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43

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

No. F.DE.15(670)/PSB/2018/30833-37

Dated: 24/12/18

ORDER

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

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

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

"27....

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

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

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

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

AND WHEREAS in response to this directorate's circular dated 23 Oct 2017 referred to above, **DAV Centenary Public School (School ID-1617177), Paschim Enclave, Paschim Vihar, Delhi 110087** submitted its proposal for enhancement of fee for the academic session 2017-2018 in the prescribed format including the impact on account of implementation of recommendations of 7th CPC with effect from 1 Apr 2017.

AND WHEREAS, in order to ensure that the proposals submitted by the schools for fee increase are justified or not, this Directorate has deployed teams of Chartered Accountants at HQ level who has evaluated the fee increase proposals of the school very carefully in accordance with the provisions of the DSEA, 1973, the DSER, 1973 and other orders/ circulars issued from time to time by this Directorate for fee regulation.

AND WHEREAS, necessary records and explanations were also called from the school through email. Further, school was also provided an opportunity of being heard on 19 June 2018 at 2:00 PM to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted.

AND WHEREAS, the reply of the school, documents uploaded on the web portal for fee increase and subsequent documents submitted by the school were thoroughly evaluated by the team of Chartered Accountants and key findings noted are as under:

A. Financial Discrepancies

1. As per direction no. 2 included in the Public Notice dated 4 May 1997, *"it is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school becomes the sole property of the society"*. Additionally, Hon'ble High Court of Delhi in its judgement dated 30 Oct 1998 in the case of Delhi Abibhavak Mahasangh concluded that *"The tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society."* Also, Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/ 883-1982 dated 10 Feb 2005 issued by this Directorate states *"Capital expenditure cannot constitute a component of the financial fee structure."*

Accordingly, based on the aforementioned public notice and High Court judgement, the cost relating to land 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.

Order no. F.DE.-15/ACT-I/ WPC-4109/ PART/13/ 957 dated 13 Oct 2017 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that there was an unaccounted liability towards Delhi Development Authority (DDA) against land allotted to the school against which the school had already paid INR 3,12,85,313 as part payment of the total outstanding demand of INR 5,00,58,775 determined as per demand letter of DDA dated 1 Nov 2011. Accordingly, payment of INR 3,12,85,313 made to DDA towards land allotted to the Society translates as indirect transfer of funds to society as purchase of land is the obligation of the Society. Thus, the amount transferred was a contravention of the Directorate's Order No. DE 15/Act/Duggal.com/203/99/23033/23980 dated 15 Dec 1999, which restrains the school 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 school explained that part of the payment, which was required to be made to DDA was received by the school from the Society and the same was recorded as a loan from the Society.

The audited financial statements of the school for FY 2016-2017 reflected the value of land of INR 3,12,85,313 (equivalent to the amount paid to DDA) with the corresponding balance of interest free loan from DAVCMC (received for making payment to DDA) as on 31 Mar 2017 of INR 2,39,70,478. Accordingly, the amount of INR 73,14,835 (i.e. INR 3,12,85,313 minus INR 2,39,70,478) is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the Society within 30 days from the date of this order.

Basis above, the amount of loan repayment included by the school in its budgeted payments for FY 2017-2018 has not been considered. Further, the school is instructed to adjust land and society's loan account from its books of account.

2. As a practice adopted by the schools under the management of DAV CMC, the school provides for Gratuity and Leave encashment expense @ 7% and 3% respectively of Basic Pay and Dearness Allowance, which is transferred to DAV CMC. DAV CMC in turn manages and maintains the common pool of funds for all schools under its management and uses the same for payment of gratuity and leave encashment liability as and when the same arises in respect of the staff of respective school at the time of his/her resignation/ retirement.

The school was directed by DoE through its Order no. F.DE-15/Act-I/WPC-4109/Part/13/957 dated 13 October 2017 to obtain an actuarial valuation of its gratuity and leave encashment liabilities. Further, the school was directed to disclose its liabilities on account of gratuity and leave encashment along with corresponding investments in the financial statements from FY 2017-2018 onwards. The school is yet to obtain an actuarial certificate regarding its liability

towards retirement benefits of the staff and has continued to maintain the investments with DAV CMC.

