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

No. F.DE.15(209)/PSB/2021/ 3446 - 3450 Dated: 10/09/21

ORDER

WHEREAS, every school is required to file a statement of fees every year before the ensuing academic session under section 17(3) of the Delhi School Education Act, 1973 (hereinafter read as '***the Act***') with the Director. Such statement will indicate estimated income of the school derived from fees, estimated current operational expenses towards salaries and allowances payable to employees in terms of Rule 177(1) of the Delhi School Education Rules, 1973 (hereinafter read as '***the Rules***'). Such estimate will also provision for donation, gratuity, reserve fund and other items under rule 177(2) and savings thereafter, if any, in terms of the proviso to the rule 177(1).

AND WHEREAS, as per section 18(5) of the Act read with section 17(3), 24 (1) of the Act and Rule 180 (3) of the DSEA & R, 1973 responsibility has been conferred upon to the Director (Education) to examine the audited financial, account and other records maintained by the school at least once in each financial year. The section 18(5) and Section 24(1) of the Act and Rule 180 (3) have been reproduced as under:

Section 18(5) :*'the managing committee of every recognised private school shall file every year with the Director such duly audited financial and other returns as may be prescribed, and every such return shall be audited by such authority as may be prescribed'*

Section 24(1) :*'every recognised school shall be inspected at least once in each financial year in such manner as may be prescribed'*

Rule 180 (3) :*'the account and other records maintained by an unaided private school shall be subject to examination by the auditors and inspecting officers authorised by the Director in this behalf and also by officers authorised by the Comptroller and Auditor-General of India.'*

AND WHEREAS, besides, the Hon'ble Supreme Court in the judgment dated 27 Apr 2004 passed in Civil Appeal No. 2699 of 2001 titled Modern School Vs. Union of India and others has conclusively decided that under section 17(3), 18(4) read along with rule 172, 173, 175 and 177 of the Rules, Director of Education has the authority to regulate the fee and other charges to prevent the profiteering and commercialization of education.

AND WHEREAS, it was also directed by the Hon'ble Supreme Court to the Director of Education in the aforesaid matter titled Modern School Vs. Union of India and others in Para 27 and 28 in case of Private unaided Schools situated on the land allotted by DDA at concessional rates that:

"27....

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

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

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

AND WHEREAS, the Hon'ble High Court of Delhi vide its judgement dated 19 Jan 2016 in writ petition No. 4109/2013 in the matter of Justice for All versus Govt. of NCT of Delhi and others has reiterated the aforesaid directions of the Hon'ble Supreme Court and has directed the Director of Education to ensure the compliance of term, if any, in the letter of allotment regarding the increase of the fee by all the recognized unaided schools which are allotted land by DDA.

AND WHEREAS, accordingly, this Directorate vide order No. F.DE.15 (40)/PSB/2019/2698-2707 dated 27 Mar 2019, directed that all the Private Unaided Recognized Schools running on the land allotted by DDA/other Govt. agencies on concessional rates or otherwise, with the condition to seek prior approval of Director of Education for increase in fee, are directed to submit the their proposals, if any, for prior sanction of DoE for increase in fee for the session 2018-2019 and 2019-2020.

AND WHEREAS in response to this directorate's circular dated 27 Mar 2019 referred to above, **Bhatnagar International School (School ID-1720145), Sector B, Pocket-10,Vasant Kunj, New Delhi** submitted its proposal for enhancement of fee for the academic session 2018-2019 in the prescribed format.

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

AND WHEREAS, in the process of examination of fee hike proposal filed by **Bhatnagar International School (School ID-1720145), Sector B, Pocket-10, Vasant Kunj, New Delhi** for the academic session 2018-2019, necessary records and explanations were called from the school through email. Further, school was also provided an opportunity of being heard on 24 Feb 2020 at 9:50 AM to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted.

AND WHEREAS, the school did not submit its compliance report towards order No. F.DE.15(630)/PSB/2018/30527-30531 dated 14 Dec 2018 issued by the Directorate of Education to the school post evaluation of the fee increase proposal for FY 2017-2018. During the personal hearing, the school informed that the compliance report was not submitted to the

Directorate since the school had filed a writ petition in the Hon'ble High Court of Delhi (W.P.(C) 9122/2019) against the said order.

