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

No. F.DE.15 ( 20 )/PSB/2021/ 649-653 Dated: 09/02/2021

## Order

WHEREAS, every school is required to file a full statement of fees every year before the ensuing academic session under section 17(3) of the Delhi School Education Act, 1973 (hereinafter read as '***the Act***') with the Director. Such statement will indicate estimated income of the school derived from fees, estimated current operational expenses towards salaries and allowances payable to employees etc in terms of Rule 177(1) of the Delhi School Education Rules, 1973 (hereinafter read as '***the Rules***').

AND WHEREAS, as per section 18(5) of the Act read with section 17(3), 24 (1) of the Act and Rule 180 (3) of the DSEA & R, 1973, responsibility has been conferred upon the Director (Education) to examine the audited financial, account and other records maintained by the school at least once in each financial year. The Section 18(5) and Section 24(1) of the Act and Rule 180 (3) have been reproduced as under:

Section 18(5): *'the managing committee of every recognised private school shall file every year with the Director such duly audited financial and other returns as may be prescribed, and every such return shall be audited by such authority as may be prescribed'*

Section 24(1): *'every recognised school shall be inspected at least once in each financial year in such manner as may be prescribed'*

Rule 180 (3): *'the account and other records maintained by an unaided private school shall be subject to examination by the auditors and inspecting officers authorised by the Director in this behalf and also by officers authorised by the Comptroller and Auditor-General of India.'*

AND WHEREAS, besides the above, the Hon'ble Supreme Court in the judgment dated 27.04.2004 passed in Civil Appeal No. 2699 of 2001 titled Modern School Vs. Union of India and others has conclusively decided that under section 17(3), 18(4) read along with rule 172, 173, 175 and 177 of the Rules, Directorate of Education has the authority to regulate the fee and other charges to prevent the profiteering and commercialization of education.

AND WHEREAS, it was also directed by the Hon'ble Supreme Court to the Director of Education in the aforesaid matter titled Modern School Vs. Union of India and others in Para 27 and 28 in case of Private unaided Schools situated on the land allotted by DDA at concessional rates that:

*"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 High Court of Delhi vide its judgement dated 19.01.2016 in writ petition No. 4109/2013 in the matter of Justice for All versus Govt. of NCT of Delhi and others has reiterated the aforesaid directions of the Hon'ble Supreme Court and has directed the Director of Education 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/ land owing agencies.

AND WHEREAS, accordingly, this Directorate vide order No. F.DE.15 (40)/PSB/2019/2698-2707 dated 27.03.2019, directed that all the Private Unaided Recognized Schools running on the land allotted by DDA/other Govt. agencies on concessional rates or otherwise, with the condition to seek prior approval of Director of Education for increase in fee, are directed to submit the their proposals, if any, for prior sanction for increase in fee for the session 2018-19 and 2019-20.

AND WHEREAS, in pursuance to order dated 27.03.2019 of this Directorate **Shaheed Rajpal DAV Public School, Dayanand Vihar, New Delhi – 110092 (School Id: 1001183)** had submitted the proposal for fee increase for the academic session 2018-19. Accordingly, this order disposed off the proposal for enhancement of fee submitted by the school for the academic session **2018-19**.

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, in the process of examination of fee hike proposal filed by the aforesaid School for the academic session 2018-19, necessary records and explanations were also called from the school through email. Further, the school was also provided an opportunity of being heard on 30.10.2019 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. During the aforesaid hearing compliances against order no. FDE15(647) PSB/2018/30698-30702 dated 19.12.2018 issued for academic session 2017-18 were also discussed and school submissions were taken on record.

