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

49

No. F.DE.15 (136)/PSB/2019/ 1936-1940

Dated: 22/2/2019

Order

WHEREAS, this Directorate vide its order No. DE.15 (318)/PSB/2016/19786 dated 17.10.2017 issued 'Guidelines for implementation of 7th Central Pay Commission's recommendations in private unaided recognized schools in Delhi and directed that the 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, needs to submit their online fee increase proposal for the academic session 2017-18. Accordingly, vide circular no. 19849-19857 dated 23.10.2017, the fee increase proposals were invited from all aforesaid schools till 30.11.2017 and this date was further extended to 14.12.2017 vide Directorate's order No. DE.15 (318)/PSB/2016/20535 dated 20.11.2017 in compliance of directions of Hon'ble High Court of Delhi vide its order dated 14.11.2017 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 19.01.2016 in writ petition No. 4109/2013 in the matter of Justice for All versus GNCTD and others wherein it has been directed by the Hon'ble Delhi High Court that the Director of Education will ensure the compliance of conditions, if any, in the letter of allotment regarding prior approval of Director of education for the increase of fee by all the recognized unaided schools which are allotted land by DDA.

AND WHEREAS, the Hon'ble High Court of Delhi 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 27.04.2004 passed in Civil Appeal No. 2699 of 2001 titled Modern School V. 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) of Delhi School Education Act, 1973 read 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 pursuance to order dated 23.10.2017 of this Directorate, **DAV Public School, Jasols Vihar, New Delhi-110025 (School Id: 1925287)** had submitted the proposal for increase in fee for the academic session 2017-18 including the impact on account of implementation of recommendations of 7<sup>th</sup> CPC with effect from 01.01.2016.

AND WHEREAS, in order to ensure that the proposals submitted by the schools for fee increase are justified or not, this Directorate has deployed teams of expert Chartered Accountants at HQ level who have evaluated the fee 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 vide email dated April 03, 2018. Further, school was also provided an opportunity of being heard on May 07, 2018 to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussions, 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 evaluated by the team of Chartered Accountants. The key findings noted are as under:

### **Financial Irregularities**

- I. As per clause 14 of order no. F.DE. /15(56)/Act/2009/778 dated 11.02.2009, development fee, not exceeding 15% of the total annual tuition fees may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixture and equipment. Development fee, if required to be charged shall be treated as capital receipt and shall be collected only if the school is maintaining depreciation reserve fund, equivalent to the depreciation charged in the revenue accounts and the collections under this head along with income generated from the investment made out of this fund, will be kept separately maintained development fund account. However, on review of the financial statement the following has been observed:
  - a) The school has treated the development fee as revenue receipts in the FY 2014-15 and 2015-16 in contravention of clause 14 of the order dated

11.02.2009. The School is directed to make necessary adjustments in the General Reserve fund and Development fund.

- b) On the review of fee receipts on sample basis, it has been noted that school has charged development fee in excess of 15% of total annual tuition fee. The School may be instructed to comply with aforesaid clause 14. The instances where the school has charged the development fee more than 15% of total annual tuition fee is as under:

Admission No.	Financial year	Receipt No.	Tuition fee (Annually) - (In Rs.)	Development fee (Annually) - (In Rs.)	Development fee charge in % of tuition fee (B)/(A)*100
5015	2014-15	00726	22,200	3,600	16%
6014	2015-16	D03471	24,420	3,960	16%
4149	2016-17	D00289	23,060	4,320	19%

II. In respect of earmarked levies, school is required to comply with:

- ▶ Clause 22 of order dated 11.02.2009, which specifies that earmarked levies shall be charged from user students on 'no profit no loss' basis;
- ▶ Rule 176 of DSER, 1973, which provides that 'income derived from collections for specific purpose shall be spent only for such purpose';
- ▶ Judgement of Hon'ble Supreme Court of India in the case of Modern School Vs Union of India and Others, which specifies that schools, being run as non-profit organizations, are supposed to follow fund-based accounting.

