615

50

52

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

No. F.DE.15(649)/PSB/2018/30708-30712 Dated: 19/12/2018

ORDER

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

AND WHEREAS, attention is also invited towards order of Hon'ble High Court of Delhi dated 19 Jan 2016 in writ petition No. 4109/2013 in the matter of Justice for All versus Govt. of NCT of Delhi and others where it has been directed by the Hon'ble Delhi High Court that the Director of Education has to ensure the compliance of term, if any, in the letter of allotment regarding the increase of the fee by all the recognized unaided schools which are allotted land by DDA.

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

"27....

(c) It shall be the duty of the Director of Education to ascertain whether terms of allotment of land by the Government to the schools have been complied with...

28. We are directing the Director of Education to look into the letters of allotment issued by the Government and ascertain whether they (terms and conditions of land allotment) have been complied with by the schools.......

.....If in a given case, Director finds non-compliance of above terms, the Director shall take appropriate steps in this regard."

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

AND WHEREAS in response to this directorate's circular dated 23 Oct 2017 referred to above, **DAV Public School (School ID-1411232), Pushpanjali Enclave, Pitampura, 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 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 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 26 June 2018 at 12:00 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 direction no. 2 included in the Public Notice dated 4 May 1997, "*it is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school becomes the sole property of the society*". Additionally, Hon'ble High Court of Delhi in its judgement dated 30 Oct 1998 in the case of Delhi Abibhavak Mahasangh concluded that "*The tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society.*" Also, clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/ 883-1982 dated 10 Feb 2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*"

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

   The financial statements of the school for the FY 2014-2015, 2015-2016 and 2016-2017 revealed that the school has incurred expenditure on purchase of land, construction of building and installation of elevator out of school funds and has capitalized building totalling to INR 31,00,714 in the aforesaid financial years, which is not in accordance with the aforementioned provisions. Further, this capital expenditure was incurred on the building without complying the requirements prescribed in Rule 177 of DSER, 1973. This amount of INR 31,00,714 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 of the date of this order.

Further, the school has utilized development fund amounting to INR 7.24 lakhs (included in INR 31 Lakhs above) towards additions to building and installation of elevator, which is not in accordance with Clause 14 of the Directorate's order No. F.DE./15 (56) /Act /2009 / 778 dated 11 February 2009 that development fund can only be utilised towards purchase, upgradation and replacement of furniture, fixtures and equipment.

2. 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 1,28,49,062 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/13/927-931 dated 26 September 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 10,27,924 for FY 2016-2017 and INR 11,10,159 for FY 2017-2018) was credited to 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 1,28,49,062 totalling to INR 1,49,87,145 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.

3. Order no. F.DE-15/ACT-1/WPC/4109/PART/13/7914-7923 dated 16 Apr 2016 regarding fee increase proposals for FY 2016-2017 which 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.*"

Post evaluation of the fee increase proposal of the school for FY 2016-2017, the Directorate rejected the fee increase proposal of the school vide Order No. No. F. DE-15/ACT-I/WPC-4109/PART/13/927-931 dated 26 September 2017 and directed the school to school to adjust/refund the increased fee collected from students. However, based on the information submitted by the school, the school collected increased fee from students @ 10% increase during FY 2016-2017 and has not adjusted/refunded the same to students, which was in contravention of aforementioned order.

Based on the information provided by the school and taken on record, the school had collected INR 59,65,045 on account of increased fee during FY 2016-2017, which has

618

been refunded/adjusted to the extent of INR 13,19,825 during FY 2017-2018. Reasonable explanation/justification for not refunding/adjusting the complete amount collected from the students was not provided by the school.

Though the school has not refunded/adjusted the full amount, the entire amount of INR 59,65,045 has been adjusted while deriving the fund position of the school (enclosed in the later part of this order) with the direction to refund/adjust the remaining increased fee with 30 days of the date of this order. Also, the school is strictly directed not to collect increased fee from students in future without prior approval of the Directorate.

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 @ 4.4% of basic salary and grade pay, which resulted in excess expenditure of INR 5,42,306 recorded in FY 2016-2017. This amount of INR 5,42,306 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. 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/13/927-931 dated 26 September 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	3,61,57,875
Leave Encashment Fund	2,06,05,126
Total	**5,67,63,001**

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).

