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

No. F.DE.15(199)/PSB/2021/ 3356-60 Dated: 09/09/21

ORDER

WHEREAS, every school is required to file a 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 in terms of Rule 177(1) of the Delhi School Education Rules, 1973 (hereinafter read as ***'the Rules'***). Such estimate will also provision for donation, gratuity, reserve fund and other items under rule 177(2) and savings thereafter, if any, in terms of the proviso to the rule 177(1).

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 to 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 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 has conclusively decided that under section 17(3), 18(4) read along with rule 172, 173, 175 and 177 of the Rules, Director 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 Jan 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.

AND WHEREAS, accordingly, this Directorate vide order No. F.DE.15 (40)/PSB/2019/2698-2707 dated 27 Mar 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 of DoE for increase in fee for the session 2018-2019 and 2019-2020.

AND WHEREAS in response to this directorate's circular dated 27 Mar 2019 referred to above, **DAV Public School (School ID-1925287), Jasola Vihar, New Delhi** submitted its proposal for enhancement of fee for the academic session 2018-2019 in the prescribed format.

AND WHEREAS, in the process of examination of fee hike proposal filed by **DAV Public School (School ID-1925287), Jasola Vihar, New Delhi** for the academic session 2018-2019, necessary records and explanations were called from the school through email. Further, school was also provided an opportunity of being heard on 25 Nov 2019 at 10:00 AM 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 all subsequent documents submitted by the school were thoroughly evaluated and key findings noted are as under:

A. Authenticity of Audited Financial Statements

1. As per Appendix II to Rule 180(1) of DSER, 1973, the school is required to submit final accounts i.e. receipts and payment account, income and expenditure account and balance sheet of the preceding year duly audited by a Chartered Accountant by 31st July.

On account of number of complaints received by the Institute of Chartered Accountants of India (ICAI) regarding signatures of Chartered Accountants (CAs) are being forged by non-CAs and corresponding findings by ICAI that financial documents/certificates attested by third person misrepresenting themselves as Chartered Accountants (CA) are misleading the Authorities and Stakeholders, ICAI, at its 379th Council Meeting, made generation of Unique Document Identification Number (UDIN) mandatory for every signature of Full time Practising Chartered Accountants in phased manner for the following services:

- All Certificates with effect from 1 Feb 2019
- GST and Income Tax Audit with effect from 1 Apr 2019
- All Audit and Assurance Functions with effect from 1 Jul 2019

Therefore, generation of UDIN has been made mandatory for all audit and assurance functions like documents and reports certified/ issued by practising Chartered Accountants from 1 Jul 2019. The UDIN System has been developed by ICAI to facilitate its members for verification and certification of the documents and for securing documents and authenticity thereof by Regulators.

Further, ICAI issued an announcement on 4 June 2019 for the attention of its Members with the requirement of mentioning UDIN while signing the Audit Reports effective from 1 Jul 2019, which stated "*With a view to bring uniformity in the manner of signing audit reports by the members of ICAI, it has been decided to require the members of ICAI to also mention the UDIN immediately after the ICAI's membership number while signing audit reports. This requirement will be in addition to other requirements relating to the auditor's signature prescribed in the relevant law or regulation and the Standards on Auditing.*"

The financial statements for FY 2018-2019 submitted by the school along with Audit Report dated 22 Aug 2019 signed by the Chartered Accountants did not cite UDIN, as mandated by ICAI. Therefore, authenticity of the audit and that of the financial statements for FY 2018-2019 submitted by the school could not be verified.

Further, on review of the audited final accounts for FY 2018-2019 submitted by the school, it was noted that though the Receipt and Payment Accounts were duly signed by the auditor and no reference thereon was drawn to the audit report of the auditor, but in its audit report, the auditor only gave his opinion on the true and fair view on:

- The state of affairs in the case of the balance sheet as on 31 Mar 2019
- Surplus/deficit of the accounting year in the case of Income and expenditure for the year 2018-2019

Thus, the auditor did not give his opinion on the receipt and payment account. The school did not provide reasonable justification for auditor's non-inclusion of receipt and payment account in his audit opinion.