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

A. Authenticity of Audited Financial Statements

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

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

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

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

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

   The financial statements for FY 2018-2019 submitted by the school along with Audit Report dated 30 Jul 2019 signed by the chartered accountant did not cite UDIN, as mandated by ICAI. Therefore, authenticity of the audit and that of the financial statements for FY 2018-2019 submitted by the school could not be verified.

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

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

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

B. Financial Discrepancies

1. 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..... capital expenditure/investments have to come from savings."*

   Directorate's order no F.DE.15 (630)/PSB/2018/30527-30531 dated 14 Dec 2018 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 noted that during FY 2014-15 to 2016-17, the school had purchased Buses of INR 81,92,040, INR 51,57,010 and INR 25,93,341 in FY 2014-15, 2015-16 and FY 2016-17 respectively despite of having deficit in all the three financial years.

   Further, the school has spent INR 48,30,728 and INR 44,61,100 during FY 2017-2018 and FY 2018-2019 respectively towards purchase of buses from the school funds.

   While the school is not following fund based accounting and has not created fund account against transport service provided to students by the school, the income and expense towards transport service from the financial statements of the school for FY 2015-2016 to FY 2018-2019 were evaluated and it was noted that the school was charging transport fee, which was not even adequate to cover revenue (operating) expenses for providing the transport service to students. Calculation of deficit based on documents and information on record, is enclosed below:

Particulars	FY 2015-2016	FY 2016-2017	FY 2017-2018	FY 2018-2019
Income				
Transport Fees (A)	2,06,80,340	2,04,85,346	1,99,74,841	2,33,87,575
Expenses				
Transport Expenses	1,32,47,362	1,30,12,296	1,26,17,475	1,87,40,249
Vehicle Hire Charges	79,56,255	76,57,645	73,64,363	53,95,373
Total Expenses (B)	**2,12,03,617**	**2,06,69,941**	**1,99,81,838**	**2,41,35,622**
Surplus/(Deficit) (C)=(A-B)	**(5,23,277)**	**(1,84,595)**	**(6,997)**	**(7,48,047)**

The school explained that the buses were purchased to meet the transport needs of the students, which was required for effective operation of the school.

It has been observed that the school has purchased buses for provision of transport facility despite there being deficit from operation of transport facility and has submitted proposal for increase of fee from students that translates to constituting capital expenditure as component of the fee structure of school and hence non-compliance. Earmarked levies in the form of transport fee are to be charged on no-profit no-loss basis and the school was not able to recover the cost of buses from the transport fee collected from students indicating that the school has shifted the burden of capital cost of buses to all the students of the school, who are not even availing the transport service. The amount spent on purchase of bus, being additional burden met out of school funds (fee collected from students), should not have been paid from school funds.

Accordingly, the amount spent by the school on purchase of buses of INR 2,52,34,219 (INR 81,92,040 plus INR 51,57,010 plus INR 25,93,341 plus INR 48,30,728 plus INR 44,61,100) 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. The school is further directed to ensure that transport vehicles are procured only from the transport fund and not from school funds unless savings are derived in accordance with Rule 177.

2. Directorate's order no F.DE.15 (630)/PSB/2018/30527-30531 dated 14 Dec 2018 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 noted that the school has paid remuneration to director amounting to INR 43,20,000 during the FY 2014-2015 to FY 2016-2017. The Director of the school is not entitled to any payment whatsoever from the school funds, being not a position prescribed under the Recruitment Rules.

   The school was asked to submit the details of actual remuneration paid to the director during the FY 2017-2018 and FY 2018-2019 to which the school represented that Director was putting in efforts in a substantial manner. She is the pillar in the world of education, and school had requested her to contribute her valuable time for the growth and progress of the school in a leadership role and substantial contribution of time and effort. School further mentioned that it has complied with the order dated 14 Dec 2018 and has discontinued payment of any remuneration to Director and the said post is now honorary. Further, the school represented that the Directorate's order dated 14 Dec 2018 is subjudice before the Hon'ble High Court of Delhi.

