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

No. F.DE.15(223)/PSB/2019/ 1270 - 1274 Dated: 29.3.2019

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 7[th] 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...

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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, **Veda Vyasa DAV Public School (School ID-1618229), Vikaspuri, Delhi-110018** 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.

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 22 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.*"

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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.

The financial statements of the school for FY 2015-2016 and FY 2016-2017 revealed that the school has incurred expenditure on construction of building out of school funds and has capitalised Building amounting to INR 64,51,248 in the aforesaid financial years, which was part funded through funds received from the society during FY 2015-2016 of INR 57,00,000. Further, this capital expenditure was incurred on the building without complying the requirements prescribed in Rule 177 of DSER, 1973. Accordingly, the remaining balance of INR 7,51,248 (INR 64,51,248 minus INR 57,00,000) met out of the school funds (reflected as utilisation of development fund by the school, which was also not in accordance with the directions included in Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009) 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.

Further, the school is directed to ensure that development fund is utilised only towards purchase of furniture, fixture and equipment and not towards construction of building.

2. 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 school was directed to recover the amount of interest paid to the society through Directorate's Order No. F.DE-15/ACT-I/WPC-4109/PART/13/951 dated 4 Oct 2017. Based on discussions with the school during personal hearing, the school submitted that the loan amount has already been settled during FY 2015-2016 and no amount remains to be paid during FY 2016-2017. However, the school has not recovered the amount of interest quantified in the aforementioned order dated 4 Oct 2017 of INR 4,76,028 (INR 2,17,020 for FY 2013-2014, INR 2,11,052 for FY 2014-2015 and INR 47,956 for FY 2015-2016), which 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.

3. As a practice adopted by the schools under the management of DAV CMC, the school provides for Gratuity and Leave encashment expense @ 7% and 3% respectively of Basic Pay and Dearness Allowance, which is transferred to DAV CMC. DAV CMC in turn manages and maintains the common pool of funds for all schools under its management and uses the

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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/13/951 dated 4 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	2,94,08,077
Leave Encashment Fund	2,12,68,740
Total	**5,06,76,817**

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

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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).

4. 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:*

   1. *award of the scholarships to students,*
   2. *establishment of any other recognised school, or*
   3. *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."

   Based on the information provided by the school, the school has paid scholarships to students totalling to INR 11,39,969 during FY 2016-2017. Further, it was noted that the school had created an FDR of INR 1,10,000 against grant from one donor for funding scholarship and as per the details provided by the school, interest earned on fixed deposit made out of this grant could only be utilised towards payment of scholarships to students. As per the details provided by the school, it has earned an income of INR 6,850 on aforementioned fixed deposits, which was to be used for payment of scholarships to students. Accordingly, the school has utilised school funds (i.e. fee received from students) amounting to INR 11,33,119 (i.e. INR 11,39,969 minus INR 6,850) towards payment of scholarship to students without any savings in accordance with Rule 177 of DSER, 1973.

Based on discussion with the school during personal hearing, scholarship is given to students of class XI whose academic performance is outstanding at class X CBSE examination. However, the school further mentioned that it would discontinue payment of scholarships from the ensuing academic session.

Accordingly, in view of scholarship payments made by the school without complying with the requirements of Rule 177 of DSER, 1973, the amount of scholarships paid to students out of school fund of INR 11,33,119 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 the same from the society within 30 days from the date of this order. Also, scholarship budgeted by the school as expenditure for FY 2017-2018 has not been considered while deriving the fund position of the school (enclosed in the later part of this order).

5. An observation that the school has paid INR 5,00,000 as Donation/Grant to DAVCMC from Pupil Fund was included in the Directorate's Order No. F. DE-15/ACT-I/WPC-4109/PART/13/951 dated 4 Oct 2017 with the direction to the school to recover this amount from the society within 60 days.

   During personal hearing, the school provided a justification that this amount was paid during FY 2015-2016 as part subscription to defray the expenses of holding function in Jawahar Lal Nehru Stadium where the students of this school also participated besides other schools. However, the school could not provide supporting documents in relation to the event such as list of participant schools, number of school participants, amount of contribution, total cost incurred, supporting of the invoices, basis of allocation of cost, etc.

   As further explained by the school, this amount was collected only from few schools of Delhi, allocation of the common expense to various participating schools was not done by the DAV CMC. Basis the absence of the information, the expenses of INR 5,00,000 is deemed to be an expense incurred on behalf of the DAV CMC. Accordingly, the amount paid to DAVCMC as donation/grant from out of Pupil Fund of INR 5,00,000 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 the same from the society within 30 days from the date of this order.