Further, the auditor had signed the audit report and financial accounts for FY 2018-2019 on 22 Aug 2019. Thus, the school did not comply with the requirement of submission of audited final accounts in accordance with the timeline prescribed in Rule 180(1).

While the school has not complied with the statutory requirement of submission of audited final accounts and has submitted unauthentic final accounts, these financial statements for FY 2018-2019 have been taken on record by the Directorate and the same have been considered for evaluation of the fee increase proposal of the school for the academic session 2019-2020 assuming the same as unaudited/provisional financial statements.

The school is directed to confirm from the auditor whether UDIN was generated in respect of the audit opinion issued by the auditor on the financial statements of the school for FY 2018-2019. If it was generated, the same should be mentioned by the school in its compliance report. In case, UDIN was not generated by the auditor, the school is directed to seek explanation from the auditor for not complying with the requirements notified by ICAI and get the said audit report and financial statements verified from the Institute of Chartered Accountants of India for its authenticity and validity.

Accordingly, the school is directed to ensure the financial statements as per the requirements of Rule 180(1) are appropriately prepared and submitted to the Directorate within the prescribed timeline. The school is also directed to ensure that the audit opinion is issued by the auditor on the entire set of financial statements including Balance Sheet, Income & Expenditure Account and Receipt & Payment Account.

The school is further directed to ensure that the audit opinions on its future final accounts by practicing Chartered Accountant comply with the requirements enunciated by their regulatory body i.e. The Institute of Chartered Accountants of India.

B. Financial Discrepancies

1. As per the Directorate's Order No. DE 15/Act/Duggal.com/203/ 99/23033/23980 dated 15 Dec 1999, the management is restrained from transferring any amount from the recognized unaided school fund to society or trust or any other institution. The Supreme Court also through its judgement on a review petition in 2009 restricted transfer of funds to the society.

   The financial statements of the school for FY 2018-2019 reflected a recoverable balance (of Reserve Fund) of INR 36,57,841 from DAV CMC (Society) as on 31 Mar 2019.

   Accordingly, the above mentioned amount of INR 36,57,841 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/inter-units within 30 days from the date of this order.

2. Para 57 of Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "*An enterprise should determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.*" 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."

The school submitted copy of its actuarial valuation report of its liability towards gratuity and leave encashment for FY 2018-2019, on review of actuarial valuation report it was noticed that the school has over recorded its liability towards gratuity and leave encashment in its financial statements as determined by the actuary. Thus, resulting in over-provisioning of gratuity and leave encashment as under:

Particulars	Gratuity (In INR)	Leave Encashment (In INR)
Provision as on 31 Mar 2019 (as per financial statements for FY 2018-2019) (A)	2,27,26,419	1,11,15,584
Liability determined by actuary as on 31 Mar 2019 (B)	2,10,39,427	96,82,941
Over Provisioning of liability as on 31 Mar 2019 (A-B)	**16,86,992**	**14,32,643**

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.

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 2019 have been indicated below:

Head	Balance as on 31 Mar 2019 (INR)
Gratuity Fund	2,27,26,416
Leave Encashment Fund	1,11,15,587
Total	**3,38,42,003**

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). Also, the said transfer of funds to the society is in contravention of the ruling of the Hon'ble Supreme Court of India, which restricts transfer of funds to the society.

Since the school has not deposited amount equivalent to that determined by the actuary in group gratuity and group leave encashment policies of LIC or other insurer, no adjustment has been made towards the provisions for gratuity and leave encashment appearing in the financial statements of the school while deriving the fund position of the school (enclosed in the later part of this order).

Further, the school is directed to recover the funds, which have been kept by the society under the guise of gratuity and leave encashment fund of INR 3,38,42,003 being in contravention with the Supreme Court's judgement. Also, the school is directed to deposit the amount of school's obligation derived by the actuary towards gratuity and leave encashment in investments such as group gratuity scheme and group leave encashment scheme of LIC or other insurer within 30 days from the date of this order to protect statutory liabilities towards retirement benefits of school staff.