The School has charged earmarked levies in the name of transport fee, sports fee, science fee, computer fee, other activities and pupil fund but these fees were not charged on 'no profit no loss' basis. The school has earned surplus out of these levies during the period. Since the school is not following the fund based accounting in respect of these levies and therefore, School is directed to make necessary adjustments in the General Reserve.

Moreover, as per the Duggal Committee report, there are four categories of fee that can be charged by a school. The first category of fee comprised of "Registration Fee and all One Time Charges" which is levied at the time of admission such as Admission and Caution Money. The second category of fee comprised of "Tuition Fee" which is to be fixed to cover the standard cost of the establishment and also to cover expenditure of revenue nature for the improvement of curricular facilities like Library, Laboratories, Science and Computer fee up to class X and examination fee. The third category of the fee should consist of "Annual Charges" to cover all expenditure not included in the second category and the forth category should consist of all "Earmarked Levies" for the services rendered by the school and to be



recovered only from the 'User' students'. These charges are like Transport Fee, Swimming Pool Charges, Horse Riding, Tennis, Midday Meals etc.

Based on the aforesaid provisions, earmarked levies are to be collected only from the user students availing the services/facilities. And if, the services/facilities are extended to all the students of the school, a separate charge should not be levied by the school as it would get covered either from the Tuition Fee or from Annual Charges. Therefore, the school should discontinue separate collection in the name of sport fee, compute fee, other activities and pupil fund.

- III. As per clause 8 of Order No. DE 15/ Act/ Duggal.Com /203 /99 /23033-23980 dated 15.12.1999, no amount whatsoever shall be transferred from the recognised unaided school fund to the society or the trust or any other institution. However, financial statement of FY 2016-17 is reflecting Rs.29,03,712 recoverable from the society. Therefore, the same has been included in the calculation of fund availability of the school and School is to recover this amount from the Society.
- IV. As per Para 99 of Guidance note on "Accounting by school" issued by ICAI, relating to restricted fund, "Where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year".

Taking cognisance from the above para, school should have considered the development fund utilisation account as deferred income to the extent of cost of assets purchased out of development fund and should have transferred the amount to the credit of Income & Expenditure account in proportion to the depreciation charged from this deferred income account.

However, it is noted that school has not created the 'Development Fund Utilization Account' for the assets purchased out of the development fund as deferred income account. Further, it is noted that no amount has been transferred to the credit of Income and expenditure account from the deferred income account in accordance with the GN-21: Accounting by School. Had the School been following the Para 99 of Guidance note on "Accounting by school" issued by ICAI, the depreciation reserve fund was mere accounting head. Accordingly, no impact of depreciation reserve fund is to be considered in the calculation of fund availability. The school is directed to comply the aforesaid para 99 of the Guidance Note 21: Accounting by Schools as issued by ICAI.

- V. As per audited financial statements for FY 2015-16, Capital work in progress amounting Rs. 6,19,257 has been sold. However, the sale proceeds of this disposal and the impact on profit & loss account, if any, has neither been reflected in the receipts and payment account nor in the Income & Expenditure account. Therefore,



the School is directed to submit the clarification on the accounting treatment carried out for the aforesaid Capital WIP assets at the time of filing of fee increase proposal for next academic session.

### Other Irregularities

- I. The school has been paying a sum equal to 4% of the total basic pay of staff of the school to DAVCMC. As per order no. DE 15/ Act/ Duggal.Com /203 /99 /23033-23980 dated 15.12.1999 the management is restrained from transferring any amount from the recognised unaided school to society or trust or any other institution. Though practice followed by DAV schools is not in consonance with DSEA&R, 1973. Keeping in view of submission/ justification given by DAV CMC as well as keeping in view of the managerial structure of DAV CMC to have a check and balance as well as economy in expenditure, the submissions are taken on record.
- II. As per School, the gratuity and leave encashment benefits of all staff of DAV Schools are administrated/ controlled at Head Office through Common pool fund. For this purpose, School has been paying 3% and 7% of Basic and DA for Leave Encashment and Gratuity respectively. All investments, of contributions made by the Schools, are made by the Head office in specified securities and the payment of claims at the time of retirement and leaving the services are settled by head office. Separate school-wise ledger accounts are being maintained at DAV CMC showing liabilities for gratuity and leave encashment.