   The school, however, did not provide the details of remuneration/honorarium paid to the 'Director' during the FY 2017-2018 and FY 2018-2019. Therefore, the amount of remuneration of INR 14,70,000 disallowed in Directorate's order no F.DE.15 (630)/PSB/2018/30527-30531 dated 14 Dec 2018 for the FY 2017-2018 is considered as remuneration paid to the director during the FY 2017-2018 and FY 2018-2019 each.

   Accordingly, The school is hereby directed to recover the amount of remuneration paid to the Director of INR 72,60,000 (INR 43,20,000 plus INR 14,70,000 plus INR 14,70,000) during FY 2014-2015 to FY 2018-2019 from the Director/society within 30 days from the date of this order. Further, the school is directed not to pay any remuneration to the Director from school funds subsequently and in case, the school has already paid any remuneration to the Director subsequent to FY 2018-2019, the school must recover the amount so paid within 30 days from the date of this order.

3. Directorate's order no F.DE.15 (630)/PSB/2018/30527-30531 dated 14 Dec 2018 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 noted that the school has incurred high amount of expenditure on purchase of furniture and fixtures and on repair and maintenance of furniture and fixture during FY 2014-2015 to FY 2016-2017. The school was directed to maintain due diligence while utilising schools funds.

   From the financial statements of FY 2017-2018 and FY 2018-2019, it was noted that the school has spent INR 49,78,768 and INR 67,53,907 respectively on purchase of furniture and fixture and INR 10,02,830 and INR 9,30,914 on repair and maintenance of furniture and fixture.

   During personal hearing, the school mentioned that every year there is huge damage of furniture as the same are abruptly handled by the school students.

   The school only provided verbal response to such high expenditure on purchases of furniture and repair thereon and did not provided relevant supporting documents including purchase requisitions, goods receipt note, invoices, fixed assets register, etc. to evaluate need for such purchases every year.

   The school is directed to submit the aforementioned documents to evaluate the requirement of such purchases and repair and receipt of the fixed assets by the school along with next fee increase proposal to the Directorate. No adjustment has been made towards such spending by the school in the fund position of the school (enclosed in the later part of the order).

4. Para 7.14 of Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India states *"Plan assets comprise:*
   - *assets held by a long-term employee benefit fund; and*
   - *qualifying insurance policies."*

   Directorate's order no F.DE.15 (630)/PSB/2018/30527-30531 dated 14 Dec 2018 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 directed the school to ensure that the provisions for gratuity and leave encashment are based on actuarial valuation report.

   Based on the documents submitted by the school and taken on record, the school has not obtained actuarial valuation report nor has it provided any computation for deriving the amount of provision towards gratuity and leave encashment. Also, the school has not made any investment such as group gratuity scheme and group leave encashment scheme of LIC of other insurer to protect statutory liability towards staff.

   On review of the financial statements for FY 2018-2019, it was noted that the school has made a total provision of INR 1,90,90,098 and INR 56,86,870 towards gratuity and leave encashment respectively as on 31 Mar 2019, which is not backed up by calculations and has reflected FDR of INR 1,71,38,626 against gratuity and INR 59,24,054 against leave encashment. However, these are free investments that the school can withdraw any time as per its desires to incur any kind of expense.

The school is required to submit the basis of recording the provision towards staff gratuity and leave encashment and deposit equivalent amount in investments such as group gratuity scheme and leave encashment scheme of LIC or other insurer. Since the school did not submit the basis on which it derived the liability towards gratuity and leave encashment and has not made any investments in group gratuity scheme and leave encashment scheme of LIC or other insurer, no amount towards staff gratuity and leave encashment have been considered while deriving the fund position of the school (enclosed in the later part of this order) with the direction to the school to prepare detailed computation with documented rationale for the same and deposit the same in group gratuity scheme and leave encashment scheme of LIC or other insurer within 30 days from the date of this order to protect the statutory liabilities towards retirement benefits of school staff.