AND WHEREAS, the reply of the school, documents uploaded on the web portal for fee increase together with subsequent documents/ clarifications submitted by the school were thoroughly evaluated by the team of Chartered Accountants. And after evaluation of fee proposal of the school the key findings and status of compliance against order no. FDE15(647) PSB/2018/30698-30702 dated 19.12.2018 issued for academic session 2017-18 are as under:

**A. Financial Discrepancies**

1. As per Rule 177 of DSER, 1973 income derived by an unaided recognised school by way of fees shall be utilised in the first instance, for meeting the pay, allowances and

other benefits admissible to the employees of the school. Provided that savings, if any, from the fees collected by such school may be utilised by its management committee for meeting capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely award of scholarships to students, establishment of any other recognised school, or assisting any other school or educational institution, not being a college, under the management of the same society or trust by which the first mentioned school is run.

Further, the aforesaid savings shall be arrived at after providing for the following, namely:

a) Pension, gratuity and other specified retirement and other benefits admissible to the employees of the school;
b) The needed expansion of the school or any expenditure of a developmental nature;
c) The expansion of the school building or for the expansion or construction of any building or establishment of hostel or expansion of hostel accommodation;
d) Co-curricular activities of the students;
e) Reasonable reserve fund, not being less than ten percent, of such savings.

However, on review of audited financial statements for FY 2016-17 it has been noted that the school has purchased bus for Rs. 20,61,780 without complying aforesaid Rule 177 of DSER, 1973. The school has not ensured to protect the interests of the staff and did not pay salaries to staff as per 7th CPC from 01.01.2016 and also, has not made appropriate investments against gratuity and leave encashment in 'Plan Assets' within the meaning of AS – 15 "Employees Benefits" issued by the Institute of Chartered Accountant of India. As per Rule 177 of DSER, 1973 fees shall be utilised in the first instance, for meeting the pay, allowances and other benefits admissible to the employees of the school which school failed to comply. Moreover, transport facility is not being utilised by each student of the school and thus, utilising school funds for capital expenditure for purchase of bus is tantamount to imposing burden of capital expenditure for bus on each student. As per Rule 176 of DSER, 1973, *income derived from collections for specific purposes shall be spent only for such purpose*. Thus, the amount incurred by the school of Rs. 20,61,780 for purchase of buses is not in accordance with the provision of Rule 176 and 177 of DSER, 1973 and accordingly, amount incurred for purchase of bus need to be recovered from the society. The same has been included in the calculation of fund availability of the school with the direction to the recover this amount from the society within 30 days from the date of this order.

2. As per direction no. 2 included in the Public Notice dated 04.05.1997, "Not to charge building fund and development charges when the building is complete or otherwise as *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.

However, on review of audited financial statements for FY 2016-17 and 2017-18 it is noted that the school funds have been utilised for capital expenditure on lifts, being part of building, in contravention of aforesaid public notice and High court judgement. The amount incurred for lift amounting Rs. 23,95,566 was capitalised in FY 2017-18. Further, these capital expenditures were incurred without complying the requirements prescribed in Rule 177 of DSER, 1973. Similar observation was also noted in order no. FDE15(647) PSB/2018/30698-30702 dated 19.12.2018 issued for academic session 2017-18 wherein it was noted that the school had incurred capital expenditure for building amounting to Rs. 2,75,26,538 in FY 2014-15 and 2015-16 and school was directed to recover this amount from the society. Accordingly, these amounts totalling to Rs. 2,99,22,104 (Rs. 23,95,566 + Rs. 2,75,26,538) is hereby added to the fund position of the school considering the same as funds available with the direction to the school to recover the aforesaid amount from the Society 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. During hearing, the school has submitted that actuarial valuation for gratuity and leave encashment as at 31.03.2019 have been taken but has not make any investments in the 'Plan Assets' as defined in AS-15 issued by the Institute of Chartered Accountants of India (ICAI). 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 was directed by DoE through its Order no. FDE15(647) PSB/2018/30698-30702 dated 19.12.2018 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 has obtained an actuarial certificate regarding its liability towards retirement benefits of the staff. However, it has continued to maintain the investments with DAV CMC.