3. Directorate's order no. F.DE.15(136)/PSB/2019/1936-1940 dated 22 Feb 2019 regarding fee increase proposals for FY 2017-2018 states "*Not to increase any fee in pursuance to the proposal submitted by school for the academic session 2017-2018 and if the fee is already increased and charged for the academic session 2017-2018, the same shall be refunded to the parents or adjusted in the fee of subsequent months*"

   Directorate's order no. F.DE.15 (40)/PSB/2019/2698-2707 dated 27 Mar 2019 regarding fee increase proposals for FY 2018-2019 and FY 2019-2020 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.*"

   As per the land allotment letter issued by the Delhi Development Authority to the Society in respect of the land allotted for the school states "*The school shall not increase the rates of tuition fee without the prior sanction of the Directorate of Education Delhi Admin. and shall follow the provisions of Delhi School Education Act/Rules, 1973 and the instructions issued from time to time*".

   From the details provided by the school, it was noticed that as compared to FY 2016-2017, the school had increased its tuition fees by 7.5% during first quarter of FY 2017-2018, by 10% during the rest of three quarters of FY 2017-2018. Further, the school had increased tuition fees by 21% during the FY 2018-2019 without prior approval of the Directorate. Based on the information/calculations provided by the school, it was noted that the school had collected an additional sum of INR 2,12,20,221 on account of increased fee during FY 2017-2018 and FY 2018-2019.

   The total amount of increased fee of INR 2,12,20,221 collected from students during FY 2017-2018 and FY 2018-2019 has been adjusted while deriving the fund position of the school for FY 2018-2019 (enclosed in the later part of this order) with the direction to the school to immediately adjust/refund the amount to the students and submit evidence of the same within 30 days from the date of this order. The school is further directed not to increase fee without approval of the Directorate of Education.

4. 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.

Clause 17 of order No. F.DE/15(56)/Act/2009/778 dated 11 Feb 2009 issued by this Directorate states "No admission Fee of more than two hundred rupees per student, at the time of admission shall be charged. Admission Fee shall not be charged again from any student who is once given admission as long as he remains on the rolls of the school."

On review of audited financial statements for FY 2016-2017 to FY 2018-2019 and sample of fee receipts submitted by the school, it was observed that the school is collecting one-time orientation charges of INR 8,000 from students at the time of admission. No private recognised school can collect fee other than those prescribed in aforementioned order dated 15 Dec 1999. Further, collecting one-time charge from students at the time of admission of students takes the form of admission fee, which can be collected only upto an amount of INR 200. Thus, collection of one-time fee from students at the time of admission indicates that the school is engaging in profiteering and commercialisation of education in contravention of the aforementioned clause.

The school explained that it stopped collecting one-time fee under the name of "orientation charges" from new admissions for providing orientation sessions to the students as well parents and all the expenses are incurred from these charges.

Based on the financial statements of school for FY 2018-2019, the school collected a total sum of INR 25,20,000 from 315 students at the time of admission. For the purpose of evaluation of the fee hike proposal for FY 2018-2019, the above-mentioned fee has been considered as income for FY 2018-2019 while deriving the fund position of the school (enclosed in the later part of this order) with the direction to the school not to collect one-time orientation charges from students at the time of admission or otherwise with immediate effect.

5. 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 the students and based on details submitted by the school, utilised on co-curricular and examination related printing expenditures. Details of collection and utilization of pupil fund provided by the school for FY 2018-2019 is included hereunder:

Particulars	Nature	Amount (INR)
Pupil Fund	Income	31,04,726
Co-curricular & Function Expenses	Expense	5,76,963
Stationary/Printing for examination	Expense	24,93,535
Net Surplus reflected by school		**34,228**

Based on the fact that the fee head of 'Pupil Fund' has not been defined for recognised private unaided school and the purposes for which the school has utilised the same is covered under 'Annual Charges' collected by the school from students, the school is directed not to collect pupil fund from students with immediate effect. For the purpose of evaluation of the fee hike proposal for FY 2018-2019, the above-mentioned fee has been included in income while deriving the fund position of the school (enclosed in the later part of this order).

C. 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, the Hon'ble Supreme Court through its 2004 judgement in the case of Modern School Vs Union of India and Others directed all recognised unaided schools of Delhi to maintain the accounts on the principles of accounting applicable to non-business organizations/not-for-profit organizations. Earmarked levies collected from students are a form of restricted funds, since these can be utilised only for the purposes for which these have been collected, and according to Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India, the financial statements should reflect income, expenses, assets and liabilities in respect of such funds separately.

