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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(122)/PSB/2019/1120-1124 Dated: 14/3/2019

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 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.

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AND WHEREAS in response to this directorate's circular dated 23 Oct 2017 referred to above, **Bal Bhavan International School (School ID-1821230), Sector-12, Dwarka, New Delhi-75** 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 Jan 2018.

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 15 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 Hon'ble 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 revealed that the school has incurred capital expenditure of INR 1,22,49,534 on construction of building in the aforesaid financial year, which is not in accordance with the aforementioned provisions. Further, this capital expenditure was incurred by the school without complying with the requirements prescribed in Rule 177 of DSER, 1973. Though the financial statements of the school reflect opening block of building, adjustment in the fund position of the school has been done to the extent of additions made in the past three financial years (based of financial statements obtained for evaluation of the fee increase proposal for FY 2017-2018). Accordingly, this amount of INR

1,22,49,534 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.

Also, the school should reverse the depreciation charged on the building from its books of account.

2. Incomes (fee collected from students) reported in the audited Income and Expenditure 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 and amount of fee arrived/computed as per details provided by the school as under:

Particulars	Income reported in Audited Income & Expenditure Account (A)	Fee computed on the basis of details no. of students provided by the school (B)	Derived Difference (A-B)
Tuition & other fees	7,13,58,584	6,71,62,800	41,95,784
Annual Charges	1,41,66,700	1,63,58,700	(21,92,000)
Development Fee^	-	16,60,800	(16,60,800)
Admission Fees	65,86,225	85,400	65,00,825

^ The school has not separately reported development fee collected from students in its Receipt & Payment Account. Also, school did not provide details of the income head in which development fee had been clubbed by the school.

Further, from the audited financial statements of the school for FY 2016-2017, it was noted that the 'tuition & other fee' was reported as increased from INR 5,74,30,975 during FY 2015-2016 to INR 7,13,58,584 during FY 2016-2017, which was a 24% increase year on year. While the school explained that increase in fee was on account of increase in number of students enrolled with the school, it was noted that the school had reported decline in other heads of fee collected from students as detailed in table below, which presents a contradictory picture compared to the explanation of increase in number of students provided by the school.

Income Heads	As per Audited Financial Statements of FY 2016-2017 (A)	As per Audited Financial Statements of FY 2015-2016 (B)	% Change (C) = (A-B)/B
Tuition Fees	7,13,58,584	5,74,30,975	24%
Admission fees	65,86,225	67,24,850	-2%
Annual Charges	1,41,68,700	1,47,03,600	-4%
Others fees	1,71,820	-	100%
Science fee	4,22,400	4,86,600	-13%

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Income Heads	As per Audited Financial Statements of FY 2016-2017 (A)	As per Audited Financial Statements of FY 2015-2016 (B)	% Change (C) = (A-B)/B
Computer fee	30,17,625	37,92,850	-20%
Other Activity fee	23,80,000	25,71,350	-7%
Total	**9,81,05,354**	**8,57,10,225**	**14%**

Based on the figures reported in the audited financial statements of the school for FY 2016-2017, it appears that either the school increased fee during FY 2016-2017 or has not reported the incomes correctly in its financial statements. Thus, reliability of the income reported in the audited financial statements is questionable. Also, during personal hearing, the school could not provide reasons/ explanations for such differences in the incomes reported in the financial statements.

The school should perform a detailed reconciliation of the amount collected/income from students (separately for each head of income) and the income that should have been recognised based on the fee structure and number of students enrolled by the school. As the school has not provided adequate details regarding differences computed above and explanation for change in fee during FY 2016-2017 as compared with FY 2015-2016, financial impact, if any, on the fund position of the school could not be determined. Accordingly, compliance for this would be verified at the time of evaluation of subsequent fee increase proposal.

3. Post evaluation of the enhancement of fee increase for FY 2016-2017, the school was directed by DoE through its Order no. F.DE-15/Act-I/WPC-4109/Part/13/968 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 its financial statements. The school obtained actuarial valuation of its liability towards gratuity and submitted the actuarial valuation report dated 31 Jan 2018, which determined its gratuity liability of INR 38,60,896 as on 31 March 2017. However, the school has not obtained actuarial valuation of its liability towards staff leave encashment.