The balances disclosed by the school based on records maintained by DAV CMC as on 31.03.2019 have been indicated below:

**(Amount in Rs.)**

| **Particulars** | **Liability as per Actuarial Valuation Report^** | **Liability as per audited Financial Statements (as on 31.03.2019)** | **Amount deposited with DAV CMC as per audited financial statements (as on 31.03.2019)** |
|---|---|---|---|
| Gratuity Fund | 11,37,05,464 | 5,00,62,325 | 5,00,62,325 |
| Leave Encashment Fund | 2,45,19,814 | 3,37,10,206 | 3,37,10,206 |
| **Total** | **13,82,25,278** | **8,37,72,531** | **8,37,72,531** |

^As per Notes to accounts annexed to the audited financial statements for 2018-19.

The school should ensure that the liability and corresponding investments are disclosed appropriately in its financial statements. The school should 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. Since the school has not deposited any amount in the plan assets in accordance with AS-15 issued by ICAI in compliance of directions given in Order no. FDE15(647) PSB/2018/30698-30702 dated 19.12.2018 issued for academic session 2017-18. Therefore, these provisions towards gratuity and leave encashment have not been considered while deriving the fund position of the school.

However, as per details provided by the school the amount for gratuity and leave encashment paid during the FY 2018-19 (as per details submitted by the school) amounting to Rs. 55,30,678 and Rs. 10,61,586 respectively to the retiring employees have been considered in the calculation of available fund of the school.

4. On review of audited financial statements of the school and further, discussion with the school during personal hearing, the school explained that administration charges are paid to DAV CMC at the rate of 4% of the basic salary paid by the school to its staff till 2016-17. From FY 2017-18, the DAVCMC has started to charge from school administrative charges @7% of the basic salary. The similar observation was also noted in Order no. FDE15(647) PSB/2018/30698-30702 dated 19.12.2018 for session 2017-18 and it was directed to the school to not pay administrative charges @7% of the basic pay.

But instead of reducing the administrative charges to 2% as per the direction of DoE, the DAV CMC has charged 7% of basic pay in FY 2017-18 and 2018-19 from school. And, as per audited financial statements of the school for FY 2017-18 and 2018-19 administrative charges have been presented in two accounting heads namely 'Other establishment' and 'Administration Charges for Schools'. Following are details of administration charges debited by the school for FY 2017-18 and 2018-19:

(Amount in Rs.)

| S. No. | Particulars | FY 2017-18 | FY 2018-19 |
|---|---|---|---|
| 1. | Other – Establishment (grouped under Establishment) | 1,15,50,552 | 1,24,72,850 |
| 2. | Administration Charges for Schools (grouped under Administration Charges) | 44,28,223 | 30,28,748 |
| | **Total** | **1,59,78,775** | **1,55,01,598** |

Further as per school submission, school has paid administration charges of Rs. 17,77,004 and Rs. 75,38,024 in FY 2017-18 and 2018-19 respectively which is more than 2% of basic pay as per order dated 19.12.2018. Therefore, school is directed to recover the aforesaid amount from the DAV CMC and accordingly, this amount has been considered as fund available with the school while deriving the fund position of the school with the direction to recover the said amount from the society within 30 days from the issue of this order.

5. As per Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11.02.2009 *"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 income generated from the investment made out of this fund, will be kept in a separately maintained Development Fund Account."*

Further, 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."*

However, it was submitted by school in hearing that it has started treating development fund as Capital receipt from FY 2017-18 but school did not follow para 99 of Guidance Note 21. Further, it is noted that the school has utilised development fund for building for Yagashala and lifts during the FY 2017-18 and FY 2018-19, which is in contravention of clause 14 of Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11.02.2009.

Regarding compliance of para 99 of Guidance Note, it was noted that the school transferred an amount equivalent to the purchase cost of the assets from development fund to general reserve fund instead of accounting treatment as indicated in the guidance note cited above.

Therefore, school is instructed to follow para 99 of Guidance note 21 and also make necessary entries relating to development fund to comply with the accounting treatment indicated in the Guidance Note. Also, the school should prepare separate fixed assets schedule for assets purchased out of the development fund and other assets purchased out of the general reserve fund.