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 was noted that the school charges earmarked levies in the form of Transport fees, Science and Computer fees, sports fee and Miscellaneous charges such as safety and care, I card and Magazine, Medical Insurance fees and Smart Board fees from students. However, the school is yet to maintain separate fund accounts for these earmarked levies and the school has been generating surplus from earmarked levies, which has been utilised for meeting other expenses of the school or has been incurring losses (deficit) that has been met from other fees/income. Based on financial statements for FY 2017-2018, the following were the incomes and expenses against earmarked levies:

Earmarked Fee	Income (INR)	Expenses (INR)	Surplus/Fund Balance (INR)
	A	B	C=A-B
Transport Fees^	1,16,53,350	1,01,78,694	14,74,656
Science and Computer Fees	15,86,520	6,35,070	9,51,450
Safety and Care	23,52,667	31,19,292	(7,66,625)
I Card & Magazine	8,07,550	12,23,586	(4,16,036)
Sports fees	2,12,650	3,78,350	(1,65,700)

Earmarked Fee	Income (INR)	Expenses (INR)	Surplus/Fund Balance (INR)
	A	B	C=A-B
Medical Insurance Fees	4,26,767	3,80,110	46,657
Smart Board Fees	45,18,650	3,79,358	41,39,292

^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.

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 the Medical Insurance fees, Smart Board fees, Magazine fees and ID card Charges from the students of all classes. Thus, the fee charged from all students loses its character of earmarked levy, being a non-user based fees. Thus, based on the nature of the Medical Insurance fees, Smart Board fees, Magazine fees and ID card Charges, etc. and details provided by the school in relation to expenses incurred against the same, the school should not charge such fee as earmarked fee with immediate effect and should incur the expenses relating to these from tuition fee or annual charges, as applicable collected from the students.

Additionally, the school is directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount separately for each earmarked levy collected from students. Unintentional surplus/deficit, 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. The school is also directed not to collect any earmarked levy compulsorily from students and the same should be optional and at the discretion of the students.

2. Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states "*Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining 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.*"

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."*

Further, Para 102 of the aforementioned Guidance Note states "*In respect of funds, schools should disclose the following in the schedules/notes to accounts: (a) In respect of each major fund, opening balance, additions during the period, deductions/utilisation during the period and balance at the end;*
(b) Assets, such as investments, and liabilities belonging to each fund separately;
(c) Restrictions, if any, on the utilisation of each fund balance;
(d) Restrictions, if any, on the utilisation of specific assets."

Basis the presentation made in the audited financial statements for FY 2018-2019 submitted by the school, it was noted that the amount equivalent to the utilization of development fund during the year was transferred from development fund to general fund instead of the accounting treatment as indicated in the guidance note cited above. Thus, the school has not done the accounting and reporting of development fund, depreciation and depreciation reserve in accordance with the requirements of Para 99 of Guidance Note 21.

Also, the school has enclosed a consolidated fixed assets schedule giving details of all fixed assets carried over by the school in its audited financial statement for FY 2018-2019 and has not prepared separate fixed assets schedules for assets purchased against development fund and those purchased against general/capital reserve.

Further, the gross value of fixed assets as on 31 Mar 2019 of INR 22,04,74,190 has been incorrectly stated in the Fixed Assets schedule annexed along with the financial statements of the school, while the same has been correct reflected on the face of the balance sheet as INR 15,63,39,246. This was on account of incorrect summing up of depreciation with fixed assets. Thus, the school is directed to rectify the value of fixed assets in the Fixed Assets schedule, which must reconcile with the figure reported in the Balance Sheet.

Additionally, the school is directed to follow DOE's instructions regarding development fund and depreciation reserve and the school should follow the accounting and disclosure requirements prescribed in Guidance Note 21. The school should prepare separate fixed assets schedule for assets purchased against development fund and other assets purchased against general reserve/ fund, which has to be annexed with the audited financial statements along with the requisite disclosures as per the guidance note.