It is noted that there is no actuary valuation of gratuity and leave encashment liabilities of the School. Further, liabilities and corresponding investments against gratuity and leave encashment are not reflected in the books of accounts of the School. Also, benefit of interest earned on these investments is not passed on to individual school by DAV CMC.

Thus, the School is directed:

- ▶ To have actuary valuation of its gratuity and leave encashment liabilities;
- ▶ To disclose its liabilities on account of gratuity and leave encashment along with the corresponding amount of investments against that in its financial statements from the FY 2018-19. Also, wherever the existing provisions for these liabilities are in excess of the liabilities determined by the actuary, the excess amount so provided shall be transferred to the general reserve fund of the School. In case, the amount currently provided is lesser than amount determined by the actuary, School shall provide the balance amount in a reasonable and prudent manner ensuring that burden of same is spread over the years and not charged in a single year;
- ▶ To add back the amount of interest, as was earned on gratuity and leave encashment fund maintained by DAV CMC over the years, duly certified by

the Statutory auditor of the School, in the corresponding investment accounts of the School.

- III. The fee reconciliation statement provided by the school was not matched with the figures reported in the financials statement. Therefore, the school may be instructed to perform detailed reconciliation of income collected from the students based on fee structure and number of students. Following difference were noted based on the reconciliation provided statement provided by the school.

(Figures in Rs.)

Particulars	Fees as per audited financial statements for FY 2016-17	Fees as per Reconciliation Statement for FY 2016-17	Difference
Tuition Fee	7,22,63,904	7,53,86,076	-31,22,172
Annual Charges	99,24,330	81,30,997	17,93,333
Development Charges	1,28,81,480	1,18,29,240	10,52,240
Other Receipts	52,66,877	52,05,850	61,027
Pupil Fund	30,17,500	30,01,500	16,000

- IV. The school is required to prepare the financial statements in accordance with Appendix-II of Order no. F,DE-15/ACT- I/WPC-4109/part/13/7905- 7913 dated 16.04.2016. However, on review of the audited financial statements the following has been noted:

- Separate disclosure for salary paid to Teaching Staff and Non-Teaching staff was not shown in Income and Expenditure Account; and
- Fixed assets schedule was not prepared in the prescribed format.

Therefore, the school is directed to comply with the aforesaid order dated 16.04.2016.

- V. On review of audited financial statements for FY 2014-15, 2015-16 and 2016-17, following observations have been noted in relation to caution money:

- As per the Guidance Note on "Accounting by Schools" issued by the Institute of Chartered Accountants of India, the caution money should be treated as deposit and the amount of caution money refundable to students within 12 months of the financial statement date should be reflected as a 'current liability' in the financial statement. The caution money refundable beyond 12 months of the financial statement date should be shown separately as a liability of long-term nature in the financial statement.

However, the school has shown all the caution money as current liability under the head "Security refundable" in FY 2014-15 and 2015-16 and in the FY 2016-

17. The above treatment of caution resulted in non-compliance of guidance note on Accounting by Schools" issued by ICAI.

- b) As per Clause 4 of Order No. DE./15/150/ACT/2010/4854-69 dated 09.09.2010, after the expiry of 30 days, the un-refunded caution money belonging to ex-students shall be reflected as income for the next financial year and it shall not be shown as liability. Further, this income shall also be taken into account while projecting fee structure for ensuing financial year. However, in the 'budget estimates of financial year 2017-18 as submitted by the school, the school has not considered the un-refunded caution money as its receipts. The School has also not provided the details of students who left the school in the FY 2016-17. Therefore, financial impact cannot be ascertained.

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

- i. The total funds available for the year 2017-18 amounting to Rs. **22,80,86,061** out of which cash outflow in the year 2017-18 is estimated to be Rs. **14,00,76,518**. This results in surplus of funds amounting to Rs. **8,80,09,543**. The details are as follows:

(Figures in Rs.)