B. Other Discrepancies

1. Clause 19 of Order No. F.DE./15(56)/Act/2009/778 dated 11 Feb 2009 states "*The tuition fee shall be so determined as to cover the standard cost of establishment including provisions for DA, bonus, etc., and all terminal, benefits as also the expenditure of revenue nature concerning the curricular activities.*"

   Further clause 21 of the aforesaid order states "*No annual charges shall be levied unless they are determined by the Managing Committee to cover all revenue expenditure, not included in the tuition fee and 'overheads' and expenses on play-grounds, sports equipment, cultural and other co-curricular activities as distinct from the curricular activities of the school.*"

Rule 176 - 'Collections for specific purposes to be spent for that purpose' of the DSER, 1973 states "*Income derived from collections for specific purposes shall be spent only for such purpose.*"

Para no. 22 of Order No. F.DE./15(56)/ Act/2009/778 dated 11 Feb 2009 states "*Earmarked levies will be calculated and collected on 'no-profit no loss' basis and spent only for the purpose for which they are being charged.*"

Sub-rule 3 of Rule 177 of DSER, 1973 states "*Funds collected for specific purposes, like sports, co-curricular activities, subscriptions for excursions or subscriptions for magazines, and annual charges, by whatever name called, shall be spent solely for the exclusive benefit of the students of the concerned school and shall not be included in the savings referred to in sub-rule (2).*" Further, Sub-rule 4 of the said rule states "*The collections referred to in sub-rule (3) shall be administered in the same manner as the monies standing to the credit of the Pupils Fund as administered.*"

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

Further, the aforementioned Guidance Note lays down the concept of fund based accounting for restricted funds, whereby upon incurrence of expenditure, the same is charged to the Income and Expenditure Account ('Restricted Funds' column) and a corresponding amount is transferred from the concerned restricted fund account to the credit of the Income and Expenditure Account ('Restricted Funds' column).

From the information provided by the school and taken on record, it has been noted that the school charges earmarked levies in the form of Transport Fees, Computer fee, Science fee, etc. from students. However, the school has not maintained separate fund accounts for these earmarked levies and the school has been generating surplus from earmarked levies, which has been utilised for meeting other expenses of the school or has been incurring losses (deficit) which has been met from other fees/income, which was also mentioned in DOE's order No. F.DE-15/ACT-1/WPC-4109/PART/13/927-931 dated 26th September 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**
Computer/IT Fee	1,47,32,790	44,32,925	1,02,99,865
Science Fee	18,23,750	17,91,885	31,865
Activity Income	33,24,000	86,27,732	(53,03,732)
Transport Fee ^	1,50,76,500	1,50,96,104	(19,604)
Co-Curricular Activity Fee*	33,24,000	-*	33,24,000
Student Welfare Activity Fund*	39,42,100	-*	39,42,100

^ 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 IT/Computer fee 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/Computer fee 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 tuition fee collected from students is not sufficient to meet the establishment cost and annual charges are also not sufficient to meet other revenue expenses of the school. Thus, the surplus generated from earmarked levies has been applied towards meeting establishment cost/revenue expenditure on account of which fund balance of earmarked levies could not separate from the total funds maintained by the school. Accordingly, total fees (including earmarked fee) have been included in the budgeted income and budgeted expenses (including those for earmarked purposes) while deriving the fund position of the school (enclosed in the later part of this order).

The school is hereby directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from students. Unintentional surplus, if any, generated from earmarked levies has to be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies during subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on no-profit no-loss basis and not to include fee collected from all students as earmarked levies.

2. The Directorate of Education, in its Order No. DE.15/Act/Duggal.Com/ 203/99/23033-23980 dated 15 Dec 1999, indicated the heads of fee/ fund that recognised private unaided school can collect from the students/ parents, which include:

   - Registration Fee
   - Admission Fee
   - Caution Money
   - Tuition Fee
   - Annual Charges
   - Earmarked Levies
   - Development Fee

Further, clause no. 9 of the aforementioned order states "*No fee, fund or any other charge by whatever name called, shall be levied or realised unless it is determined by the Managing Committee in accordance with the directions contained in this order ......*"

The aforementioned order was also upheld by the Hon'ble Supreme Court in the case of Modern School vs Union of India & Others.

It was noted that the school's fee structure include pupil fund, which is collected from all students and based on details submitted by the school, it was utilised on repair & maintenance, expenses of teaching and non-teaching staff, 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	91,69,840
Expenses of teaching & Non-teaching staff	Expense	5,79,492
In-Service education	Expense	4,49,465
Electrical & Other maintenance	Expense	7,12,748
Repair & Maintenance	Expense	74,06,115
Net surplus reflected by school		**22,020**

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 'Tuition Fee' and/or '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.

   Also, the school reported net balance of development fund (i.e. development fee received minus assets purchased during the year) as additions to the development fund in the schedule to the financial statements for FY 2016-2017, which was an incorrect presentation.

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. Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 which states "*Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up gradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund, will be kept in a separately maintained Development Fund Account.*"

   Order no. F.DE.-15/ACT-I/WPC-4109/PART/13/927-931 dated 26 Sept 2017 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school had utilized development fee in contravention of the above mentioned order and has not maintained development fund in a separate bank account. Further, on review of the financial statements for FY 2016-2017, it was noted that the school has incurred expenditure on purchase of library books of INR 15,01,923 and utilized development fee for the same which is in contravention of the directions of the directorate. Also, the school has not opened separate bank account for deposit of development fee.