3. As per Order No. F.DE-15/ACT-I/WPC-4109/PART/13/7905-7913 dated 16 April 2016, "*The Director hereby specify that the format of the return and documents to be submitted by schools under rule 180 read with Appendix –II of Delhi School Education Rules, 1973 shall be as per format specified by the Institute of Chartered Accountants of India,*

established under Chartered Accountants Act, 1949 (38 of 1949) in Guidance Note on Accounting by Schools (2005) or as amended from time to time by this Institute."

Para 58(i) of the Guidance Note states "*A school should charge depreciation according to the written down value method at rates recommended in Appendix I to the Guidance Note.*"

From the financial statements of FY 2016-2017 to FY 2018-2019 submitted by the school, it was noted that the school did not charge depreciation at the rates specified in Appendix I to the Guidance Note, which was a contravention of the directions issued by this Directorate.

Accordingly, the school is directed to follow rates of depreciation rates as specified in the Guidance Note. Compliance of the same shall be validated during evaluation of subsequent fee increase proposal as may be submitted by the school. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

4. Direction no. 3 of the public notice dated 4 May 1997 published in the Times of India states "*No security/ deposit/ caution money be taken from the students at the time of admission and if at all it is considered necessary, it should be taken once and at the nominal rate of INR 500 per student in any case, and it should be returned to the students at the time of leaving the school along with the interest at the bank rate.*"

   Further, Clause 18 of Order no F.DE/15(56)/Act/2009/778 dated 11 Feb 2009 states "*No caution money/security deposit of more than five hundred rupees per student shall be charged. The caution money, thus collected shall be kept deposited in a scheduled bank in the name of the concerned school and shall be returned to the student at the time of his/her leaving the school along with the bank interest thereon irrespective of whether or not he/she requests for refund.*"

   From the information provided by the school, it was noted that the school is not refunding interest along with caution money to students at the time of leaving the school.

   Therefore, the school is directed to ensure that caution money is refunded to the students together with interest thereon.

   Accordingly, the amount reported in the audited financial statements for FY 2017-2018 in respect of outstanding caution money has been considered while deriving the fund position of the school (enclosed in the later part of this order).

5. As per the land allotment letter issued by the Delhi Development Authority to the Society in respect of the land allotted for the school, it shall ensure that percentage of freeship from the tuition fees, as laid down under rules by the Delhi Admn. from time to time, is strictly complied. The school shall ensure admission to the students belonging to weaker sections to the extent of 25% and grant freeship to them.

From the breakup of students provided by the school, it had admitted students under Economically Weaker Section (EWS) Category as under:

Particulars	FY 2017-2018	FY 2018-2019
Total Students	2461	2948
EWS Students	288	361
% of EWS students to Total Students	11.70%	12.25%

While the school in its response mentioned that it takes admission under EWS category on the basis of list of admissions provided by the Directorate, it has not complied with the requirements of land allotment and should thus take comprehensive measures (including enhancement of EWS seats) to abide by the conditions of the land allotment letter issued by the Delhi Development Authority.

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 2018-2019 amounting to INR 25,21,57,217 out of which cash outflow in the year 2018-2019 is estimated to be INR 14,81,26,126. This results in net surplus of INR 10,40,31,091. The details are as follows:

Particulars	Amount (INR)
Cash and Bank Balance as on 31 Mar 2018 (as per audited financial statements of FY 2017-2018)	2,51,77,758
Investments (Fixed Deposits) as on 31 Mar 2018 (as per audited financial statements of FY 2017-2018)	10,56,36,049
Current Account balance with DAV CMC as on 31 Mar 2018 (as per audited financial statements of FY 2017-2018)	16,55,375
Total Liquid Funds Available with the School as on 31 Mar 2018	**13,24,69,182**
Add: Fees/Incomes for FY 2018-2019 (as per financial statements of FY 2018-2019) [Refer Note 1]	13,31,69,819
Add: Amount to be recovered from the Society towards Reserve/Capital Fund with DAV CMC and interest on reserve/capital fund as on 31 Mar 2019 [Refer Financial Discrepancy No. 1]	36,57,841
Add: Amount to be recovered from the Society towards Gratuity and Leave Encashment Fund with DAV CMC and interest as on 31 Mar 2019 [Refer Financial Discrepancy No. 2]	3,38,42,003
Gross Estimated Available Funds for FY 2018-2019	**30,31,38,845**
Less: FDR jointly with CBSE (as per financial statements of FY 2018-2019)	3,74,898
Less: Salary reserve Fund [Refer Note 2]	-
Less: Staff retirement benefits [Refer Financial Discrepancy No. 2]	-