Further, an analysis of the development fee collected and utilised from FY 2016-17 to 2018-19 indicates that the school has been collecting development fee more than its requirement. The school has not followed fund based accounting in FY 2016-17 and not presented the amount of development fee collected and expenditure incurred out of development fee. Further, the school has collected development fee of Rs. 2,32,99,426 and Rs. 2,33,20,320 in FY 2017-18 and 2018-19 respectively and has incurred expenditure of Rs. 61,73,022 and 30,23,307 in FY 2017-18 and 2018-19 respectively against that. Thus, in two years, the school has generated surplus of Rs. 3,74,23,417 from development fee. This analysis indicates that the school is generating more funds than the actual requirements for purchase/ upgradation of furniture fixtures and equipment etc. and thereby the school is accumulating funds/ surplus under this head. Therefore, the school is directed to determine the actual requirement of development fee to be collected from the students from the subsequent financial year and do not indulge in any kind of commercialisation of education.

It is pertinent to mention here that the Hon'ble Supreme Court in the matter of Modern School held that development fees for supplementing the resources for purchase, upgradation and replacements of furniture and fixtures and equipment can by charged from students by the recognized unaided schools not exceeding 15% of the total annual tuition fee. Further, the Directorate's circular no. 1978 dated 16.04.2010 states "All schools must, first of all, explore and exhaust the possibility of utilizing 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 utilized for years together may also be used to meet the shortfall before proposing a fee increase."

In view of accumulated balance available with the school as on 31.03.2019 amounting Rs. 3,74,23,417 and past trend of actual expenditure incurred against development in last two years from 2017-18 to 2018-19 (total amounting to Rs. 91,96,329), it appears that school has accumulated huge reserves of development fund. Therefore, in view of aforesaid DOE's order dated 16.04.2010 and Court's judgement, this accumulated balance of development fund amounting Rs. 3,74,23,417 must have been considered for addition while deriving the fund position of the school. But taking a lenient view, such amount of Rs. 3,74,23,417 has not been considered and rather have been restricted to one year collection of development fee amounting Rs. 2,33,20,320 as collected in FY 2018-19 while deriving the fund position of the school.

## B. Other Discrepancies

1. Clause 19 of Order No. F.DE./15(56)/Act/2009/778 dated 11.02.2009 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 provides "*Income derived from collections for specific purposes shall be spent only for such purpose.*" Further, as per Clause 22 of Order No. F.DE./15(56)/Act/2009/778 dated 11.02.2009 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.*" And as per Sub-rule 3 of Rule 177 of DSER, 1973 "*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.*"

However, as per audited financial statements of the school, it has been noted that the school charges earmarked levies in the form of Transport Fees, Science fee, Dairy Charges, Magazine Charges and Computer Science. However, the school has not maintained separate fund accounts for these earmarked levies and 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.

Also, as per Guidance Note 21 Accounting by Schools issued by the ICAI, earmarked levies collected from students are a form of restricted funds, and which are required to be credited to a separate fund account when the amount is received and reflected separately in the Balance Sheet. The above-mentioned Guidance Note-21 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). However, school has not been following fund-based accounting in accordance with the principles laid down by aforesaid Guidance Note.

The similar observation was also noted in order no. FDE15(647) PSB/2018/30698-30702 dated 19.12.2018 issued for academic session 2017-18 and it was directed to the school 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. It was also submitted by school that at times, they have been used to meet shortfall in Tuition Fee vis-à-vis Establishment cost as Tuition Fee is not sufficient and thus, utilised the earmarked levies for meeting the shortfall. Details of income and expenditure of earmarked levies as per audited financial statements for FY 2016-17, 2017-18 and 2018-19 are as follows:

**(Amount in Rs.)**

| Particulars | Transport Fee@ | Pupil Fund | Computer and I.T. Fee | Science Fee and Home Science Fee | Magazine & Dairy Fee |
|---|---|---|---|---|---|
| **For the year 2016-17** | | | | | |
| Fee Collected during the year (A) | 1,11,37,645 | 73,62,904 | 1,11,73,880 | 35,56,750 | 20,69,955 |
| Expenses during the year (B)# | 94,66,819 | -^ | 51,550 | 18,644 | 4,72,016 |
| **Difference for the year (A-B)** | **16,70,826** | **73,62,904** | **1,11,22,330** | **35,38,106** | **15,97,939** |
| **For the year 2017-18** | | | | | |
| Fee Collected during the year (A) | 1,01,19,200 | 65,26,835 | 1,08,74,610 | 34,61,800 | 20,14,290 |
| Expenses during the year (B) # | 1,01,30,459 | -^ | 4,63,962 | 1,05,907 | 18,29,479 |
| **Difference for the year (A-B)** | **(11,259)** | **65,26,835** | **1,04,10,648** | **33,55,893** | **1,84,811** |
| **For the year 2018-19** | | | | | |
| Fee Collected during the year (A) | 1,19,46,600 | 64,19,250 | 1,06,99,350 | 43,77,580 | 20,46,040 |
| Expenses during the year (B) # | 94,52,587 | -^ | 9,32,646 | 2,04,706 | 11,46,135 |
| **Difference for the year (A-B)** | **24,94,013** | **64,19,250** | **97,66,704** | **41,72,874** | **8,99,905** |
| **Surplus/ (Deficit)** | **41,53,580** | **2,03,08,989** | **3,12,99,682** | **1,10,66,873** | **26,82,655** |

^ Details of expenses incurred against pupil fund cannot be identified from the audited financial statements.

@School has not apportioned depreciation on vehicles used in expenses incurred for transportation and also, it has not considered salaries paid to transport staff as part of transport expenses.

#School has not followed fund based accounting for earmarked levies and thus, not showing expenditure incurred exclusively against these earmarked fee and therefore, aforesaid surplus/ (deficit) amount calculated above may get revised upon correct presentation of expenses against these earmarked fees.

Further, it is noted that the financial statements of the school have been reflecting 'Income earned extra activities' for which school has not provided the details of nature of income and the corresponding expenditures incurred, if any, against that. The details of income earned over the year are as follows:

**(Amount in Rs.)**

| Particulars | 2016-17 | 2017-18 | 2018-19 |
|---|---|---|---|
| Income earned on Extra Activities | 65,66,385 | 57,20,730 | 60,75,000 |

In view of aforesaid orders, it is noted that school has not complied with legal positions laid for charging, collecting and accounting of earmarked levies and thus, not complied with the aforesaid directions stated in order dated 19.12.2018. Therefore, it is once again directed to the school 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. As per Order No. DE.15/Act/Duggal.Com/ 203/99/23033-23980 dated 15.12.1999, 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 has been noted that the school's fee structure includes 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. The similar observation was also noted in order no.

FDE15(647) PSB/2018/30698-30702 dated 19.12.2018 issued for academic session 2017-18 wherein the school was directed not collect pupil fund from students with immediate effect. However, as per the representations submitted by the school, the school has clarified that the Pupil Fund is maintained as per rule 171 framed under DSEA & R, 1973 and these funds are specifically used for the purpose for which these are collected and is regulated as per the provision of the said rule. Thus, it seems that the school failed to understand the directions of the department and that as per order dated 15.12.1999 school cannot charge the fee other than prescribed heads of fee. Therefore, school is once again directed to stop the collection of pupil fund from students immediately.

3. The school was directed to prepare fixed assets register through this Directorate's Order No. F. DE-15/ACT-I/WPC-4109/PART/13/937-941 dated 26.09.2017 issued to the school post evaluation of the proposal for enhancement of fee for FY 2016-2017 and order no. FDE15(647) PSB/2018/30698-30702 dated 19.12.2018 issued for academic session 2017-18, however the school has not prepared a Fixed Assets Register (FAR). The school should prepare Fixed Assets Register (FAR) including 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 school maintains "Property Register" for fixed assets. However, school explained that the value of fixed assets as per property register does not match with the fixed assets schedule. Hence, the school is once again directed to prepare FAR with relevant details mentioned above and make it available for verification at the time of evaluation of next fee proposal of the school.