   During personal hearing, the school confirmed that the bank account will be opened in FY 2018-2019 and would be used for collection and utilisation of development fund going forward.

   The school is hereby directed to follow DOE instruction in this regard by opening a separate bank account and ensuring that development fund is utilised only towards purchase of furniture, fixture and equipment. 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. 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, budget estimate of receipts and payments, enrolment of students, staff statement, etc. However, the school did not furnish/submit incomplete details regarding enrolment of students as on 30 April 2016, pattern of scholarship and statement showing the dates of disbursement of salaries. However, the school had submitted the above documents at the time of evaluation of fee hike proposal for FY 2017-2018. The school is advised to ensure that it complies with the requirements of Rule 180(1) and submit all the required documents as per Appendix II of DSER, 1973.

7. 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 (ICAI) 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'.*"

   From the audited Income and Expenditure Account for the FY 2016-2017, it was noted that the has not segregated all items of income and expenses that exceeded 1% of the total fee receipts and had clubbed 'Co-Curricular Activity Fee', 'Student Welfare Activity Fund' and 'Invigilation Centre Charges' under the head 'Other Income'.

   It was also noted that the school had submitted incorrect fixed asset schedule along with the financial statements for FY 2016-2017, which did not tie to the value of fixed assets reflected on the face of Balance Sheet as on 31 Mar 2017. The school later submitted the revised fixed assets schedule with figures that reconciled with the Balance Sheet.

   Accordingly, the school is directed to ensure that all subsequent financial statements are prepared in accordance with the requirements of Guidance Note 21 issued by ICAI and be cautious while submitting details with the Directorate.

8. Basis the presentation made in the audited financial statements for FY 2016-2017 submitted by the school, it was noted that the opening balances of various funds indicated in the audited financial statements of FY 2016-2017 were different than the closing balances of these funds reported in the audited financial statements of FY 2015-2016. Refer table below for differences noted:

Particulars	**Balance as on 31 March 16 (A)**	**Balance as in 1 April 16 (B)**	**Difference (B-C)**
General Fund	5,66,93,738	6,56,49,829	89,56,091
Reserve Fund	5,37,39,618	1,26,19,839	(4,11,19,779)
Contingency reserve fund	42,99,555	1,69,82,438	1,26,82,883
Other Fund	33,36,723	2,20,52,216	1,87,15,493
Total	**11,80,69,634**	**11,73,04,322**	**(7,65,312)**

The school was not able to reconcile the differences and provide reasonable justification of the change in balances of different funds. Thus, the accuracy and correctness of the audited financial statements is questionable.

The school is directed to prepare a detailed reconciliation in relation to the differences noted above and pass necessary rectifications, if required to rectify the differences and submit the same along with the Compliance Report of the School. Further, the school should ensure that closing balances reported in the audited financial statements are accurately carried over to the subsequent financial statements. In case, any restatement of balances is required, the same should be clearly explained in the Notes to Account annexed to the financial statements along with calculations of reinstated balance reconciling the same with the figure reported in the previous year's audited financial statement. Compliance will be verified at the time of evaluation of next fee hike proposal, if any.

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

Particulars	**Amount/ No.**
No. of new admissions in the school during FY 2016-2017, as per details provided by school (A)	203
Caution money receipt @ INR 500 per new admission (B)=(A*500)	INR 1,01,500
Caution Money receipt reported in the audited Receipt and Payment Account for FY 2016-2017 (C)	INR 2,21,600
Difference – Excess Collected (D) = (C-B)	INR 1,20,100

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/13/927-931 dated 26 September 2017:

626

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

During the personal hearing, school mentioned that it has stopped collecting caution money from students from FY 2017-2018 onwards. Also, the school has started adjusting the caution money already collected from old students against the fee due 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 submitted 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 29,80,73,131 out of which cash outflow in the year 2017-18 is estimated to be INR 27,71,45,777. This results in net surplus of INR 2,09,27,354. 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)	52,14,707
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	6,15,34,940
Current Account balance with DAV CMC as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	27,36,110
Total Liquid Funds Available with the School as on 31 Mar 2017	**6,94,85,756**
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]	23,00,70,726
Add: Recovery of amount spent on land & building to be recovered from the Society [Refer Financial Finding No. 1]	31,00,714
Add: Reserve/Capital Fund with DAV CMC and interest on reserve/capital fund for FY 2016-2017 and FY 2017-2018 [Refer Financial Finding No. 2]	1,49,87,146
Add: Recovery from DAV CMC against excess administrative charges [Refer Financial Finding No. 4]	5,42,306
Gross Estimated Available Funds for FY 2017-2018	**31,81,86,648**
Less: Development Fund balance as on 31 Mar 2017 (as per audited financial statements of FY 2016-2017)	1,23,89,472
Less: Caution Money (Net of transfer to income in FY 2017-2018) [Refer Note 2]	17,59,000

