

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

No. F.DE.15(668) / PSB / 2022 / 4170-4174

Dated: 03/08/22

ORDER

WHEREAS, S.L.S. DAV Public School (School ID-1003206), Mausam Vihar, Delhi-110051, (hereinafter referred to as "the School"), run by the DAV College Managing Committee (hereinafter referred to as the "Society"), is a private unaided school recognized by the Directorate of Education, Govt. of NCT of Delhi (hereinafter referred to as "DoE"), under the provisions of Delhi School Education Act & Rules, 1973 (hereinafter referred to as "DSEAR, 1973"). The School is statutorily bound to comply with the provisions of the DSEAR, 1973 and RTE Act, 2009, as well as the directions/guidelines issued by the DoE from time to time.

AND 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 DSEAR, 1973 with the Directorate. Such statement is required to indicate estimated income of the school to be derived from fees, estimated current operational expenses towards salaries and allowances payable to employees etc. in terms of rule 177(1) of the DSEAR, 1973.

AND WHEREAS, as per section 18(5) of the DSEAR, 1973 read with sections 17(3), 24 (1) and rule 180 (3) of the above DSEAR, 1973, responsibility has been conferred upon to the DoE to examine the audited financial Statements, books of accounts and other records maintained by the school at least once in each financial year. Sections 18(5) and 24(1) and rule 180 (3) of DSEAR, 1973 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 held in Civil Appeal No. 2699 of 2001 titled Modern School Vs. Union of India and others has conclusively decided that under sections 17(3), 18(4) read along with rules 172, 173, 175 and 177, the DoE has the authority to regulate the fee and other charges, with the objective of preventing profiteering and commercialization of education.

AND WHEREAS, it was also directed by the Hon'ble Supreme Court, that the DoE in the aforesaid matter titled Modern School Vs. Union of India and Others in paras 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 DoE to ensure compliance of terms, if any, in the letter of allotment regarding the increase of the fee by recognized unaided schools to whom land has been allotted by DDA/ land owning agencies.

AND WHEREAS, accordingly, the DoE vide order No. F.DE.15 (40)/PSB/2019/2698-2707 dated 27.03.2019, directing all the private unaided recognized schools, running on the land allotted by DDA/other land-owning agencies on concessional rates or otherwise, with the condition to seek prior approval of DoE for increase in fee, to submit 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 **S.L.S. DAV Public School (School ID-1003206), Mausam Vihar, Delhi-110051** had submitted the proposal for fee increase for the academic session **2019-20**. Accordingly, this order is dispensed off the proposal for enhancement of fee submitted by the school for the academic session **2019-20**.

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 2019-20, necessary records and explanations were also called from the school through email. Further, the school was also provided an opportunity of being heard on 31.10.2019 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(625) PSB/2018/30562-30566 dated 14.12.2018 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(625) PSB/2018/30562-30566 dated 14.12.2018 issued for academic session 2017-18 are as under:

A. Financial Observations

1. As per direction no. 2 included in the Public Notice dated 4.05.1997, *"it is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school becomes the sole property of the society"*. Additionally, Hon'ble High Court of Delhi in its judgement dated 30.10.1998 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 10.02.2005 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.

Rule 177 of DSER, 1973 states *"(1) 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 managing committee for meeting for meeting the capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely:*

- i. *award of the scholarships to students,*
- ii. *establishment of any other recognised school, or*
- iii. *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.*

(2) The savings referred to in sub-rule (1) 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 development nature,*
- (c) *the expansion of the school building or for the expansion or construction of any building or establishment of hostel or 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."*

Therefore, 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 fee 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 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. The aforesaid savings shall be arrived at as per the conditions laid down in Rule 177 of DSER, 1973.



The financial statements of the school for the FY 2018-19 revealed that the school has incurred expenditure on construction of building out of school funds and has capitalized building totalling to INR 19,17,385 in the aforesaid financial year, which is not in accordance with the aforementioned provisions. Further, this capital expenditure was incurred on the building without complying the requirements prescribed in Rule 177 of DSER, 1973.