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

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

   The school has not made any investment in respect of its liability towards staff retirement benefits as specified in Accounting Standard 15 (AS-15).

   Accordingly, the amount of INR 38,60,896 determined as liability towards gratuity by the actuary has been considered while deriving the fund position of the school (enclosed in the later part of this order) with the instruction to the school to deposit this amount in investments that qualify as 'Plan Assets' within 30 days from the date of this order. Also, the school is directed to get its liability towards staff leave encashment determined by an actuary within 30 days from the date of this order and deposit the same in investments that qualify as 'Plan Assets' within 60 days from the date of this order.

Further, the financial statements of the school did not reflect 'Provision for retirement benefits' equivalent to the liability determined by the actuary. It was explained by the school that the same has been clubbed with 'Expenses Payable' in the liabilities side of the Balance Sheet. Based on the breakup of 'Expenses Payable' provided by the school, it was noted that a liability of INR 38,80,470 (higher by INR 19,574 as compared with liability determined by the actuary) was recorded towards gratuity under the current liability of 'Expenses Payable' reflected in the Balance Sheet. As liability towards retirement benefits are not payable in short-term, clubbing the same along with 'Expenses Payable' is incorrect representation and should be segregated and reported separately as 'Provision for Gratuity' and 'Provision for Leave Encashment' in its financial statements equivalent to the amount of liability determined by the actuary.

4. 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.*" It was noted from the financial statements of the school for FY 2016-2017 that the school had incurred capital expenditure on purchase of car of INR 10,55,418. Further, the school had taken a loan from bank for purchase of this car and incurred financial/interest expenses of INR 37,789 on the loan during FY 2016-2017 with the closing balance of loan outstanding as on 31 March 2017 of INR 7,66,387.

   This capital expenditure on car was incurred by the school without complying the requirements prescribed in Rule 177 of DSER, 1973. Thus, the net amount paid by the school out of school funds on purchase of car of INR 3,26,820 (i.e. INR 10,55,418 plus INR 37,789 minus INR 7,66,387) 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 not to pay the remaining balance of loan or interest on the same from the school funds.

5. 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. Further, Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/968 dated 13 October 2017 issued to school post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 noted that the school has given INR 1,00,000 during FY 2015-2016 to the society of the school as prize money for the cricket tournament.

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The school did not provide any relevant documents to substantiate the need to transfer this amount to society. Accordingly, this amount of INR 1,00,000 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 this amount from the Society within 30 days from the date of this order.

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

   Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/968 dated 13 October 2017 issued to school post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 noted that the school is not maintaining depreciation reserve. Further, from the audited financial statements of the school for FY 2016-2017, it was noted that the school is yet to maintain depreciation reserve in its financial statements.

   Also, it was noted that school has not maintained separate bank account/ investments for Development Fund.

   Also, the school has not reported development fees as a separate head in its Receipt and Payment Account on account of which the amount collected as development fees from students is not identifiable. Also, the school only reported opening and closing balance of development fund in the audited financial statements and did not provide details of movement of development fund i.e. details regarding development fee received during the year and utilised during the year. Accordingly, whether the development fee was recorded as capital receipts and whether development fund was utilised only towards purchase of furniture, fixtures and equipment could not be ascertained.

   The school is directed to ensure compliance with the directions regarding proper accounting and presentation of Development Fund and depreciation reserve in the school's financial statements and opening of separate bank account/investments for deposit and utilisation of development fund.

   In absence of adequate details regarding development fee receipt and utilisation of the same and non-maintenance of depreciation reserve, development fund balance reported in the audited financial statements of the school for FY 2016-2017 has not been considered while deriving the fund position of the school (enclosed in the later part of this order).

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7. The details of fees pertaining to FY 2016-2017 mentioned by the school in its proposal for enhancement of fee for the academic session 2017-2018 does not reconcile with the fee structure for the academic session 2016-2017 submitted to the Directorate by the school along with annual return under Rule 180 of DSER, 1973.