6. The observation included in Directorate's Order No. F. DE-15/ACT-I/WPC-4109/PART/13/951 dated 4 Oct 2017 that the School has collected donations of INR 57,15,000 and INR 50,000 during FY 2015-2016 and FY 2013-2014 respectively. This was in contravention of Clause 8 of Public Notice dated 04 May 1997 that no donation should be taken or accepted or made compulsory from the students at the time of admission.

The school provided supporting documents in relation to amount of INR 57,00,000 received from DAV CMC for construction of rooms. During personal hearing, the school mentioned that it has not taken any donation from any student/parent at the time of admission. However, the school did not provide any supporting documents to substantiate its claim for the remaining amount of INR 15,000 received during FY 2015-2016 and INR 50,000 during FY 2013-2014. Based on the explanation received from the school, it is instructed to submit the supporting documents in relation to the remaining amount of donations/grants received in FY 2013-2014 and FY 2015-2016 along with its subsequent proposal for fee increase. Compliance of the same will be validated at the time of evaluation of subsequent fee increase proposal.

7. During 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. However, based on the details provided by the school and expenditure included in the audited financial statements of FY 2016-2017, it was noted that the school has provided administration charges @ 4% of basic salary and grade pay, which resulted in excess expenditure of INR 4,39,753 recorded in FY 2016-2017. This amount of INR 4,39,753 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.

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.*"

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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, Pupil Fund, Science Fees, Computer fees, Activity Fees, 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 or has been incurring losses (deficit) which has been met from other fees/income, which was also mentioned in DOE's order No. F. DE-15/ACT-I/WPC-4109/PART/13/951 dated 4 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/(Deficit) (INR)**
	A	**B**	**C=A-B**
Pupil Fund and Activity Charges*	70,45,520	37,46,944	32,98,576
Miscellaneous Charges	72,50,315	#-	72,50,315
Science Fees	15,80,065	3,18,358	12,61,707
Computer Fees	46,19,600	20,61,324	25,58,276
Transport Fee^	1,37,42,245	1,72,22,289	(34,80,044)

* The school provided combined details of income and expenses of Pupil Fund and Activity charges collected by the school as earmarked levies. Further, expenses include scholarship paid to students of INR 11,39,969. Refer Financial Finding No. 4

\# The school did not provide details/breakup of expenses incurred against the earmarked levy

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^ 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 23.66 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.

Further, from the sample of fee receipts submitted by the school, it was noted that the school was charging insurance as earmarked levy from all students, but did not report the income and expense against the same in its financial statements. Also, the school did not provide complete details of total collection and amount paid to insurance company towards insurance of students. The school explained that as the amount collected was paid to the insurer, it was not included in the financial statements.

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 Pupil Fund and Activity Charges, Miscellaneous Charges, ICT Charges and Insurance 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 ICT charges, Miscellaneous Charges, Pupil Fund, Activity Charges and Insurance 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 and 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 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 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 (included those for earmarked purposes) have been considered 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 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. Also, the school is directed to disclose all incomes and expenses in its financial statements.

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 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 students and based on details submitted by the school, it has been utilised for payment of scholarship to students, co-curricular and printing expenditures. Details of collection and utilization of pupil fund provided by the school for FY 2016-2017 is included hereunder:

Particulars	Nature	Amount (INR)
Pupil Fund	Income	39,82,665
Printing & Stationery	Expense	24,30,204
Newspapers & Periodicals	Expense	1,07,788
Function &Co-curricular activities	Expense	68,983
Scholarship to students	Expense	11,39,969
Net Surplus reflected by school		**2,35,721**

   Note: The school has not segregated expenditures incurred specifically from pupil fund and has provided details of expenditures incurred towards both pupil fund and activity fee collected from students.

   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 (except scholarships to students, which is a charge on savings as per Rule 177. Also, refer Financial Finding No. 4), 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. 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.

   Also, the school reported net balance of development fund (i.e. development fee received minus assets purchased during the year) as additions to the development fund in the schedule to the financial statements for FY 2016-2017, which was an incorrect presentation, as the financial statements did not reflect correct amounts against transactions undertaken by the school. The amount of development fee received should have been reported as additions to development fund and assets purchased out of development fund should have been reflected as deletions/utilisation of development fund. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

4. Clause 14 of DoE's Order No. F.DE./15 (56) /Act /2009 / 778 dated 11 Feb 2009 states "*Development fee, not exceeding 15% .... and the collection under this head along with income generated from the investment made out of this fund, will be kept in a separately maintained development fund account.*" Also, Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/951 dated 4 October 2017 issued to the school post evaluation of the fee

increase proposal for FY 2016-2017, the school was directed to maintain development fund in a separate bank account. The school reported that it has opened a separate bank account and has also earmarked fixed deposits towards development fund. However, it was noted that the school has not added any interest to the development fund balance in its financial statements.