Additionally, the Directorate in its order no. FDE15(625) PSB/2018/30562-30566 dated 14.12.2018 issued for academic session 2017-18, noted that in FY 2014-2015, 2015-2016 and 2016-2017, the school had incurred expenditure INR 23,16,000 on construction of the school building out of the school fund without complying with the requirement of the above-mentioned provisions. In order no. FDE15(625) PSB/2018/30562-30566 dated 14.12.2018, the school was given direction for the recovery of the said amount of INR 23,16,000 from the society. However, during the personal hearing the school explained that this amount is still pending to be recovered from the society. Therefore, total expenditure of INR 42,33,385 (INR 19,17,385 + INR 23,16,000) incurred by the school on addition to the school building is recoverable from the society and is hereby added to the fund position of the school and the school is directed to recover this amount from the society within 30 days of the issue of the order.

2. Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/883-1982 dated 10.02.2005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure*".

The financial statements of the FY 2018-19 revealed that the school has incurred INR 10,03,537 for purchase of Car (Ertiga) out of the school funds.

Further, the Directorate in its order no. FDE15(625) PSB/2018/30562-30566 dated 14.12.2018 issued post evaluation of fee increase proposal for the academic year 2017-2018, mentioned that in 2016-17, the school purchased Mahindra TUV 300 for INR 8,48,442 out of the development fund which was not in accordance with clause 14 of the order dated 11.02.2009. At the time of purchase of this car the school already had 3 vehicles so the need to purchase an additional car could not be assessed. Accordingly, the school was directed to ensure that the development fund is utilized in accordance with the directions mentioned in clause 14 of the order dated 11.02.2009 and recover the amount spent on purchase of vehicle from the society within 30 days of receipt of the order. However, during the personal hearing the school confirmed verbally that it has not recovered this amount yet.

Accordingly, the total expenditure of INR 18,51,979 incurred by the school to purchase of cars without justifying need of the same is hereby added to the fund position of the school and the school is directed to recover the same from the society within 30 days from the date of the order.

3. As per practice adopted by the schools under the management of the DAV CMC, the school provides expenditure towards Gratuity and Leave encashment @ 7% and 3% of the Basic Pay and Dearness Allowance and then it is transferred to the DAV CMC. The DAV CMC in turn manages and maintains common pool of funds for all the schools under its management and uses the same for payment of gratuity and leave encashment as and when it arises on account of his/her resignation or retirement. The department through its order no. F.DE-15/Act-I/WPC-4109/Part/13/946 dated 04.10.2017, directed to the school to obtain an actuarial valuation for



gratuity and leave encashment and report the same along with the corresponding investment in the audited financial statements.

The school while attending the personal hearing of evaluation of fee increase proposal for the academic session 2017-18 mentioned that DAV CMC is in the process of getting the actuarial valuation of retirement benefits of staff of all the schools under its management and the selection process of the actuary has been completed by DAV CMC for carrying out the valuation. The school further explained that the valuation exercise has been initiated for all school under the management of DAV CMC, thus, it is taking more time than expected in collecting the staff data from schools across India, verifying the same and submitting it to the Actuary for valuation. The school further mentioned that the liability as per actuarial valuation would be presented in the financial statements of the school for FY 2018-2019 along with investment in plan-assets as per the requirements of AS-15.

Based on the above, the school has got the actuarial valuation of its liability towards gratuity and leave encashment as at 31.03.2019 and submitted the same to the department. As per the actuary report, the total liability towards gratuity and leave encashment was INR 5,61,84,045 and INR 1,14,23,796 respectively as at 31.03.2019. However, the school has reported INR 3,91,63,664 and INR 2,01,46,872 towards gratuity and leave encashment in its audited financial statements for FY 2018-19. While the corresponding investment in the form of LIC etc. as agreed by the school above has not been reported in the audited financial statements. Thus, the school has under reported its liability towards gratuity by INR 1,70,20,381 and over reported liability towards leave encashment by INR 87,23,076 as at 31.03.2019. The details of gratuity and leave encashment has been tabulated below.

Head	As per Actuary Report as on 31.03.2019 (A)	As per Audited FS as on 31.03.2019 (B)	Difference C=(A-B)
Gratuity	5,61,84,045	3,91,63,664	1,70,20,381
Leave Encashment	1,14,23,796	2,01,46,872	(87,23,076)

During the personal hearing, the school provided details of fund balance with DAV CMC is INR 5,93,10,536 as on 31.03.2019 with respect to the payments made by the school to DAV CMC towards maintenance of retirement benefits fund with DAV CMC including interest accrued.

