/WPC-4109/Part/13/7914-7923 dated 16 Apr 2016 regarding fee increase proposals for FY 2016-2017 states "In case, the schools have already charged any increased fee prior to issue of this order, the same shall be liable to be adjusted by the schools in terms of the sanction of the Director of Education on the proposal." Based on the details submitted by the school, it was noted that the school had increased fee by 10% during first quarter of FY 2016-2017 without prior approval of the Directorate. Whereas, post evaluation of fee increase proposal for FY 2016-2017 submitted by the school, the fee increase proposal was rejected by DoE with the direction that in case increased fee has already been charged from the parents, the same shall be refunded/adjusted vide Order No. F.DE-15/Act-1/WPC-4109/Part/13/959 dated 13 October 2017. Based on the information provided by the school, the school collected an additional sum of INR 87,93,398 on account of increased fee for FY 2016-2017 out of which the school has adjusted a sum of INR 64,35,315 from the fee collected from students during FY 2017-2018. The balance amount of INR 23,58,083 is yet to be refunded/adjusted. Reasonable explanation/justification for not refunding/adjusting the increased amount collected from the students was not provided by the school. While the school has refunded part of the excess fee during FY 2017-2018, the total amount of increased fee of INR 87,93,398 collected from students during FY 2016-2017 has been adjusted while deriving the fund position of the school for FY 2017-2018 (enclosed in the later part of this order) with the direction to the school to immediately adjust/refund the amount to the students and submit evidence of the same within 30 days from the date 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-1/WPC-4109/Part/13/959 dated 13 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



Earmarked Fee	Income (INR)	Expenses (INR)	Surplus (INR)
	A	B	C=A-B
Science Fees	34,93,500	40,39,674	(5,46,174)
Computer Fees & IT Fees <sup>#</sup>	1,45,41,635	1,45,59,345	(17,710)
Insurance	16,35,950	*-	16,35,950
Misc.	62,78,943	*-	62,78,943

<sup>^</sup> 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; instead, it has charged cost of the buses purchased for transport of students amounting to INR 56,00,000 during FY 2016-2017. The cost of buses have been excluded from expense amount in table above, as the same was not a revenue expenditure and did not relate entirely to expense for the year 2016-2017. Further, the school has reported purchase of buses as utilisation of development fund in its audited financial statements of FY 2016-2017. Refer Other Finding No. 3 for details.

<sup>#</sup> The school has not maintained separate details regarding these fees, rather it has combined these together for deriving surplus/deficit

\* School did not provide details/breakup of expenses incurred against the earmarked levy

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 IT fees, Insurance and Misc. 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 IT fees, Insurance and Misc. 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 it had not evaluated surplus/deficit from earmarked levy with such granularity in past, however it will start collecting earmarked levies from students in accordance with the costs required to be incurred by the school on these heads from FY 2018-2019. Accordingly, for the current evaluation, total fees (including earmarked fee) have been included in the budgeted income and budgeted expenses (included those for earmarked purposes) have been considered 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

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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 all students and based on details submitted by the school, it has been utilised towards varied expenses of the school including co-curricular, repairs and maintenance, printing and stationery, 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	1,43,63,180
Function and co-curricular	Expense	16,08,572
Printing & stationery	Expense	32,48,160
Repairs and maintenance of building	Expense	2,52,81,756
Repairs and maintenance furniture and equipment	Expense	3,53,778
Repairs and maintenance other	Expense	17,83,731
<b>Net Deficit reflected by school</b>		<b>(1,79,12,817)</b>

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. Thus, 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. Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states *"Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund, will be kept in a separately maintained Development Fund Account."* However, it was noted that the school had purchase of buses for INR 56,00,000 during FY 2016-2017 and reflected the same as utilisation of development fund in the audited financial statements for FY 2016-2017, which is not in accordance with the direction included in above order.

Directorate's order No. F. DE-15/ACT-IWPC-4109/PART/13/959 dated 13 October 2017 directed the school to maintain development fund in a separate bank account. It was noted that the school is yet to open a bank account for development fund. Further, on review of the audited financial statements for FY 2016-2017, it was noted that the school has fixed deposits with bank amounting to INR 4,75,79,444. However, the school has not earmarked any fixed deposits against development fund to ensure availability of funds at the time of incurring capital expenditure on furniture, fixture and equipment and has not apportioned interest to development fund account earned from the investments made out of it.