Accordingly, the school is directed to transfer interest earned on the investments made against development fund to the development fund account in accordance with clause 14 mentioned above. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

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 stated "*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-I/WPC-4109/PART/13/951 dated 4 October 2017:

   - School had not refunded interest on security deposit to the students along with caution money refund and was directed to refund caution money along with interest to students.
   - 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.

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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 old 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 after adjusting the income to be recorded by the school towards unclaimed caution money, as declared by the school, has been considered while deriving the fund position of the school (enclosed in the later part of this order).

6. 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 return and documents to be submitted by schools under rule 180 read with Appendix-II of the 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.*"

   Part IV of Appendix III - 'Instructions for preparing Income and Expenditure Account' of Guidance Note 21 issued by the Institute of Chartered Accountants of India specifies "*Any item under which income or expense exceeds 1 per cent of the total fee receipts of the School or INR 5,000, whichever is higher, should be shown as a separate and distinct item against an appropriate account head in the Income and Expenditure Account. These items, therefore, should not be shown under the head 'miscellaneous income' or 'miscellaneous expenses'.*"

   The school, in its audited Income and Expenditure Account for the FY 2016-2017 did not segregate all items of incomes and expenses that exceeded 1% of the total fee receipts and clubbed 'Miscellaneous Charges' collected from students along with 'Tuition Fees'. The school is directed to ensure compliance with the requirements included in the aforementioned Guidance Note while preparing subsequent financial statements. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

7. The school has prepared a Fixed Assets Register (FAR) that only captures asset name, date of purchase and amount. The school should also include details such as supplier name, invoice number, manufacturer's serial number, location, purchase cost, other costs incurred, depreciation, asset identification number, etc. to facilitate identification of asset and documenting complete details of assets at one place.

   During personal hearing, school mentioned that it will make recommended changes from FY 2018-2019 onwards. The school is directed to update the FAR with relevant details mentioned above. The above being a procedural finding, no financial impact is warranted for deriving the fund position of the school.

8. As per the provisions of Rule 107 - 'Fixation of Pay' of DSER, 1973, "(1) *The initial pay of an employee, on the first appointment shall be fixed ordinarily at the minimum of the scale of pay. Provided that a higher initial pay, in the specified scale of pay, may be given to a person by a appointing authority....*

(2) The pay of an employee on promotion to higher grade or post shall be determined by the same rules as are applicable to the employee of government school."

It was noted that the gross salary and grade pay of principal (gross pay of INR 2,51,968 for the month of March 2018 with grade pay of INR 8,900) of the school was more than the salary and grade pay as applicable to comparable staff in government schools.

The school should prepare a reconciliation of computed salary (along with grade pay) with the salary on the date of joining of the principal and subsequent increments awarded to her. The compliance of the above will be examined at the time of evaluation of proposal for enhancement of fee for subsequent academic session.

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 23,20,40,548 out of which cash outflow in the year 2017-18 is estimated to be INR 24,22,49,188. This results in net deficit of INR 1,02,08,640. 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)	62,34,746
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	1,69,35,548
Cheques in Hand as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	2,61,00,193
Current Account balance with DAV CMC as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	(2,86,93,151)
Total Liquid Funds Available with the School as on 31 Mar 2017	**2,05,77,336**
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]	22,24,68,502
Add: Net fee arrears for FY 2016-2017 on account of fee increase approved by DoE vide order dated 4 Oct 2017 to be collected in FY 2017-2018 [Refer Note 2]	63,80,524

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Particulars	Amount (INR)
Add: Recovery of amount for addition to Building reflected in financial statement for FY 2015-2016 and FY 2016-2017 from the Society [Refer Financial Finding No. 1]	7,51,248
Add: Recovery of amount of Interest paid to Society [Refer Financial Finding No. 2]	4,76,028
Add: Recovery of amount paid as scholarship to students from the Society [Refer Financial Finding No. 4]	11,33,119
Add: Recovery of amount paid to DAV CMC as donation from Pupil Fund [Refer Financial Finding No. 5]	5,00,000
Add: Recovery from DAV CMC against excessive administrative charges [Refer Financial Finding No. 7]	4,39,753
Gross Estimated Available Funds for FY 2017-2018	**25,27,26,511**
Less: FDR against specific funds (with DOE and CBSE) (as per audited financial statement of FY 2016-2017)	8,83,386
Less: FDR against specific funds (scholarship fund sponsored by a donor) (as per audited financial statement of FY 2016-2017)	1,20,452
Less: Development Fund balance as on 31 Mar 2017 (as per audited financial statements of FY 2016-2017)	1,83,17,625
Less: Caution Money (Net of transfer to income in FY 2017-2018) [Refer Note 3]	13,64,500
Net Estimated Available Funds for FY 2017-2018	**23,20,40,548**
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 4]	24,22,49,188
Estimated Deficit	**1,02,08,640**