   The school mentioned that due to clerical errors, complete fee structure was not mentioned in the proposal submitted by the school. The school further submitted a fee structure for the academic session 2016-2017 signed by the principal separately. However, from the revised fee structure submitted separately by the school, it was noted that the school included development fee from classes nursery to 2, whereas per the fee structure previously submitted and approved by the Directorate for FY 2016-2017, development fees was collected from classes nursery to 1. Thus, based on the details submitted by the school and taken on record, the school has started charging development fees from Class 2 without prior approval of the Directorate, as the fee increase proposal for FY 2016-2017 was rejected by the Directorate. However, the school did not provide details of amount of development fee collected from the students of class 2 during FY 2016-2017.

   Accordingly, the school is directed to adjust/refund the amount of development fee collected from the students of class 2 during FY 2016-2017. As the school has not provided details regarding development fee collection during FY 2016-2017, financial impact, if any, on the fund position of the school could not be determined. Further, the school is directed not to increase any fees in future without prior approval of DOE.

8. Based on the details submitted by the school and taken on record, the school entered into an agreement on 19 January 2017 with Choma LLP to set up LED wall at the school premises at a monthly rent of INR 49,000 exclusive of service charge.

   It was noted that Choma LLP was incorporated (i.e. came into existence) on 17 January 2017 as per the records of Ministry of Corporate Affairs and the school entered into an agreement for renting of LED wall with the firm within two days of its incorporation i.e. with effect from 19 January 2017. Further, the school did not undertake any procurement process for setting up LED wall. Therefore, whether the contract was entered at arm's length and competitive price could not be validated.

   Also, the contract with the entity specifies that the monthly rent of INR 49,000 is exclusive of service charge, but the contract does not specify what kind of service charges are applicable over and above the monthly rental.

   The school is directed to provide detailed justification for awarding a contract to an entity within 2 days of its incorporation including determination of rental cost and service charges. The school is also directed to implement proper internal control systems in relation to procurement of goods and services. Compliance shall be validated during evaluation of subsequent fee increase proposal of the school.

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Further, DDE concerned is directed to inspect the school premises to validate installation of LED wall in the school premises along with its usage for the students and submit a report within 30 days from the date of this order.

9. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/968 dated 13 October 2017 issued to school post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 noted that the school has submitted bills amounting to INR 1,16,64,320 which did not bear any TIN no./service tax no. etc. The genuineness of these bills were questionable. The school was asked to submit relevant documents to substantiate the authenticity of the expenditure, however, the school did not submit any documentation regarding the same.

   DDE district is hereby directed to inspect the relevant records and documents including verification of goods/services procured and submit its report within 30 days from the date of this order. Further, the school is instructed to ensure proper invoices are collected from vendors.

B. Other Discrepancies

1. 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 Computer fee (including Smart Class) and Science fee 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/13/968 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)	(Deficit)/Surplus (INR)
	A	B	C=A-B
Computer fee (includes smart class fee)^	30,17,625	30,18,772	(1,147)
Science fee^	4,22,400	80,850	3,41,550

^ Financial statements of the school for FY 2016-2017 reflected that the school had collected earmarked levy towards Science fee and Computer fee (including smart class fee) under the category of 'Fees from students for activities', whereas, the same were not disclosed in the proposal for enhancement of fee for FY 2017-2018 though these fee heads were included in the fee structure enclosed by the school along with its Return under Rule 180 submitted to the Directorate.

The school explained that annual charges collected from students is not sufficient to meet the revenue expenses of the school. Thus, the surplus generated from earmarked levies has been applied towards meeting revenue expenses of the school 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 (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/deficit, if any, generated from earmarked levies has to be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies during subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on no-profit no-loss basis.

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:

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- 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 'Student fund', which is collected from the all the students of the school without any defined usage. Thus, the school is directed not to collect 'Student 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.*"

   Further, para 102 of the guidance note states "*In respect of funds, schools should disclose the following in the schedules/notes to accounts:*

   (a) In respect of each major fund, opening balance, additions during the period, deductions/utilisation during the period and balance at the end;
   (b) Assets, such as investments, and liabilities belonging to each fund separately;
   (c) Restrictions, if any, on the utilisation of each fund balance;
   (d) Restrictions, if any, on the utilisation of specific assets."