C. Other Discrepancies

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

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

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

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

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

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

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

From the information provided by the school and taken on record, it was noted that the school charges earmarked levies in the form of Fashion Study fees, Tech method fees, Transportation Charges, Riding fees, Physical education fees, Cooling fees, Science fees and Computer fees. However, the school has not maintained separate fund accounts for any of these earmarked levies separately and the school has been generating surplus from earmarked levies, which has been utilised for meeting other expenses of the school or has been incurring losses (deficit) that has been met from other fees/income, which was also mentioned in Directorate's order no F.DE.15 (630)/PSB/2018/30527-30531 dated 14 Dec 2018 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 and the school was directed to stop collection of Cooling fees and tech method fees with immediate effect. Details of calculation of surplus/deficit, based on breakup of expenditure provided by the school for FY 2017-2018 is given below:

Earmarked Fee	Income (INR)	Expenses (INR)	Surplus/(Deficit) (INR)
	A	B	C=A-B
Fashion Study Fee	25,650	26,000	(350)
Tech Method Fee	31,58,400	23,40,331	8,18,069
Transportation charges^	1,99,74,841	1,99,81,838	(6,997)
Riding Fee	3,07,565	3,26,285	(18,720)
Physical Education Fee	2,21,900	-*	2,21,900
Cooling Fee	15,79,400	-*	15,79,400
Science Fee	2,77,350	-*	2,77,350
Computer fee	4,95,550	-*	4,95,550

^ 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 did not provide details/breakup of expense incurred against the earmarked levy since there is no specific purpose for which this levy is collected from students.

Based on the aforementioned, 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 cooling fees and tech method fees 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 cooling fees and tech method fees and details provided by the school in relation to expenses incurred against the same, the school should not charge such fee as earmarked fee and should incur the expenses relating to these from tuition fee and annual charges, as applicable collected from the students.

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 The school is directed to stop collecting cooling fee and tech method fees, which is mandatorily collected from all the students. The school must also ensure that earmarked levies are optional in nature and not mandatory.

2. Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states "*Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund, will be kept in a separately maintained Development Fund Account.*"

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

   Further, Para 67 of the Guidance Note states "*The financial statements should disclose, inter alia, the historical cost of fixed assets.*"

   Directorate's order no F.DE.15 (630)/PSB/2018/30036-41 dated 30 Nov 2018 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 noted that the school has not shown the utilisation of Development fees towards purchase of Fixed Assets resulting in overstatement of Development Fund balance at the end of the financial year. Therefore, the school was directed to make necessary adjustment in the Development Fund account and also directed to create Development Utilisation Fund account in its books. The details of Fixed Assets purchased out of Development Fund are as under:

S. No.	Particulars	Amount (INR)
1.	Assets purchased out of Development Fund in FY 2014-2015	1,11,42,067
2.	Assets purchased out of Development Fund in FY 2015-2016	1,20,31,536

S. No.	Particulars	Amount (INR)
3.	Assets purchased out of Development Fund in FY 2016-2017	96,64,338
	Total	**3,28,37,941**

The school failed to make adjustment entries for all the above mentioned purchase of fixed assets and derive the correct balance of development fund.

Further, based on the presentation made in the financial statements for FY 2017-2018 and FY 2018-2019 submitted by the school, it was noted that the school has transferred the depreciation charged to income and expenditure account and has failed to transfer the same to the depreciation reserve fund and school has reflected fixed assets purchased from development fund and from school funds at written down value on the face of the Balance Sheet. Further, the school has charged depreciation on assets purchased from development fund to Income and expenditure account and has transferred an amount equivalent to depreciation charged as income in the Income and expenditure account from development fund. Also, the school failed to transfer an amount equivalent to the purchase cost of the assets from the development fund to development fund utilised account and has shown assets purchased from Development Fund at WDV. The above practice is not in accordance with the guidance note cited above.

Accordingly, the school is instructed to make necessary rectification entries relating to development fund indicate in Directorate's order dated 30 Nov 2018. Further, the school is directed to ensure compliance with the accounting treatment and disclosure indicated in the Guidance Note. Also, the school should disclosure fixed assets at historic cost on the assets side of the Balance Sheet and depreciation reserve equivalent to the cumulative depreciation charged on fixed assets on the liabilities side of the Balance Sheet.

3. Directorate's order no F.DE.15 (630)/PSB/2018/30527-30531 dated 14 Dec 2018 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018 noted that the school had not updated Fixed Assets Register (FAR) regularly with all the value of additions, deletions and location. No physical verification of fixed assets has been conducted by the school during the year. Quantitative details and location of fixed assets were also not given.

   During the personal hearing, the school mentioned that it will prepare FAR in proper format from FY 2019-2020 onwards.