Notes:

1. Fee and income as per audited financial statements of FY 2016-2017 (together with increase of 5% approved by DoE during FY 2016-2017 and excluding non-recurring income such as Profit on sale of assets) 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 school was allowed by DoE to increase its fee by 5% vide Order No. F.DE-15/ACT-I/WPC-4109/PART/13/951 dated 4 Oct 2017. However, the school had not included net arrears for FY 2016-2017 (after adjustment of increased fee already collected in FY 2016-2017) collected in FY 2017-2018 in the budgeted receipt and payment for FY 2017-2018, which has been derived based on the percent increase approved and details provided by the school of amount of increased fee already collected by the school during FY 2016-2017. This has been added to the available funds, as this would be additional collection by the school not included in the income of FY 2016-2017 (as per audited financial statements).
3. Unclaimed caution money of INR 4,62,500, as declared by the school to be treated as income during FY 2017-2018, has been adjusted from the liability towards caution money as on 31 Mar 2017 of INR 18,27,000 (as per audited financial statements of FY 2016-2017) and net balance of INR 13,64,500 refundable to students has been considered for deriving the net estimated available funds with the school for FY 2017-2018.

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 as INR 26,88,78,472, which in some instances was found to be unreasonable/ excessive. Based on the explanations and details provided by the school during personal hearing, some of the expenses heads as budgeted were considered, while other expense heads were restricted to 110% of the expense incurred during FY 2016-2017 giving consideration to general rise in cost/inflation and especially because FY 2017-2018 is the year of implementation of 7th CPC where additional financial burden of increase salary of staff is already there. Therefore, certain expenses in excess of 10% and expenditure under new heads have not been considered in the evaluation of fee increase proposal. The same were discussed during personal hearing with the school. Therefore, the following expenses have been adjusted while considering the budgeted expenses for FY 2017-2018:

Particulars	FY 2016-2017	FY 2017-2018	Amount allowed	Amount Disallowed	Remarks
Gratuity Fund contribution	75,21,965	8965,313	48,81,236	40,84,077	Refer Financial Finding No. 3
Leave Encashment contribution	32,23,671	38,42,314	3,36,197	35,06,117	Refer Financial Finding No. 3
Administrative Charges	2,17,52,92	92,00,000	26,23,507	65,76,493	Refer # below
Office Vehicles Running & Maintenance	1,99,353	3,00,000	2,19,288	80,712	Reasonable explanation or supporting documents not provided by the school for such percent increase. Thus, expenditure restricted to 110% of that incurred during FY 2016-2017.
Electricity and water charges	30,00,000	23,64,604	26,01,064	3,98,936	
Legal & Professional charges/Audit Fee	35,000	15,00,000	38,500	14,61,500	
Repair and Maintenance	21,31,544	1,00,00,000	23,44,698	76,55,302	
Furniture Repair and Maintenance	12,97,457	30,00,000	14,27,203	15,72,797	
Computer Expenses	10,00,000	8,62,767	9,49,044	50,956	
Miscellaneous Expenses	35,00,000	20,52,369	22,57,606	12,42,,394	
Total	**4,43,07,627**	**2,18,64,022**	**1,76,78,343**	**2,66,29,284**	

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 21% increase in the amount (compared with FY 2016-2017) and should be sufficient to absorb the impact of increased cost at DAV CMC.

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ii. It seems that the school may not be able to meet its budgeted expenses from the existing fee structure and accordingly, it should utilise its existing funds/reserves and other resources. In this regard, Directorate of Education has already issued directions to the schools vide circular no. 1978 dated 16 Apr 2010 that,
"*All schools must, first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase.*"

And whereas, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that though certain financial irregularities exist (appropriate financial impact of which has been taken on the fund position of the school) and certain procedural findings noted (appropriate instructions against which have been given in this order), the fee increase proposal of the school may be accepted.

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 it appropriate to allow increase in tuition fee by 10% with effect from April 2019.

Accordingly, it is hereby conveyed that the proposal for enhancement of fee of **Veda Vyasa DAV Public School (School ID-1618229), Vikaspuri, Delhi-110018** has been accepted by the Director of Education with effect from April 2019 and the school is hereby allowed to increase tuition fee by 10%. 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 tuition fee only by prescribed percentage from the specified date.
2. To rectify the financial and other irregularities as listed above and submit the compliance report within 30 days from the date of this order to D.D.E.(PSB).
3. To ensure implementation of recommendations of 7^{th} CPC in accordance with 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 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.

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/13/951 dated 4 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
Veda Vyasa DAV Public School
School ID 1618229
Vikaspuri, Delhi-110018

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No. F.DE.15(213)/PSB/2019/ 1270-1274 Dated: 29.3.2019

Copy to:

1. P.S. to Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. P.A. to 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