   Basis the presentation made in the audited financial statements for FY 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 including disclosures required as per Guidance Note.

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 and ensure compliance with the afore cited guidance note.

4. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/968 dated 13 October 2017 issued to school post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 noted that the school is not following proper procedures for procurement of assets or materials and services as the school management does not collect quotations from market or enters into written contracts or agreements with the vendors and suppliers.

   The school is yet to implement internal control process regarding procurement. The school is directed to implement proper internal controls in relation to procurement of goods and services. Compliance of the same shall be validated during evaluation of subsequent fee increase proposal as may be submitted by the school.

5. 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.*"

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

   Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/968 dated 13 October 2017 issued to school post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 noted that depreciation is being charged by the school as per Income Tax Act,1961, however the same should be as per the Guidance Note 21. The school was directed to comply with the directions of GN 21.

   Further, from the financial statements of FY 2016-2017, it was noted that the school did not charge depreciation at the rates specified in Appendix I to the Guidance Note, which was a contravention of the directions issued by this Directorate. The school is directed to follow DOE

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instructions in this regard. Compliance of the same shall be validated during evaluation of subsequent fee increase proposal as may be submitted by the school.

6. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/968 dated 13 October 2017 issued to the school post evaluation of proposal for enhancement of fee for FY 2016-2017 noted that the school had not prepared Fixed Assets Register (FAR) in proper form and format and following discrepancies were noted:
   i. Quantitative details of fixed assets were not given
   ii. Details of depreciation charged on the fixed assets were not given
   iii. No tagging/ marking on fixed assets were made which helps in describing ownership and control over assets.

   During the personal hearing, the school mentioned that it will prepare FAR in proper format from FY 2018-2019 onwards.

   The school is directed to prepare 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.

7. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/968 dated 13 October 2017 issued to school post evaluation of the proposal for enhancement of fee for the academic year 2016-2017 noted that:
   i. The school had not complied with the provisions of Income Tax Act, 1961 and DVAT, 2004 while processing various payments to the contractors and vendors during the period covered under inspection.
   ii. The school had not deducted tax under section 194C of the Income Tax Act, 1961 and under section 36A & Rule 59 of DVAT Act, 2004, as the case may be, on payments made.
   iii. The school had not made timely payments of lease rent to DDA, MCD property tax, ESI and Provident Fund.

   The school did not submit any documents to substantiate compliance in relation to the above mentioned issue. The school is directed to ensure compliance with all the statutory provisions as applicable to it. Compliance of the same shall be validated during evaluation of subsequent fee increase proposal as may be submitted by the school.

8. As per Rule 174 of DSER,1973, "*Withdrawals from the school fund or recognised unaided school fund, as the case may be, shall be made jointly by the head of the school and manager of such school, or jointly by the head and by any duly authorised member of the managing committee where head of the school is also the manager of the school*". Further, Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/968 dated 13 October 2017 issued to school post evaluation of the proposal for enhancement of fee for the academic year 2016-2017

noted that the school had not complied with the provisions of Rule 174 of the Delhi School Education Rules, 1973 regarding withdrawal of fund by joint signatories.

Based on copy of one of the cheques issued by the school during FY 2016-2017 submitted by the school, it was noted that the school did not update bank signatories and the school has continued the practice of single signatory in the bank account. Accordingly, the school has failed to comply with the aforementioned direction.

The school is directed immediately change the banking operations to joint signatory for the withdrawal of school funds in accordance with Rule 174 and submit the evidence of the same to the Directorate within 30 days from the date of this order.

9. 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.*"

   It was noted in DoE's order No. F. DE-15/ACT-I/WPC-4109/PART/13/968 dated 13 October 2017 that the 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.

   During the personal hearing, the school mentioned that caution money appearing in the Balance Sheet as on 31 March 2017 was collected way back in FY 2005-2006 and the school has already issued cheques to the students as refund of the same during FY 2017-2018. Accordingly, based on the explanation provided by the school, the school should refund total caution money within FY 2017-2018 and should not collect it subsequently. The amount to be refunded to students after adjusting the income recorded by the school during FY 2017-2018 towards unclaimed caution money, as per details provided by the school, has been considered while deriving the fund position of the school (enclosed in the later part of this order).