   The school is directed to prepare FAR with relevant details relating to the fixed assets owned by the school. The same will be examined at the time of evaluation of subsequent fee increase proposal of the school.

4. 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'.*"

The school, in its Income and Expenditure Account for the FY 2017-2018 and FY 2018-2019 has not segregated all items of income and expenses that exceeded 1% of the total fee receipts reported certain expenses under the head 'Other Expense', which is more than 1% of the total fee receipts.

The school is directed to ensure that all subsequent financial statements are prepared giving detailed breakup in accordance with the requirements of Guidance Note 21 issued by ICAI.

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

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

Particulars	FY 2016-2017	FY 2017-2018	FY 2018-2019
Total No. of Students	1405	1533	1526
No. of EWS Students	141	160	189
% of EWS students to Total Students	10.04%	10.47%	12.38%

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

6. Review of the proposal for enhancement of fee for FY 2018-2019 submitted by the school indicated that the school did not include/disclose transport fee collected by it from students in its proposal for fee hike submitted for FY 2018-2019.

   The school is directed to disclose all fees collected from students including earmarked levies in the fee increase proposal submitted to the Directorate Also, the school should be cautious while submitting details to the Directorate and ensure that such omissions are not repeated.

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

i. The total funds available for the year 2018-2019 amounting to INR 19,12,14,438 out of which cash outflow in the year 2018-2019 is estimated to be INR 13,90,26,608. This results in net surplus of INR 5,21,87,830. The details are as follows:

Particulars	Amount (INR)
Cash and Bank Balance as on 31 Mar 2018 (as per audited financial statements of FY 2017-2018)	29,78,032

Particulars	Amount (INR)
Investments (Fixed Deposits) as on 31 Mar 2018 (as per audited financial statements of FY 2017-2018)	2,83,60,207
Total Liquid Funds Available with the School as on 31 Mar 2018	**3,13,38,239**
Add: Fees/Incomes for FY 2018-2019 (as per financial statements of FY 2018-2019) [Refer Note 1]	14,11,09,803
Add: Amount recoverable from Society towards purchase of buses during FY 2014-2015 to FY 2018-2019 [Refer Financial Discrepancy No. 1]	2,52,34,219
Add: Amount recoverable from Society towards honorarium paid to director during FY 2014-2015 to FY 2018-2019 [Refer Financial Discrepancy No. 2]	72,60,000
Gross Estimated Available Funds for FY 2018-2019	**20,49,42,261**
Less: FDR held jointly with CBSE/DOE (as per audited financial statements of FY 2017-2018)	7,13,409
Less: Staff Retirement Benefits [Refer Financial Discrepancy No. 4]	-
Less: Development Fund [Refer Note 2]	1,30,14,414
Less: Depreciation Reserve [Refer Note 3]	-
Net Estimated Available Funds for FY 2018-2019	**19,12,14,438**
Less: Expenses for FY 2018-2019 (As per financial statements of FY 2018-2019) [Refer Note 1]	13,71,88,137
Less: 7th CPC Salary Arrears (As per financial statements of FY 2017-2018)	18,38,471
Estimated Surplus as on 31 Mar 2019	**5,21,87,830**

Notes:

1. The school submitted its financial statements for FY 2018-2019. Based on the financial statements for FY 2018-2019, all reported fees and incomes (other than income recorded by way of transfer from Development Fund, which is incorrect transfer as per Other Discrepancy No. 2) were considered, while expenses after the following adjustments were considered:

Expense Head	Amount (Actual)	Amount (Allowed)	Amount (Disallowed)	Remarks
Depreciation	1,86,46,630	-	1,86,46,630	Depreciation, being a non-cash expense, does not result in outflow of funds. Thus, the same has not been considered.
Employee Welfare including Retirement Benefit	34,72,803	-	34,72,803	Refer Financial Discrepancy No. 4
Total	**2,21,19,433**	-	**2,21,19,433**	