Further, according to Para 7.14 of the Accounting Standard 15 – ‘Employee Benefits’ issued by the Institute of Chartered Accountants of India, “Plan assets comprise:

- (a) assets held by a long-term employee benefit fund; and
- (b) qualifying insurance policies.”

Accordingly, the investment in the form of fund balance maintained by DAV CMC with respect to liability towards retirement benefits does not qualify as ‘Plan Assets’ within the meaning of Accounting Standard 15 (AS-15). As the school has obtained actuarial valuation report for the first time but has neither reported correct liability in the financial statements nor invested any amount in plan assets despite giving several directions in the past. Since the school has been continuously overlooking the directions of the department therefore, the provisions recorded by the school towards gratuity and leave encashment have not been considered while

deriving the fund position of the school with the direction to the school to make an investment in plan assets equivalent to the liability determined by the actuary in accordance with AS-15.

4. During the personal hearing, the school explained that administration charges payable to DAV CMC are accounted for at the rate of 4% of the basic salary paid by the school to its staff until financial year 2016-17 and thereafter, it has been increased to 7% of the basic salary paid by the school to its staff i.e., with effect from FY 2017-18. The department in its order no. F.DE-15(625)/PSB/2018/30562-66 dated 14.12.2018, issued post evaluation of fee increase proposal for the academic session 2017-18, noted that the school has provided administration charges at 4% of basic salary and grade pay in FY 2016-17 which resulted in excess expenditure of INR 4,04,965 and accordingly directed the school to reduce the administrative charges to 2% of the basic salary paid to the staff. Considering that the basic salary of the staff has also increased substantially on account of implementation of the 7th CPC and that should be sufficient to absorb the impact of increase cost at DAV CMC. However, the school has increased the rate of administrative charges being paid to DAV CMC instead of reducing the same in FY 2017-18 and 2018-19 and further the school has not recovered the amount INR 4,04,965 from the society as directed in the aforementioned order.

Accordingly, the excess amount of INR 90,61,313 (INR 4,04,965 + INR 43,13,723 + INR 43,42,625) paid by the school to DAV CMC as an administrative charge in contrary to the above direction is recoverable from the society and has therefore been included while deriving the fund position of the school considering the same fund is available with the school and the school is directed to recover this amount from the society within 30 days from the date of issue of the order. The calculation of excessive administrative charges has been provided below.

Particulars	FY 2017-18	FY 2018-19
Basic Pay paid to the staff	7,71,88,315	8,63,62,052
Total	7,71,88,315	8,63,62,052
Administrative charges paid (A)	58,57,489	60,69,866
Effective rate	8%	7%
Allowable rate as per the directorate's order	2%	2%
Administrative charges payable as per allowable rate (B)	15,43,766	17,27,241
Difference (A-B)	43,13,723	43,42,625
Excess amount paid is recoverable from the society	43,13,723	43,42,625

Further, it has also been noted that school has budgeted administrative charges @7% of basic pay amounting to INR 62,77,618 in FY 2019-20. However, while deriving the fund position of the school the same has been restricted to 2% of the basic pay and thus, administrative charges for INR 44,84,012 has not been considered while deriving the available fund of the school. Further, the school is also directed to recover the excess amount paid to the DAV CMC within 30 days from the date of issue of this order.

5. The audited financial statements of FY 2018-19 revealed that school has reported INR 1,52,52,033 as fee refundable on account of increased fee in FY 2017-18 without obtaining prior approval from the Director (Education). Therefore, total liability of INR 1,52,52,033 reported by the school has been considered while deriving the fund position of the school and the school is directed to refund this amount/ adjust the same dues due from the students.

6. As per Clause 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, clause 18 of Order no F.DE/15(56)/Act/2009/778 dated 11.02.2009 states *"No caution money/security deposit of more than five hundred rupees per student shall be charged. The caution money, thus collected shall be kept deposited in a scheduled bank in the name of the concerned school and shall be returned to the student at the time of his/her leaving the school along with the bank interest thereon irrespective of whether or not he/she requests for refund."*

The order no. FDE15(625) PSB/2018/30562-30566 dated 14.12.2018, issued for academic session 2017-18, it was observed that the school has not maintained separate bank account for deposit of caution money collected and not credited the interest earned thereon to the credit of caution money account. It was also noted that interest on caution money was not paid to the students at the time of payment. Therefore, the school was directed to open a separate bank account for caution money deposit and to transfer the interest thereon to the credit of caution money account and to refund the caution money to the students along with interest.