The school is directed to follow DOE instructions in this regard and ensure compliance with provisions of the DSEA & R, 1973 including maintaining development fund in separate bank account, crediting interest earned on investments to development fund and ensuring that development fund is utilised only towards purchase of furniture, fixture and equipment.

4. 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

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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.

5. 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."*

From the information provided by the school and taken on record, the school has not segregated the fund balance pertaining to caution money (i.e. no separate bank account or fixed deposits) and has not credited interest to the caution money ledger account for refund to students at the time of their leaving. Caution money was refunded to the students @ INR 500 i.e. without including any interest.

During the personal hearing, the school explained that the unclaimed caution money will be transferred to income in FY 2017-2018. The school further mentioned that it has stopped collecting caution money from students from FY 2018-2019 onwards. Also, the school has started adjusting the caution money already collected from old 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 to be recorded by the school towards unclaimed caution money, as declared by the school, has been considered while deriving the fund position of the school (enclosed in the later part of this order).

6. The school has prepared a Fixed Assets Register (FAR) that only captures asset name, date and amount. The school should also include details such as supplier name, invoice number, manufacturer's serial number, location, purchase cost, other costs incurred, depreciation,



asset identification number, etc. to facilitate identification of asset and documenting complete details of assets at one place.

During the personal hearing, school mentioned that the school is maintaining a fixed assets register, but not in the prescribed format. The school is in the process of making FAR with recommended changes from 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.

7. As per Rule 180(1) of DSER, 1973, the school is required to file annual return wherein the school is required to furnish among other documents, pattern of concession/ scholarship, etc. However, the school has not furnished details regarding budget estimates of receipts and payments, pattern of concessions, and statement showing dates of disbursement of salaries for FY 2016-2017. The school did not submit this information during the process of evaluation of fee hike proposal for FY 2017-2018.

During the personal hearing, it was mentioned that the school will ensure all documents required to be enclosed along with the return as per Rule 180 will be furnished. Hence, the school should ensure that it complies with the requirements and submit the documentation as required under Appendix II of the DSER, 1973. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

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

- i. The total funds available for the year 2017-18 amounting to INR 38,77,33,160 out of which cash outflow in the year 2017-18 is estimated to be INR 34,47,39,933. This results in net deficit of INR 4,29,93,227. 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)	3,25,73,597
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	5,16,22,445
Current Account balance with DAV CMC as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	47,04,878
<b>Total Liquid Funds Available with the School as on 31 Mar 2017</b>	<b>8,89,00,920</b>
<u>Add:</u> Estimated Fees and other incomes for FY 2017-2018 based on audited financial statements of FY 2016-2017 of the school [Refer Note 1]	30,73,02,497
<u>Add:</u> Reserve/Capital Fund with DAV CMC and interest on reserve/capital fund for FY 2016-2017 and FY 2017-2018 [Refer Financial Finding No. 1]	96,37,932
<u>Add:</u> Recovery of additions to building reflected in financial statement for FY 2014-2015 from the Society [Refer Financial Finding No. 4]	6,25,904



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Particulars	Amount (INR)
Add: Recovery of excess amount paid towards administrative expenses to DAV CMC [Refer Financial Finding No. 5]	6,11,167
<b>Gross Estimated Available Funds for FY 2017-2018</b>	<b>40,71,48,421</b>
Less: FDR against specific funds (with CBSE & DoE) (as per audited financial statements of FY 2016-2017)	10,12,835
Less: Caution Money (Net of transfer to income in FY 2017-2018) [Refer Note 2]	24,40,000
Less: Refund of increased fee collected by the school during FY 2016-2017 for adjustment/refund in FY 2017-2018 [Refer Financial Finding No. 2]	87,93,398
Less: Development fund balance as on 31 Mar 2017 (as per audited financial statements of FY 2016-2017)	71,69,028
Less: Depreciation Reserve fund [Refer Note 3]	-
Less: Staff Retirement Benefits [Refer Financial Finding No. 3]	-
<b>Net Estimated Available Funds for FY 2017-2018</b>	<b>38,77,33,160</b>
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 4]	34,47,39,933
<b>Estimated Surplus as on 31 Mar 2018</b>	<b>4,29,93,227</b>

#### 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 with an adjustment of INR 3,17,069 towards profit from sale of assets, being one-off/non-recurring income and INR 87,93,398 towards increased fee collected by the school during FY 2016-2017 (both of which were included as income in the audited financial statements of FY 2016-2017), which has been partly adjusted from the fee collected during FY 2017-2018 based on order of DOE and thus would not accrue as income during FY 2017-2018.
2. Unclaimed caution money of INR 26,48,005, 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 50,88,005 (as per audited financial statements of FY 2016-2017) and net balance of INR 24,40,000 refundable to students has been considered for deriving the net estimated available funds with the school for FY 2017-2018.
3. 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 development fund has been adjusted for deriving the fund position of the school amounting to closing balance of development fund as on 31 March 2017 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.
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 36,43,99,860, 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. Therefore, 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:

Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Gratuity Fund contribution	89,29,362	1,12,71,600	82,76,371	29,95,229	Refer Financial Finding No. 3
Leave Encashment contribution	38,26,908	48,30,700	12,39,388	35,91,312	Refer Financial Finding No. 3
Administrative Charges	26,97,769	1,11,86,400	31,96,104	79,90,296	Refer # below
In-Service Education	19,000	5,00,000	20,900	4,79,100	Reasonable justification/ explanation was not provided by the school for such increase in the expenses as compared with that incurred in FY 2016-2017. Accordingly, the expense has been restricted to 110% of expense incurred during FY 2016-2017.
Telephone/ Fax expenses	3,13,898	5,00,000	3,45,288	1,54,712	
Uniform for Class IV	1,70,230	3,50,000	1,87,253	1,62,747	
Staff Welfare	1,89,230	5,00,000	2,08,153	2,91,847	
Lab expenses	1,69,846	10,00,000	1,86,831	8,13,169	
Computer Expenses	11,49,088	20,00,000	12,63,997	7,36,003	
Co-curricular Activities	16,08,572	30,00,000	17,69,429	12,30,571	
Agency Charges & Insurance	42,28,048	65,00,000	52,85,060	12,14,940	On account of increase in minimum wages in Delhi. Increase has been allowed to the extent of 25% on the expense incurred during FY 2016-2017
<b>Total</b>	<b>2,33,01,951</b>	<b>4,16,38,700</b>	<b>2,19,78,774</b>	<b>1,96,59,926</b>	

# 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 18% increase in the amount (compared with FY 2016-2017) and should be sufficient to absorb the impact of increased cost at DAV CMC.

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In view of the above examination, it is evident that the school has 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.

As per the Directorate's Order No. DE 15/Act/Duggal.com/203/ 99/23033/23980 dated 15 Dec 1999, the management is restrained from transferring any amount from the recognized unaided school fund to society or trust or any other institution. However, the school has a recoverable balance of INR 96,37,932 towards reserve fund balance from Society. Thus, the school is directed to recover this amount from the Society.

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.

Whereas per point no. 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 not maintain separate fund accounts for these earmarked levies and the school has been incurring losses (deficit) which has been met from other fees/income. 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/deficit under each earmarked levy collected from the students should be adjusted for determining the earmarked levy to be charged in the academic session 2018-2019 and not to include fee collected from all students as earmarked levies.

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Whereas per point no. 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 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 comply with the directions with regard to opening separate bank account, proper accounting and presentation of Development Fund in the School's financial statements and utilisation of development fund only towards purchase of furniture, fixtures and equipment.

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 exist 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 7<sup>th</sup> 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 has sufficient funds for meeting the financial implications of 7<sup>th</sup> CPC salary and other expenses for the financial year 2017-2018. Therefore,

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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 for enhancement of fee for session 2017-2018 of **DL DAV Public School (School ID 1411228), Pitampura, New Delhi-110034** has been rejected by the Director of Education. Further, the management of said school is hereby directed under section 24(3) of DSEAR 1973 to comply with the following directions:

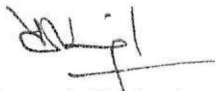
1. Not to increase any fee/charges during FY 2017-2018. In case, the school has already charged increased fee during FY 2017-2018, the school should make necessary adjustments from future fee/refund the amount of excess fee collected, if any, as per the convenience of the parents.
2. To communicate with the parents through its website, notice board and circular about rejection 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 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.
6. The Compliance report detailing rectification of the above listed deficiencies/ violations must also be attached with the proposal for enhancement of fee of subsequent academic session, as may be submitted by the school. Compliance of all the directions mentioned above will be examined before evaluation of proposal for enhancement of fee for subsequent academic session.

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-IWPC-4109/PART/13/959 dated 13 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:**

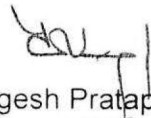
The Manager/ HoS  
DL DAV Public School  
School ID 1411228  
Pitampura, New Delhi-110034

No. F.DE.15( <sup>674</sup> )/PSB/2018/30853-57

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