Based on discussion with the school during personal hearing, the school provided details of fund balance with DAV CMC in respect of payments made by the school to DAV CMC towards maintenance of retirement benefits fund with DAV CMC including interest accrued for last two years. The balances disclosed by the school based on records maintained by DAV CMC as on 31 Mar 2017 have been indicated below:

Head	Balance as on 31 Mar 2017 (INR)
Gratuity Fund	1,99,60,483
Leave Encashment Fund	1,20,31,562
Total	3,19,92,045

Further, according to para 7.14 of the Accounting Standard 15 – 'Employee Benefits' issued by the Institute of Chartered Accountants of India, "*Plan assets comprise:*

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

Accordingly, the investment in the form of fund balance maintained by DAV CMC in respect of the liability towards retirement benefits of the school does not qualify as 'Plan Assets' within the meaning of Accounting Standard 15 (AS-15).

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

While the school has initiated the process of actuarial valuation, the school should get the valuation of its liability towards staff retirement benefits from an actuary at the earliest and ensure that the liability and corresponding investments are disclosed appropriately in its financial statements for FY 2018-2019. The school should also invest the amount of funds available with DAV CMC towards retirement benefits of the staff of the school in the investments that qualify as 'Plan Assets' within 30 days from the date of this order.

In absence of actuarial valuation, expenditure towards gratuity and leave encashment budgeted by the school during FY 2017-2018 have been restricted to the amount of actual pay-out of the same to the staff upon retirement during FY 2017-2018 (as per ledger account submitted by the school) and adjusted from the budgeted expenses of FY 2017-2018 while deriving the fund position of the school (enclosed in the later part of this order).

3. Incomes (fee collected from students) reported in the audited Income and Expenditure Account/ Receipt and Payment Account for FY 2016-2017 were recomputed to evaluate the accuracy of incomes reported based on the approved fee structure of the school and details of number of students enrolled (non-EWS) provided by the school. Basis the computation prepared, differences were noted in the fee collection reported by the school during FY 2016-2017 in its audited Income & Expenditure Account/ Receipt and Payment and amount of fee arrived/computed as per details provided by the school as under:

Fee Head	As per Income & Expenditure A/c (A)	As per Fee calculated on the basis of No. of fee paying students (B)	Difference (INR) (A-B)
Annual Charges	1,18,26,900	1,07,90,000	10,36,900
Science Fee and Physical Education Fee	14,32,160	12,96,000	1,36,160
Pupil Fund	38,70,920	36,25,440	2,45,480
Activity Charges	63,33,450	54,35,500	8,97,950
Stationery/Assignments/ Work Sheet Charges	70,67,420	60,74,800	9,92,620
Multimedia Fee	88,73,790	77,68,800	11,04,990
Total	3,94,04,640	3,49,90,540	44,14,100

Further, based on the information and documents submitted by the school, it was observed that the school had increased the fee during first quarter of FY 2016-2017. During personal hearing, the school explained that it has already adjusted increased fee during FY 2016-2017 and part of it in FY 2017-2018. However, complete details regarding adjustment/refund of increased fees to the students was not submitted by the school.

Regarding difference derived in fees above, the school mentioned that it was mainly on account of students who left the school after taking admission and fee paid by them was forfeited. However, the school did not provide complete details of students who left during the year and details of fee refunded/not-refunded to them.

Clause (b) of Order No. 15 (DE)/Act/2010/726-36 dated 11 Feb 2011 and Clause (b) of Order No. F.DE-15/Act 1/08/155/part file/29122-29124 dated 25 Feb 2015 states, "If any parent or guardian after depositing the full fee for admission of a child, chooses to withdraw the child from the school within one month from the date of admission, the school shall retain the Registration charges, Admission fee and the Tuition fee for one month only, and shall refund all other documents of fees or other charges within fifteen days of the request made by the parents(s), or guardian(s) to the school under proper receipt."