Particulars	Amount	Remarks
Cash and Bank balances as on 31.03.17 as per audited Financial Statements	4,03,23,886	
Investments as on 31.03.17 as per audited Financial Statements	6,52,47,689	
Add: Cheque/ drafts in hand (net of credit balance of current account balance of DAV CMC)	16,55,375	
Add: Recoverable balance from society	29,03,712	
Less: Caution Money as on 31.03.2017	12,66,500	
Less: Development fund as on 31.03.2017	89,00,442	
Less: Gratuity Fund deposited	-	
Less: Fixed Deposit with Bank in the joint name of Secretary CBSE and Manager, D.A.V Public School	3,30,476	
<b>Total</b>	<b>9,96,33,244</b>	
Fees for 2016-17 as per audited Financial Statements (we have assumed that the amount received in 2016-17 will at least accrue in 2017-18)	11,26,22,114	
Other income for 2016-17 as per audited Financial Statements (we have assumed that the amount received in 2016-17 will at least accrue in 2017-18)	1,58,30,703	
<b>Estimated availability of funds for 2017-18</b>	<b>22,80,86,061</b>	
Less: Budgeted expenses for the session 2017-18 (after making adjustment)	14,00,76,518	Note 1
<b>Net Surplus</b>	<b>8,80,09,543</b>	



**Adjustment:**

**Note 1:** School has proposed for the capital expenditure on account of installation of lift and for purchase of Vehicle amounting Rs. 12,00,000 and Rs. 43,00,000 respectively. As per Rule 177 of DSER, 1973 capital expenditure cannot form of fee structure and thus, the same has not been considered in above calculations. Also, lift is the part of building and as per clause 2 of Public Notice dated 04 May, 1997 building is the responsibility of the Society. Thus, expenditure for installation of lift cannot be allowed.

- ii. The school has sufficient funds to carry on the operation of the school for the academic session 2017-18 on the existing fees structure. In this regard, Directorate of Education has already issued directions to the schools vide order dated 16/04/2010 that,

"All schools must, first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase."

AND WHEREAS, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of expert Chartered Accountants that prima facie there are financial and other irregularities and also, sufficient funds are available with the school to meet its budgeted expenditure for the academic session 2017-18 including the impact of implementation of recommendations of 7<sup>th</sup> CPC, the fee increase proposal of the school may not be accepted.

AND WHEREAS, recommendations of the team of expert Chartered Accountants along with relevant material were put before the Director of Education for consideration and who after considering all the material on the record, found that sufficient funds are available with the school to meet its budgeted expenditure for the academic session 2017-18 including the impact of implementation of recommendations of 7<sup>th</sup> CPC. Therefore, Director (Education) has rejected the proposal of fee increase submitted by the said school.

AND WHEREAS, it is also noticed that the school has transferred Rs.29,03,712 to "to the DAVCMC society". The school is directed to recover these amounts from the Society. The deposits receipts along with copy of bank statements showing receipt of above mentioned amount should be submitted with DoE, in compliance of the same, within sixty days from the date of issuance of this order. Non-compliance of this shall be taken up as per DSEA&R, 1973.

Accordingly, it is hereby conveyed that the proposal of fee increase of **DAV Public School, Jasols Vihar, New Delhi-110025 (School Id: 1925287)** is 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 in pursuance to the proposal submitted by school for the academic session 2017-18 and if, the fee is already increased and charged for the academic session 2017-18, the same shall be refunded to the parents or adjusted in the fee of subsequent months.
2. To communicate 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 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.
4. 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.
5. To remove all the financial and other irregularities as listed above and submit the compliance report within 30 days to the D.D.E (PSB).
6. In case of submission of any proposal for increase in fee for the next academic session, the compliance of the above listed financial and other irregularities will also be attached.

Non-compliance of this order or any direction herein shall be viewed seriously and will be dealt with the provision of Section 24(4) of DSEA, 1973 and DSER, 1973.

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,  
Jasola Vihar, New Delhi-110025 (School Id: 1925287)

No. F.DE.15 (136)/PSB/2019/ 1936-1940

Dated: 22/2/2019

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 Addl. 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