2. The Hon'ble Supreme Court in the matter of Modern School held that development fees for supplementing the resources for purchase, upgradation and replacements of furniture and fixtures and equipment can by charged from students by the recognized unaided schools not exceeding 15% of the total annual tuition fee. Further, the Directorate's circular no. 1978 dated 16 Apr 2010 states "*All schools must, first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase.*" Over a number of years, the school has accumulated development fund and has reflected the closing balance of INR 1,30,14,414 in its financial statements of FY 2018-2019. Accordingly, the accumulated reserve of development fund created by the school by collecting development fee more than its requirement for purchase, upgradation and replacements of furniture and fixtures and equipment has been considered as free reserve available with the school for meeting the financial implication of 7th CPC to be implemented by the school. However, development fund equivalent to amount collected in one year (FY 2018-2019) from students has been considered for deriving the fund position of the school, which is considered sufficient basis the spending pattern of the school in past.

3. The school has charged depreciation on fixed assets and has created a separate depreciation reserve on the liabilities side of the Balance Sheet of the school. While development fund has been adjusted for deriving the fund position of the school as per Note 2 above, depreciation reserve is more of an accounting head for appropriate treatment of depreciation in the books of account of the school in accordance with Guidance Note 21 issued by the Institute of Chartered Accountants of India. Thus, there is no financial impact of depreciation reserve on the fund position of the school. Accordingly, it is not considered in table above.

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 2018-2019.

ii. The directions issued by the Directorate of Education vide circular no. 1978 dated 16 Apr 2010 states "*All schools must, first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase.*" The school has sufficient funds to carry on the operation of the school for the academic session 2018-2019 on the basis of existing fees structure and after considering existing funds/reserves.

WHEREAS, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, 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 were also noted (appropriate instructions against which have been given in this order), the funds available with the school to carry out its operations for the academic session 2018-2019 and payment of salaries as per the recommendations of 7th CPC are sufficient. Accordingly, the fee increase proposal of the school may be rejected.

AND WHEREAS, recommendation 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 payment of salaries as per the recommendations of 7th CPC and meeting the expenses for the financial year 2018-2019. Since the school has accumulated surplus funds, increasing fee from students would result in profiteering and commercialisation of education. Therefore, Director (Education) rejects the proposal submitted by the school for enhancement of fee for the academic session 2018-2019.

Accordingly, it is hereby conveyed that the proposal for enhancement of fee for session 2018-2019 of **Bhatnagar International School (School ID-1720145), Sector B, Pocket-10,Vasant Kunj, New Delhi** has been rejected by the Director of Education. Further, the management of said school is hereby directed under section 24(3) of DSEA, 1973 to comply with the following directions:

1. Not to increase any fee/charges during FY 2018-2019. In case, the school has already charged increased fee during FY 2018-2019, the school should make necessary adjustments from future fee/refund the amount of excess fee collected, if any, as per the convenience of the parents.
2. To communicate with the parents through its website, notice board and circular about rejection of fee increase proposal of the school by the Directorate of Education.
3. To ensure that salaries and benefits are paid to the staff in accordance with section 10(1) of DSEA, 1973 and Directorate's order dated 25 Aug 2017.
4. To ensure that the salaries and allowances shall come out from the fees whereas capital expenditure will be a charge on the savings in accordance with the principles laid down by Hon'ble Supreme Court of India in its Judgment of Modern School vs Union of India and Others. Therefore, school must not include capital expenditure as a component of fee structure (to be submitted by the school under section 17(3) of DSEA, 1973).
5. To utilise the fee collected from students in accordance with the provisions of Rule 177 of the DSER, 1973 and orders and directions issued by this Directorate from time to time.
6. To rectify the financial and other irregularities/violations as listed above and submit the compliance report within 30 days from the date of this order to D.D.E.(PSB).
7. The Compliance Report detailing rectification of the above listed deficiencies/ violations must also be attached with the proposal for enhancement of fee of subsequent academic session, as may be submitted by the school. Compliance of all the directions mentioned above will be examined before evaluation of proposal for enhancement of fee for subsequent academic session.

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

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

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

To:
The Manager/ HoS
Bhatnagar International School
School ID-1720145
Sector B, Pocket-10
Vasant Kunj,
New Delhi -110070

No. F.DE.15(209)/PSB/2021/ 3446 -3450 Dated: 10/09/21

Copy to:
1. P.S. to Principal Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. DDE concerned to ensure the compliance of the above order by the school management.
4. Guard file.

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