In absence of requisite details, it cannot be ascertained whether the school complied with the directions included in above order or had forfeited the fee in non-compliance of the aforesaid

order. Accordingly, the school is directed to prepare complete reconciliation in respect of the differences noted above including complete details of students who left the school and details of fee forfeited together with computation thereof.

B. Other Discrepancies

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

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

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

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

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

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

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

From the information provided by the school and taken on record, it has been noted that the school charges earmarked levies in the form of Transport Fees, Science fee, computer

Science fee, Multimedia fee and Activity charges, etc. from students. However, the school has not maintained separate fund accounts for these earmarked levies and the school has been generating surplus from earmarked levies, which has been utilised for meeting other expenses of the school. This was also mentioned in DOE's order No. F. DE-15/ACT-IWPC-4109/PART/13/957 dated 13 October 2017. Details of calculation of surplus/deficit, based on breakup of expenditure provided by the school for FY 2016-2017 is given below:

Earmarked Fee	Income (INR)	Expenses (INR)	Surplus (INR)
	A	B	C=A-B
Science Fee	14,32,160	*-	14,32,160
Computer Science Fee	1,64,000	*-	1,64,000
Multimedia Fee	88,73,790	*-	88,73,790
Activity Charges	63,33,450	*-	63,33,450
Stationery/Assignment/Work Sheets Charges	70,67,420	*-	70,67,420
Transport Fee [^]	71,50,700	70,56,946	93,754

* School did not provide details/breakup of expense incurred against the earmarked levy

[^] The school has not apportioned depreciation on vehicles used for transportation of students in the expenses stated in table above for creating fund for replacement of vehicles, which should have been done to ensure that the cost of vehicles is apportioned to the students using the transport facility during the life of the vehicles. The school had not apportioned salary of staff involved in transport facility. Based on details available, salary of INR 20.74 lakhs (derived for the full year on the basis of salary for the month of March 2017) in respect of 5 drivers has been added to the expenses provided by the school.

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 Multimedia fees, Activity Charges and Stationery/Assignments/Worksheets 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 Multimedia fees, Activity Charges and Stationery/Assignments/Worksheets charges and details provided by the school in relation to expenses incurred against the same, the school should not charge such fee as earmarked fee and should incur the expenses relating to these from tuition fee and/or annual charges, as applicable collected from the students. The school explained that tuition fee collected from students is not sufficient to meet the establishment cost and annual charges are also not sufficient to meet other revenue expenses of the school. Thus, the surplus generated from earmarked levies has been applied towards meeting establishment cost on account of which fund balance of earmarked levies could not be separated from the total funds maintained by the school. Accordingly, total fees (including earmarked fee) have been included in the budgeted income and budgeted expenses (including those for

504

earmarked purposes) while deriving the fund position of the school (enclosed in the later part of this order).

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

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

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

Further, clause no. 9 of the aforementioned order states "*No fee, fund or any other charge of 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 of INR 38,70,920 during FY 2016-2017 and it was explained by the school that the same has been utilised on the welfare of the students. However, details regarding utilisation of pupil fund was not provided by the school.

Based on the fact that the fee head of 'Pupil Fund' has not been defined for recognised private unaided school and the purpose for which the school has utilised the same is not separately provided, the school is directed not to collect pupil fund from students with immediate effect. For the purpose of evaluation of the fee hike proposal for FY 2017-2018, the above-mentioned fee has been included in budgeted income while deriving the fund position of the school (enclosed in the later part of this order).

3. 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.*" Also, Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/ 957 dated 13 October 2017 issued to school post evaluation of the proposal for enhancement of fee for FY 2016-2017 noted that development fund was utilised for purchase of capital expenditures other than furniture, fixture and equipment.

Further, the school has used development fund for purchase of library books of INR 2,70,660 and cars of INR 12,84,000 during FY 2016-2017, which was a non-compliance of the directions included in above order.