During the personal hearing, the school submitted that it has stopped collecting caution money from the students and adjusting the caution money already collected from old students against the fee due from them and by the next year it will be completely set off against the future dues of the students. The explanation provided by the school were taken on record and the balance of caution money payable amounting to INR 1,31,200 as on 31.03.2019 has been considered while deriving the fund position of the school.

B. Other Observations

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 at 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."*

The audited financial Statements revealed that the school charges earmarked levies in the form of Transport Fees, Information Dissemination charges, Smart Board Charges, etc. from the students. However, the school has not been maintaining separate fund accounts with respect to these earmarked levies and either has been generating surplus 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 the 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).

The summary of surplus/ deficit from the earmarked levies has been provided below.

Particulars	Activity/Smart Board Charges	Practical & Project Charges	Information dissemination charges	Transportation Fees^	Pupil Fund
For the year 2016-17					
Fee Collected during the year (A)	38,93,330	22,50,135	32,45,020	73,17,380	29,20,700
Expenses during the year (B)	29,13,636	10,18,629	39,87,675	71,90,879	34,37,581
Difference for the year (A-B)	9,79,694	12,31,506	-7,42,655	1,26,501	-5,16,881
For the year 2017-18					
Fee Collected during the year (A)	38,69,100	24,86,395	32,09,190	78,70,960	29,07,530
Expenses during the year (B)	48,11,664	12,19,553	34,87,030	80,33,819	34,37,581
Difference for the year (A-B)	-9,42,564	12,66,842	-2,77,840	-1,62,859	-5,30,051
For the year 2018-19					
Fee Collected during the year (A)	36,39,980	21,86,955	30,45,475	75,62,830	27,77,405
Expenses during the year (B)	41,50,879	18,13,062	21,79,026	85,36,439	35,08,958
Difference for the year (A-B)	-5,10,899	3,73,893	8,66,449	-9,73,609	-7,31,553
Total	-4,73,769	28,72,241	-1,54,046	-10,09,967	-12,61,604

In view of the above, the school is directed to comply with the legal positions laid down for charging, collecting, and accounting of earmarked levies and maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from the students. Further, the school should evaluate every year the income generated, and cost incurred against each earmarked levy and any surplus/deficit generated has to be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Moreover, the school should 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 is also to be noted that similar observation was noted in order no.FDE15(625)PSB/2018/30562-30566 dated 14.12.2018 issued for academic session 2017-18.

The act of the school of charging unwarranted fee or any other amount/fee under head other than the prescribed head of fee and accumulation of surplus fund thereof tantamount to profiteering and commercialization of education as well as charging of capitation fee in other form.

2. 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 fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture fixtures and equipment's. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund will be kept in a separately maintained Development Fund Account.

Based on the above-mentioned provisions, the school can charge development fee upto 15 % of the total annual tuition fee. However, the financial statements of the school for the FY 2018-19 revealed that school has charged development fee upto 16.7% of the total annual tuition fee which is more than the prescribed limit of 15%. Therefore, the school is directed to ensure that the development fund fee charged by it should not be exceed 15% of the total annual tuition fee charged.

3. The Directorate of Education, in its 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.

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 the order*"

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

The fee structure of the school revealed that the school has been charging '*pupil fund*' from the students. Based on details submitted by the school, it has been utilised towards varied expenses of the school including function expenses, art & craft and repairs and maintenance etc.

Based on the fact that the head '*Pupil Fund*' has not been defined for recognised private unaided school and the purpose for which the school has been collecting and utilising this may

automatically be get covered either from annual charges/ Tuition fee. Therefore, charging of unwarranted fee or charging of any other amount/fee thereof prima-facie is considered as collection of capitation fee in other manner and form and would also be considered as commercialisation and profiteering of education. Therefore, the school is directed to not collect fee in the name of 'Pupil Fund' from the students with immediate effect. A similar observation was also noted while evaluating the fee increase proposal for financial year 2017-18.