10. 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 that "*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'."

From the audited Income and Expenditure Account for the FY 2016-2017, it was noted that the school had not segregated all the expenses which exceeded 1% of the total fee receipts as a separate and distinct item as 'others' was reported under the head 'Administrative and General expenses'.

The school is directed to ensure that all subsequent financial statements are prepared in accordance with Guidance Note 21.

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 11,09,22,920 out of which cash outflow in the year 2017-18 is estimated to be INR 9,68,08,426. This results in net surplus of INR 1,41,14,495.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)	37,38,000
Investments (Fixed Deposits) as on 31 March 2017 (as per audited financial statements of FY 2016-2017)	3,70,515
Total Liquid Funds Available with the School as on 31 Mar 2017	**41,08,515**
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]	9,84,03,159
Add: Recovery from society of amount spent on additions to building [Refer Financial Finding No. 1]	1,22,49,534
Add: Recovery from society against amount spent on purchase of Car during FY 2016-2017 [Refer Financial Finding No. 4]	3,26,820
Add: Recovery from society against amount paid as prize money to trust/society [Refer Financial Finding No. 5]	1,00,000
Gross Estimated Available Funds for FY 2017-2018	**11,51,88,028**
Less: FDR against specific funds (with CBSE and DOE) (as per audited financial statements of FY 2016-2017)	3,70,515
Less: Caution Money balance as on 31 Mar 2017 (as per audited financial statements of FY 2016-2017)	33,697
Less: Retirement Benefits - Gratuity [Refer Financial Finding No. 3]	38,60,896
Less: Development Fund [Refer Financial Finding No. 6]	-
Net Estimated Available Funds for FY 2017-2018	**11,09,22,920**
Less: Budgeted Expenses for FY 2017-2018 [Refer Note 2]	9,68,08,426

Estimated Surplus as on 31 Mar 2018	1,41,14,495

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. 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 10,55,81,692. This budgeted expenditure includes depreciation of INR 65,71,227, which being a non-cash expense has not been considered and INR 22,01,598, which the school mentioned relates to demand raised by DDA regarding ground rent, which was not paid previously by the Society and indicates failure on part of the society has not been adjusted from the budgeted expenses.

In view of the above examination, it is evident that the school has sufficient funds for meeting all the budgeted expenditures 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 and after considering existing funds/reserves.

As per the 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 additions to the building should not be met out of the fee collected from students and INR 1,22,49,534 is required to be recovered from the society.

As per 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.*" Thus, the net amount spent by the school from the school funds on purchase of car of INR 3,26,820 is required to be recovered from the society.

Whereas per point no. 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 deprecation charged in the revenue accounts and the collection under this head along with income generated from the investment made out of this fund, will be kept in a separately maintained development fund account. The school is directed to comply with the directions with regard to proper accounting and 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 per point no. 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 is directed 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. Surpluses/deficit 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 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 leave encashment of the staff by a qualified actuary and making the investment against the liability determined by the actuary in the mode(s) 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 also 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 2017-2018 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 **Bal Bhavan International School (School ID-1821230) Sector-12, Dwarka, New Delhi-110075** has been rejected by the Director of Education. Further, the management of said school is hereby directed under section 24(3) of DSEA, 1973 to comply with the following directions:

1. Not to increase any fee/charges during FY 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 24(4) of Delhi School Education Act, 1973 and Delhi School Education Rules, 1973.

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

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

To:
The Manager/ HoS
Bal Bhavan International School
School ID-1821230
Sector-12, Dwarka,
New Delhi-110075

No. F.DE.15(122)/PSB/2019/ 1120-1124 Dated: 14/3/2019

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 with the direction to verify LED wall installed in school premises along with its usage and review relevant records together with verification of goods/services procured regarding improper invoices available with the school and submit a report to HQ within 30 days from the date of this order.
5. Guard file.

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