The school is directed to ensure that the development fund is utilized only towards purchase, upgradation and replacement of furniture, fixture and equipment. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

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.*"

Basis the presentation made in the audited financial statements for FY 2016-2017 submitted by the school, it was noted that the school transferred an amount equivalent to the purchase cost of the assets from development fund to general reserve instead of accounting treatment as indicated in the guidance note cited above.

Also, the school has enclosed a consolidated fixed assets schedule giving details of all assets carried over by the school in its audited financial statement for FY 2016-2017 and has not prepared separate fixed assets schedules for assets purchased against development fund and those purchased against general reserve.

This being a procedural finding, the school is instructed to make necessary rectification entries relating to development fund to comply with the accounting treatment indicated in the Guidance Note. Further, the school should prepare separate fixed assets schedule for assets purchased against development fund and other assets purchased against general reserve/ fund.

5. 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."*

Further, Clause 3 and 4 of Order no. DE/15/150/Act/2010/4854-69 dated 9 Sep 2010 states *"In case of those ex-students who have not been refunded the Caution Money/Security Deposit, the schools shall inform them (students) at their last shown address in writing to collect the said amount within thirty days. After the expiry of thirty days, the un-refunded Caution Money belonging to the ex-students shall be reflected as income for the next financial-year & it shall not be shown as liability. Further, this income shall also be taken into account while projecting fee structure for ensuing Academic year."*

The following were noted under DoE's order No. F. DE-15/ACT-IWPC-4109/PART/13/957 dated 13 October 2017:

- School had not maintained separate bank account for deposit of caution money collected and was directed to maintain separate bank account for collection of caution money and interest earned on the same, if any, is to be credited to the caution money account.
- School had not refunded interest on caution money along with refund of caution money to exiting students and was instructed to include interest earned on caution money in the refund amount.
- The school had not reflected un-refunded caution money belonging to ex-students as income in the next financial year after the expiry of thirty days from communication with the students to collect their caution money and had also not taken this into account while projecting fee structure for ensuring academic year. The school was instructed to follow DOE's directions in this regard.

During the personal hearing, school mentioned that it has stopped collecting caution money from students from FY 2017-2018 onwards. Also, the school has started adjusting the caution money already collected from existing students against the fee due in FY 2018-2019. The same would be completely adjusted in FY 2018-2019. Thus, based on the explanation provided by the school, the school should refund total caution money within FY 2018-2019 and should not collect it subsequently. The amount to be refunded to students as per the audited financial statements for FY 2016-2017, has been considered while deriving the fund position of the school (enclosed in the later part of this order).

3. From the fee structure for FY 2016-2017 provided by the school, it was noted that the school has filed incorrect or incomplete fee details in the online fee increase proposal submitted to the Directorate, which is tabulated below:

Class	Fee for FY 2016-2017 reported in the Proposal (FY 2017-2018) (INR)		Actual fee as per fee structure of the school for FY 2016-2017 (INR)	
	Annual Charges	Science Fee/ Computer Science Fee/ Physical Education Fee	Annual Charges	Science Fee/ Computer Science Fee/ Physical Education Fee
Nur - XII	5,600	220	5,000	200

The school mentioned that the figures were erroneously mentioned in the proposal. The school is advised to be cautious while filing details with the Directorate going forward and ensure that correct data is filled.

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

- i. The total funds available for the year 2017-18 amounting to INR 25,15,26,213 out of which cash outflow in the year 2017-18 is estimated to be INR 18,51,70,211. This results in net surplus of INR 6,63,56,003. The details are as follows:

Particulars	Amount (INR)
Cash and Bank Balance as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	8,20,84,864
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	2,76,36,024
Total Liquid Funds Available with the School as on 31 Mar 2017	10,97,20,888
Add: Estimated Fees and other incomes for FY 2017-2018 based on audited financial statements of FY 2016-2017 of the school [Refer Note 1]	15,31,78,061
Add: Recovery of amount from DAV CMC against payment made for Land [Refer Financial Finding No. 1]	73,14,835
Gross Estimated Available Funds for FY 2017-2018	27,02,13,784
Less: FDR against specific funds (with DoE)	36,50,438
Less: Development fund [Refer Note 2]	13,060,485
Less: Depreciation Reserve Fund [Refer Note 3]	-
Less: Caution Money balance as on 31 Mar 2017 (as per audited financial statements of FY 2016-2017)	19,76,648
Net Estimated Available Funds for FY 2017-2018	25,15,26,213
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 3]	18,51,70,211
Estimated Surplus as on 31 Mar 2018	6,63,56,003

Notes:

1. Fee and income as per audited financial statements of FY 2016-2017 has been considered with the assumption that the amount of income during FY 2016-2017 will at least accrue during FY 2017-2018.
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 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.*" Over a number of years, the school has accumulated development fund and has reflected the closing balance of INR 1,60,54,033 in its audited financial statements of FY 2016-2017. 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. However, development fund equivalent to amount collected in one year (FY 2016-2017) from students has been considered for deriving the fund position of the school, which is considered sufficient basis the spending pattern of the school in past.
3. The school has charged depreciation on fixed assets and has transferred the same to depreciation reserve on liabilities side of the Balance Sheet of the school. While development fund has been adjusted for deriving the fund position of the school as per Note 2 above, depreciation reserve is more of an accounting head for appropriate 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 is not considered in table above.
4. Per the Budgeted Receipt and Payment Account for FY 2017-2018 submitted by the school along with proposal for fee increase, the school had estimated the total expenditure during FY 2017-2018 of INR 19,77,40,350, which in some instances was found to be unreasonable/ excessive. Based on the explanations and details provided by the school during personal hearing, most of the expense heads as budgeted were considered even though certain expenditures were increased substantially by the school as compared to FY 2016-2017. However, during review of budgeted expenses, discrepancies were noted in some of the expense heads, which were adjusted from the budgeted expenses. The same were discussed during personal hearing with the school. Therefore, the following expenses have been adjusted while considering in the budgeted expenses for FY 2017-2018:

Expense Heads	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Gratuity Fund contribution	43,86,440	60,86,434	19,92,354	40,94,080	Refer Financial Finding No. 2
Leave Encashment contribution	18,79,878	26,08,471	4,27,983	21,80,488	Refer Financial Finding No. 2
Administrative Charges	12,69,598	59,93,800	16,98,229	42,95,571	Refer # below
Loan Repayment	20,00,000	20,00,000	-	20,00,000	Refer Financial Finding No. 1
Total Expenditure	95,35,916	1,66,88,705	41,18,566	1,25,70,139	

the school budgeted administrative charges payable to DAV CMC at the rate of 7% of basic pay (against 4% charged previously) on account of implementation of pay scales recommended by 7th Central Pay Commission (CPC) for the staff at DAV CMC. Considering that the basic salary of the staff at school has also increased substantially on account of implementation of 7th CPC during FY 2017-2018, administrative charges have been allowed @ 2% of basic salary, which results in a 34% increase in the amount (compared with FY 2016-2017) and should be sufficient to absorb the impact of increased cost at DAV CMC.

In view of the above examination, it is evident that the school has sufficient funds for meeting all the budgeted expenditure for the financial year 2017-2018.

- ii. The directions issued by the Directorate of Education vide circular no. 1978 dated 16 Apr 2010 states *"All schools must, first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase."* The school has sufficient funds to carry on the operation of the school for the academic session 2017-2018 on the basis of existing fees structure even after considering existing funds/reserves.

Whereas per direction no. 2 of Public Notice dated 4 May 1997, it is the responsibility of the society who has established the school to raise funds from their own sources or donations from the other associations for construction of building because the immovable property of the school becomes the sole property of the society. Further, Hon'ble High Court of Delhi in its judgement dated 30 Oct 1998 in the case of Delhi Abibhavak Mahasangh concluded that tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society. Thus, the cost of land should not be met out of the fee collected from students and is required to be recovered from the society.