Particulars	Amount (INR)
Less: Increased fee collected by school during FY 2016-2017 to be adjusted in FY 2017-2018 [Refer Financial Finding No. 3]	59,65,045
Net Estimated Available Funds for FY 2017-2018	**29,80,73,131**
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 3]	27,71,45,777
Estimated Surplus as on 31 Mar 2018	**2,09,27,354**

Notes:

1. Fee and income as per audited financial statements of FY 2016-2017 (after adjustment for increased fee collected in FY 2016-2017, which has to be adjusted/refunded by the school. Refer Financial Finding No. 3) has been considered with the assumption that the amount of income during FY 2016-2017 will at least accrue during FY 2017-2018.
2. Unclaimed caution money of INR 2,90,000, 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 20,49,000 (as per audited financial statements of FY 2016-2017) and net balance of INR 17,59,000 refundable to students has been considered for deriving the net estimated available funds with the school for FY 2017-2018.
3. 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 30,35,84,424, 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. However, during review of budgeted expenses, discrepancies were noted in some of the expense heads, which were adjusted from the budgeted expenses including expenses in excess of 10% and expenditure proposed under new heads. 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 Disallowed	Amount Allowed	Remarks
Gratuity Fund Contribution	71,33,457	93,66,004	76,32,303	17,33,701	Refer Financial Finding No. 5
Leave Encashment	30,57,090	38,31,147	35,08,416	3,22,731	
Administrative Charges	17,52,186	88,89,639	63,49,742	25,39,897	Refer Note #
Travelling Expenses	2,12,404	4,00,000	1,66,356	2,33,644	No reasonable justification/ explanation provided by the school for such increase in expense as compared with FY 2016-2017. Accordingly, budgeted expenses have been restricted to 110% of the expense incurred during FY 2016-2017.
Printing & Stationery	27,05,903	40,00,000	10,23,507	29,76,493	
Repair & Maintenance (Furniture & Equipment)	15,18,213	20,00,000	3,29,966	16,70,034	
Office Vehicle (Running & Maintenance)	11,04,675	25,00,000	5,00,835	19,99,165	
Electricity & Water Charges	49,67,380	70,00,000	15,35,882	54,64,118	
Examination Charges	8,86,767	12,00,000	2,24,556	9,75,444	
Sports Expenses	2,82,950	8,00,000	4,88,755	3,11,245	
Transportation expenses- owned vehicles	28,21,671	-	(28,21,671)	28,21,671	The school missed to include this expense in the budgeted Receipt &

628

Expense Heads	FY 2016-17	FY 2017-18	Amount Disallowed	Amount Allowed	Remarks
					Payment Account for FY 2017-2018, which has been allowed to the extent of expense incurred during FY 2016-2017.
Building Construction	3,10,126	35,00,000	35,00,000	-	Construction of building not allowed since it is the responsibility of the society. Hence, not considered
Vehicle	-	40,00,000	40,00,000	-	The school has not complied with the requirements of Rule 177. Thus, this expenditure has not been considered.
Total	**2,67,52,822**	**4,74,86,790**	**2,64,38,647**	**2,10,48,143**	

the school budgeted administrative charges payable to DAV CMC at the rate of 7% of basic pay (against 4% charged previously after adjusting for excess administrative charges paid) 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 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.

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 expenditure on land and additions to building should not be met out of the fee collected from students and is required to be recovered from the society.

And whereas 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. Thus, the school is directed to recover the amount of reserve/capital fund 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/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 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 with regard to 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, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that the funds available with the school for implementation of recommendations of 7th CPC and to carry out its operations for the academic session 2017-18 are sufficient and the fee increase proposal of the school may be rejected.

And whereas, recommendations of the team of Chartered Accountants along with relevant materials were put before Director of Education for consideration and who after considering all material on record has found that the school have sufficient funds for meeting the financial implications of 7th CPC salary and other expenses for the financial year 2017-2018. Therefore, Director (Education) rejects the proposal submitted by the school for enhancement of fee for the academic session 2017-2018.

Accordingly, it is hereby conveyed that the proposal of enhancement of fee for session 2017-2018 of **DAV Public School (School ID-1411232), Pushpanjali Enclave, Pitampura, 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 and to refund/adjust the increase fee charged for the academic session 2017-2018 and 2018-2019 in the fee of subsequent months as per 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 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.

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-I/WPC-4109/PART/13/927-931 dated 26 September 2017 issued to the School.

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

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

To:
The Manager/ HoS
DAV Public School
School ID 1411232
Pushpanjali Encalve, Delhi-110034

No. F. DE. 15(649)/PSB/2018/30708-30712 Dated: 19/12/2018

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