4. Para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states *"Where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year."*

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 instead of accounting treatment as indicated in the guidance note stated above. Also, the school has enclosed a consolidated fixed assets schedule giving details of all assets carried over by the school in its audited financial statements for FY 2018-19 and has not prepared separate fixed assets schedule for assets purchased out of the development fund and out of the general fund. During the personal hearing, the school has accepted the deficiency in the accounting treatment and agreed to rectify these observations going forward. The compliance with respect to this will be examined at the time of evaluation of fee proposal of the next academic session.

This being a procedural observation no impact has been given while deriving the fund position of the school. The school is further directed to make necessary rectification entries relating to development fund to comply with the accounting treatment indicated in the above Guidance Note-21 and prepare separate fixed assets schedule for assets purchased out of the development fund and from general reserve/ fund.

5. The order No. DE.15/Act/Duggal.Com/ 203/99/23033-23980 dated 15.12.1999 states "the recognised unaided private school can collect following fees from the students/ parents:
- Registration Fee
 - Admission Fee
 - Caution Money
 - Tuition Fee
 - Annual Charges
 - Earmarked Levies
 - Development Fee

The aforementioned order was also upheld by the Hon'ble Supreme Court in the case of Modern School vs Union of India & Others. The review of the fee structure of FY 2018-19 submitted by the school, revealed that school has been charging fee INR 15,000 per student in the name of 'Student Safety and Security Charges' at the time of admission.

The School is not allowed to charge one-time fees at the time of admission for development activity of students. Charging of one-time fees at the time of admission tantamount to capitation fee which is prohibited under section 13 of the Right of Children to Free and Compulsory Education Act, 2009. Therefore, the school is hereby directed to not charge any such fee from



the students in future and to adjust the fee already collected against monthly fee due from the students.

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 2019-20 amounting to INR **19,69,75,185** out of which cash outflow in the year 2019-20 is estimated to be INR **20,42,77,631**. This results in net deficit of INR **73,02,446**. The details are as follows:

Particulars	Amount (In INR)
Cash and Bank balances as on 31.03.19 as per the audited Financial Statements	46,45,628
Investments (Fixed Deposits) as on 31.03.19 as per the audited Financial Statements	1,23,36,333
Current Account Balance with DAV CMC as on 31.03.2019 as per the audited Financial Statements	5,93,10,536
Available funds	7,62,92,497
Fees for 2018-19 as per audited Financial Statements on the assumption that the amount received in FY 2018-19 will at least accrue in FY 2019-20 (Refer Note 1 below)	13,15,57,783
Other income for 2018-19 as per audited Financial Statements on the assumption that the amount received in FY 2018-19 will at least accrue in FY 2019-20 (Refer Note 1 below)	41,10,428
Add: Recovery from society towards additions to building (Refer financial observation 1)	42,33,385
Add: Recovery from society against purchase of car (Refer financial observation 2)	18,51,979
Less: Retirement benefits (Refer financial observation 3)	-
Add: Recovery from DAV CMC towards excess administration charges paid (Refer financial observation 4)	90,61,313
Less: Excess fee refundable (Refer financial observation 5)	1,52,52,033.00
Less: Development Fund (Refer Note 2 below)	1,40,92,270
Less: Caution money as on 31.03.19 (Refer financial observation no. 6)	1,31,200
Less: Fixed Deposits in the joint name of DOE and Manager of School as on 31.03.2019 (as per School's submission)	6,56,696
Estimated availability of funds for 2019-20	19,69,75,185
Total cash outflow (Refer Note 3 & 4 below)	20,39,32,235
Less: Salary arrears as per 7th CPC (as per audited financial statements)	3,45,396
Net Deficit	73,02,446

Notes:

1. Fees and income as per audited financial statements for the FY 2018-19 have been considered with the assumption that the amount of income during FY 2019-20 will at least

accrue during the FY 2019-20 except the Prior period income INR 20,33,523 and Liabilities written back INR 17,14,262.