4. As per direction no. 3 of the public notice dated 04.05.1997 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, as per Clause 18 of Order no F.DE/15(56)/Act/2009/778 dated 11.02.2009 "*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.*"

However, it has been noted that the school had not treated un-claimed caution money as income in the next financial year after the expiry of 30 days from the date of communication to ex-student for collecting caution money, which should have been done. During the personal hearing, school submitted that it has stopped collecting caution money from students from FY 2018-19 onwards and has started adjusting the caution money already collected from old students against the fee due from them and will adjust the balance amount payable in the coming financial years. Thus, based on the explanation provided by the school, the school should refund/adjust total caution money and should not collect it subsequently. Thus, amount payable as on 31.03.2018 against caution money amounting Rs. 17,86,500 has been considered while deriving the fund position of the school.

C. **Inference**

**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 FY 2018-19 amounting to Rs. **38,79,17,102** out of which cash outflow in the FY 2018-19 is estimated to be Rs. **29,86,21,819.** This results in net surplus amounting to Rs. **8,92,95,283** for FY 2018-19 after all payments. The details of fund position are as follows:

| **Particulars** | **Amount in Rs.** |
|---|---|
| Cash and Bank balances as on 31.03.18 (as per audited Financial Statements of FY 2017-18) | 1,64,72,326 |
| Investments (Fixed Deposits) as on 31.03.18 (as per audited Financial Statements of FY 2017-18) | 5,75,14,553 |
| Investments (Fixed Deposits) as on 31.03.18 as Gratuity and Leave Encashment Pool Fund with DAV CMC (as per audited Financial Statements of FY 2017-18) | 6,81,27,895 |
| Add: Amount recoverable from society for additions to building reflected in financial statement for FY 2014-15 and FY 2015-16 (as per Order no. FDE15(647) PSB/2018/30698-702 dated 19.12.2018) **(as per observation 2 of Financial Discrepancy)** | 2,75,26,538 |
| Add: Amount recoverable from society for additions to building in FY 2016-17 and 2017-18 (for lifts) **(as per observation 2 of Financial Discrepancy)** | 23,95,566 |
| Add: Amount recoverable from society for additions to buses reflected in financial statement for FY 2016-17 from the Society **(as per observation 1 of Financial Discrepancy)** | 20,61,780 |
| Add: Amount recoverable from society for excessive Administrative charges **(as per observation 4 of Financial Discrepancy)** | 93,15,028 |
| Less: Development Fund **(Refer Note 4)** | 2,33,20,320 |
| Less: Fixed Deposits in the joint name of Secretary, CBSE and Manger, School as on 31.03.2018 (as per School's submission) | 5,87,299 |
| Less: Caution Money as on 31.03.2018 (as per audited financial statements) | 17,86,500 |
| **Available funds** | **15,77,19,567** |
| Fees for 2018-19 as per audited Financial Statements | 21,95,60,277 |
| Other income for 2018-19 as per audited Financial Statements | 1,06,37,258 |
| **Estimated availability of funds for 2018-19** | **38,79,17,102** |
| **Total cash outflow (Revenue Expenditure + Capital Expenditure - Depreciation) (refer note 1,2,3,4 and 5 below)** | 27,68,79,944 |
| **Less: Arrears of salary as per 7th CPC (as per School submission)** | 2,17,41,875 |



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| Particulars | Amount in Rs. |
|---|---|
| Estimated Cash Surplus | 8,92,95,283 |

**Note 1:** As per order for session for FY 2017-18, school was directed not to charge more than 2% of basic salary as administrative charges. However, school has charged administrative charges more than the prescribed 2% of basic pay for 2018-19 and accordingly, school is directed to recover the excess administrative charges paid in the FY 2018-19. Further the excess administrative charges debited in the FY 2018-19 amounting Rs. 49,48,365 has not been considered in the cash outflow for the year.