Particulars	Amount (INR)
Less: Refund/adjustment of excess fee collected from students during FY 2017-2018 and FY 2018-19 [Refer Financial Discrepancy No. 3]	2,12,20,221
Less: Development fund balance as on 31 Mar 2019 (as per financial statements for FY 2018-2019-)	2,80,33,009
Less: Depreciation Reserve Fund (balance as on 31 March 2018) [Refer Note 3]	-
Less: Caution money balance as on 31 Mar 2018 (as per audited financial statements of FY 2017-2018)	13,53,500
Net Estimated Available Funds for FY 2018-2019	**25,21,57,217**
Less: Expenses for FY 2018-2019 based on financial statements of FY 2018-2019 of the school [Refer Note 1]	13,56,89,345
Less: Arrears of 7th CPC calculated by the school from Jan 2016 to Feb 2018 (as per financial statements for FY 2018-2019)	1,24,36,781
Estimated Surplus as on 31 Mar 2019	**10,40,31,091**

Notes:

1. The school submitted its financial statements for FY 2018-2019. Based on the audited financial statements for FY 2018-2019, all fees and incomes (other than liability written back, being non-cash income) and expenses (other than depreciation, being non-cash expense) have been considered.
2. The school has not created any FDR in the joint name of the school and Deputy Director of Education. Accordingly, the same has not been considered in table above.
3. On evaluation of depreciation reserve presented in the financial statements for FY 2018-2019 by the school, it was noted that the school had created depreciation reserve on the fixed assets and presented the same as depreciation reserve on liabilities side of the Balance Sheet of the school. Also, the school is charging development fund from students for purchase, up-gradation and replacement of furniture, fixture and equipment. Since the amount reported by the school as balance of development fund has been adjusted for deriving the fund position of the school in table above, depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue accounts as per clause 14 of Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009) is more of an accounting head for appropriate accounting treatment of depreciation in the books of account of the school in accordance with Guidance Note 21 issued by the Institute of Chartered Accountants of India. Thus, there is no financial impact of depreciation reserve on the fund position of the school. Accordingly, it has not been considered in table above.

In view of the above examination, it is evident that the school has adequate funds for meeting all the budgeted expenses for the financial year 2018-2019.

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 2018-

2019 on the basis of existing fees structure and after considering existing funds/reserves.

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, certain financial irregularities were identified (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings were also noted (appropriate instructions against which have been given in this order), the funds available with the school to carry out its operations for the academic session 2018-2019 and payment of salaries as per the recommendations of 7th CPC are sufficient. Accordingly, the fee increase proposal of the school may be rejected.

And whereas, the relevant materials were put before Director of Education for consideration and who after considering all material on record has found that the school has sufficient funds for payment of salaries as per the recommendations of 7th CPC and meeting the expenses for the financial year 2018-2019. Since the school has accumulated surplus funds, increasing fee from students would result in profiteering and commercialisation of education. Therefore, Director (Education) rejects the proposal submitted by the school for enhancement of fee for the academic session 2018-2019.

Accordingly, it is hereby conveyed that the proposal for enhancement of fee for session 2018-2019 of **DAV Public School (School ID-1925287), Jasola Vihar, New Delhi** 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/charges during FY 2018-2019. Since 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 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 ensure that salaries and benefits are paid to the staff in accordance with section 10(1) of DSEA, 1973 and Directorate's order dated 25 Aug 2017.
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 India in its Judgment of Modern School vs Union of India and Others. Therefore, school must not 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. To rectify the financial and other irregularities/violations as listed above and submit the compliance report within 30 days from the date of this order to D.D.E.(PSB).

7. 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 is issued with the prior approval of the Competent Authority.

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

To:
The Manager/ HoS
DAV Public School
School ID-1925287,
Jasola Vihar, New Delhi-110025

No. F.DE.15(199)/PSB/2021/ 3356-60 Dated: 09/09/21

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 ensure the compliance of the above order by the school management.
4. Guard file.

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