2. 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 be 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 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.*" Over a number of years, the school has accumulated development fund and has reflected the closing balance of INR 2,48,68,773 in its audited financial statements of FY 2017-18. 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 for meeting the financial implication of 7th CPC to be implemented by the school.
3. Directorate through its Order no FDE15(625) PSB/2018/30562-30566 dated 14.12.2018 issued for academic session 2017-18, directed the school not to charge more than 2% of basic salary as administrative charges. However, it has been noted that for FY 2019-20 school has budgeted INR 62,77,618 as administrative charges payable to DAV CMC which comes to 7% of the basic salary. The same has been restricted to INR 17,93,605 i.e., 2% of the basic salary based on the direction given in aforesaid order dated 14.12.2018.
4. On review of budget submitted by the school for FY 2019-20 it has been observed that the School has budgeted following expenditures in excess of 110% of the actual expenditure incurred in FY 2018-19. During the personal hearing the school was asked to submit proper justification for such substantial increase under these expenditures. However, the school has not provided the basis and rational which warrants for such unusual increase. Therefore, considering the rise in inflation these expenditures have been considered to 110% of the actual expenditure incurred during the FY 2018-2019 while deriving the fund position. The details of these expenditure are as under.

Particulars	FY 2018-19	FY 2019-20	Net Increase/ (Decrease)	% Change	Amount Disallowed
Printing & Stationery	6,32,990	9,74,160	3,41,170	54%	2,77,871
Lab expenses	1,99,140	6,51,046	4,51,906	227%	4,31,992
Computer expenses	11,41,276	14,65,626	3,24,350	28%	2,10,222
Total	19,73,406	30,90,832	11,17,426		9,20,085

- ii. In view of the above examination, it is evident that the school does not have surplus fund to meet its expenditure for the academic session 2019-20 at the existing fee structure. In this regard, the directions issued by the Directorate of Education vide circular no. 1978 dated 16.04.2010 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."

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 along with certain financial and other observations that the sufficient funds are not available with the school to carry out its operations for the academic session 2019-20. Accordingly, the fee increase proposal of the school may be accepted.

AND WHEREAS, recommendation of the team of Chartered Accountants along with relevant materials were put before the Director (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 funds are not available with the school for meeting financial implication for the academic session 2019-20.

AND WHEREAS, it is noticed that the school has utilised INR 1,51,46,677 in contravention of provisions of DSER, 1973 and other orders issued by the departments from time to time. Therefore, the school is directed to recover INR 1,51,46,677 from the society. The amount of above receipt along with copy of bank statements showing receipt of above-mentioned amount should be submitted with DoE, in compliance of the same, within thirty days from the date of issuance of this order. Non-compliance of this shall be taken up as per DSEA&R, 1973.

AND WHEREAS, it is relevant to mention that Covid-19 pandemic had a wide spread impact on the entire society as well as on general economy. Further, charging of any arrears on account of fee for several months from the parents is not advisable not only because of additional sudden burden fall upon the parents/students but also as per the past experience, the benefit of such collected arrears are not passed to the teachers and staff in most of the cases as was observed by the Justice Anil Dev Singh Committee (JADSC) during the implementation of the 6th CPC. Keeping this in view, and exercising the powers conferred under Rule 43 of DSER, 1973, the Director (Education) has accepted the proposal submitted by the school and allowed an increase in fee by 6.5% to be effective from 01 July 2022.

AND WHEREAS, the school is directed, henceforth to take necessary corrective steps on the financial and other observations noted during the above evaluation process and submit the compliance status within 30 days from the date of this order to the D.D.E (PSB).

Accordingly, it is hereby conveyed that the proposal for fee increase for the academic session 2019-20 of **S.L.S. DAV Public School (School ID-1003206), Mausam Vihar, Delhi-110051** is hereby accepted by the Director (Education) and the school is allowed to increase its fee by 6.5% to be effective from 01 July 2022.

Further, the management of said school is hereby directed under section 24(3) of DSEA 1973 to comply with the following directions:

1. To increase the fee only by the prescribed percentage from the specified date.

2. To ensure payment of salary is made in accordance with the provision of Section 10(1) of the DSEA, 1973. Further, the scarcity of funds cannot be the reason for non-payment of salary and other benefits admissible to the teachers/ staffs in accordance with section 10 (1) of the DSEA, 1973. Therefore, the Society running the school must ensure payment to teachers/ staffs accordingly.
3. To utilize 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

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.



(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 1003206)
Mausam Vihar, Delhi-110051

No. F.DE.15(668) / PSB / 2022 / 4170-4174

Dated: 03/06/22

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 (East) ensure the compliance of the above order by the school management.
4. In-charge (I.T Cell) with the request to upload on the website of this Directorate.
5. Guard file.



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