And whereas per clause 22 of Order No. F.DE./15 (56)/Act/2009/778 dated 11 Feb 2009, user charges should be collected at 'no profit and no loss' basis and should be used only for the purpose for which these are collected. The school has continued to charge earmarked fee higher than the expenses incurred against the same and has utilised the surplus earned for meeting other expenses of the school and has thus continued its non-compliance. Accordingly, the school is advised to maintain separate fund in respect of each earmarked levy charged from the students in accordance with the DSEA & R, 1973 and orders, circulars, etc. issued thereunder. Surplus under each earmarked levy collected from the students should be adjusted for determining the earmarked levy to be charged in the academic session 2018-2019.

And whereas per clause 14 of Order No. F.DE./15(56)/ACT/2009/778 dated 11 Feb 2009, Development Fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up-gradation and replacement of furniture, fixture and equipment. Development Fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a depreciation reserve fund, equivalent to the 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. The school is advised to comply with the directions with regard to proper accounting & presentation of Development Fund in the School's financial statements and utilisation of development fund only towards purchase of furniture, fixtures and equipment.

And whereas Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "Accounting for defined benefit plans is complex because actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses." Further, the Accounting Standard defines Plan Assets (the form of investments to be made against liability towards retirement benefits) as:

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

The school has been directed to ensure compliance with Accounting Standard 15 including measurement of its liability towards retirement benefits of the staff by a qualified actuary and making the investment against the liability so determined in the mode specified under the said Accounting Standard.

And whereas, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that along with certain financial irregularities that were identified (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings which were noted (appropriate instructions against which have been given in this order), the funds available with the school for implementation of recommendations of 7th CPC and to carry out its operations for the academic session 2017-18 are sufficient. Accordingly, the fee increase proposal of the school may be rejected.

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

Director (Education) rejects the proposal submitted by the school for enhancement of fee for the academic session 2017-2018

Accordingly, it is hereby conveyed that the proposal for enhancement of fee for session 2017-2018 of **DAV Centenary Public School (School ID-1617177), Paschim Enclave, Paschim Vihar, Delhi-110087** has been rejected by the Director of Education. Further, the management of said school is hereby directed under section 24(3) of DSEAR 1973 to comply with the following directions:

1. Not to increase any fee/charges during FY 2017-2018. In case, the school has already charged increased fee during FY 2017-2018, 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 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).
4. To ensure that the salaries and allowances shall come out from the fees whereas capital expenditure will be a charge on the savings in accordance with the principles laid down by Hon'ble Supreme Court of Delhi in its Judgment of Modern School vs Union of India. Therefore, school not to include capital expenditure as a component of fee structure to be submitted by the school under section 17(3) of DSEA, 1973.
5. To utilise the fee collected from students in accordance with the provisions of Rule 177 of the DSER, 1973 and orders and directions issued by this Directorate from time to time.
6. The Compliance Report detailing rectification of the above listed deficiencies/ violations must also be attached with the proposal for enhancement of fee of subsequent academic session, as may be submitted by the school. Compliance of all the directions mentioned above will be examined before evaluation of proposal for enhancement of fee for subsequent academic session.

Non-compliance of this order or any direction herein shall be viewed seriously and will be dealt with in accordance with the provisions of section 24(4) of Delhi School Education Act, 1973 and Delhi School Education Rules, 1973.

This order has to be read in continuation to this Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/957 dated 13 October 2017 issued to the School.

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


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

To:

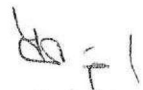
The Manager/ HoS
DAV Centenary Public School,
Paschim Enclave,
School ID 1617177
Paschim Vihar, Delhi-110087

No. F.DE.15(670)/PSB/2018/30833-37

Dated: 24/12/18

Copy to:

1. P.S. to Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. P.A. to Spl. Director of Education (Private School Branch), Directorate of Education, GNCT of Delhi.
4. DDE concerned
5. Guard file.


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