**Note 2:** As per financial observation no. 2, the school has not deposited any amount to LIC or similar agency towards gratuity and leave encashment despite being instructed several times by the department. Therefore, the amount provided by school for gratuity and leave encashment amounting Rs. 1,10,22,421 and Rs. 47,23,965 respectively for FY 2018-19 has not been considered though the pay-out to retiring employees towards gratuity and leave encashment amounting Rs. 55,30,678 and Rs. 10,61,586 respectively have been considered.

**Note 3**: As per audited financial statements for FY 2018-19, the school has incurred capital expenditure for construction of building (Yagashala) for Rs. 13,52,906 in contravention of Clause 2 of Public Notice dated 04.05.1997 and the orders issued by DOE from time to time. Accordingly, the same has not been considered in the cash outflow for the year.

**Note 4:** The Supreme Court in the matter of Modern School held that development fees for supplementing the resources for purchase, upgradation and replacements of furniture and fixtures and equipment can by charged from students by the recognized unaided schools not exceeding 15% of the total annual tuition fee. Further, the Directorate's circular no. 1978 dated 16.04.2010 states "All schools must, first of all, explore and exhaust the possibility of utilizing 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 utilized for years together may also be used to meet the shortfall before proposing a fee increase." Over the number of years, the school has accumulated development fund and has reflected the closing balance of Rs 3,74,23,417 in its audited financial statements of FY 2018-19. Accordingly, the accumulated reserve of development fund created by the school by collecting development fee more than its requirement for purchase, upgradation and replacements of furniture and fixtures and equipment has been considered as free reserve available with the school. However, development fund equivalent to amount collected during financial year 2018-19 for Rs. 2,33,20,320 has been left with the school to meet its future requirements.

**Note 5:**Depreciation being non-cash expense, would not result in cash outflow. Thus, it has not been considered.

ii. The School has sufficient funds to carry on the operation of the School for the academic session 2018-19 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 Chartered Accountants that along with certain financial and other irregularities, that the sufficient funds are available with the school to carry out its operations for the academic session 2018-19. Accordingly, the fee increase proposal of the school may be rejected.

AND WHEREAS, recommendation of the team of Chartered Accountants along with relevant materials were put before the Director of Education for consideration and who after considering all the material on the record, and after considering the provisions of section 17 (3), 18(5), 24(1) of the DSEA, 1973 read with Rules 172, 173, 175 and 177 of the DSER, 1973 has found that the school has sufficient funds for meeting financial implication for the academic session 2018-19. Therefore, Director (Education) has rejected the proposal submitted by the school to increase the fee for the academic session 2018-2019.

Accordingly, it is hereby conveyed that the proposal of fee increase for academic session 2018-19 of **Shaheed Rajpal DAV Public School, Dayanand Vihar, New Delhi – 110092 (School Id: 1001183)** has been rejected by the Director of Education. Further, the management of said School is hereby directed under section 24(3) of DSEA, 1973 to comply with the following directions:

1. Not to increase any fee in pursuance to the proposal submitted by school on any account for the academic session 2018-19. In case, the school has already charged increased fee during FY 2018-2019, 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 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 all the financial and other irregularities/violations/discrepancies as listed above and submit the compliance report within 30 days to the A.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/ discrepancies 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 is issued with the prior approval of the Competent Authority.

09/02/2021

**(Yogesh Pal Singh)**
**Assistant Director of Education**
**(Private School Branch)**
**Directorate of Education, GNCT of Delhi**

To
**The Manager/ HoS**
**Shaheed Rajpal DAV Public School, (School Id: 1001183)**
**Dayanand Vihar, New Delhi – 110092**

No. F.DE.15 ( )/PSB/2021/649-653 Dated: 09/02/2021

**Copy to:**
1. P.S. to Principal Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. DDE concerned to ensure the compliance of the above order by the School Management.
4. Guard file.

09/02/2021

**(Yogesh Pal Singh)**
**Assistant Director of Education**
**(Private School Branch)**
O/C **Directorate of Education, GNCT of Delhi**

2/2/21