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

No. F.DE.15(185)/PSB/2021/ 3441-45 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 accounts and other records maintained by the school at least once in each financial year. Section 18(5) and 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, **Bharti Public School, Swasthya Vihar, Vikas Marg, Delhi - 110092 (School ID-1003235)** submitted its proposal for enhancement of fee for the academic session 2019-2020 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 **Bharti Public School (School ID-1003235), Swasthya Vihar, Vikas Marg, Delhi - 110092** for the academic session 2019-2020, necessary records and explanations were called from the school through email. Further, school was also provided an opportunity of being heard on 21 Oct 2019 at 11:30 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 filed a writ petition (W.P.(C) 11659/2019) in the Hon'ble High Court of Delhi against Directorate's order No. F.DE.15(420)/PSB/2018/30072-77 dated 30 Nov 2018 issued by the Directorate of Education to the school post evaluation of the fee increase proposal for FY 2017-2018 order. The Hon'ble High Court in the said WPC instructed the Directorate not to take any coercive action against the petitioner. Thus, no such action has been initiated by the Directorate.

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. 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 except in compliance with Rule 177 of DSER,1973.

   Directorate Order No. F.DE.15(420)/PSB/2018/30072-77 dated 30 Nov 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that as per audited financial statements for FY 2014-2015 to FY 2016-2017, the school had made certain additions to the building amounted to INR 1,04,10,927 (INR 27,30,687 in FY 2014-2015, INR 41,08,807 in FY 2015-2016 and INR 35,71,433 in FY 2016-2017) out of the school funds.

   The school represented that the students of the school have not been charged/burdened by way of collecting the "Building Fund" or Development Charges, therefor, there is no violation of public notice dated 4 May 1997. Further, the school also mentioned that, the saving made by school from income derived by way of fees, after having met the liability of payment of salaries and allowances, etc. can legally be utilized for the needed expansion of the School or any expenditure of development nature.

   The explanation and representation of the school is not tenable based on the fact that the school did not implement the recommendations of 7th CPC till date and did not made any investment in 'plan-assets' such as group gratuity scheme and group leave encashment scheme of LIC/ other insurers till date to secure the statutory liability towards staff retirement benefits. Accordingly, the school did not comply with the requirements of Rule 177 (1) i.e. "*Income derived by an unaided utilized school by way of fees shall be utilized in the first instance, for meeting the pay, allowances, and other benefits admissible to the employees of the school*".

Further, the school has continued to incur capital expenditure on construction of Sports Auditorium, Lift and construction of building amounting to INR 1,40,15,608 (including expenditure of INR 15,59,027 recorded under 'Land') during the FY 2017-2018 and FY 2018-2019. The details of funds utilized by the school on building, land, etc. are as under:

(Figures in INR)

Particular	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018	FY 2018-2019	Total
Infrastructure development (grouped under Building)	27,30,687	-	28,25,259	-	-	55,55,946
School Building	-	41,08,807	7,46,174	-	-	48,54,981
Land	-	-	-	15,59,027	-	15,59,027
Lift (grouped under Plant & Machinery)	-	-	-	21,10,579	5,33,484	26,44,063
Sport Auditorium Equipment	-	-	-	12,97,382	85,15,136	98,12,518
Total	**27,30,687**	**41,08,807**	**35,71,433**	**49,66,988**	**90,48,620**	**2,44,26,535**

Since the school has not recovered any amount from the Society till date. Thus, the above mentioned expenditure of INR 2,44,26,535 incurred by the school on building during FY 2014-2015 to FY 2018-2019 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 incur any expenditure on building unless it ensures compliance with Rule 177.

2. Rule 177 of DSER, 1973 *states "(1) Income derived by an unaided recognised school by way of fees shall be utilised in the first instance, for meeting the pay, allowances, and other benefits admissible to the employees of the school. Provided that savings, if any from the fees collected by such school may be utilised by its managing committee for meeting for meeting the capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely:*
    1. *award of the scholarships to students,*
    2. *establishment of any other recognised school, or*
    3. *assisting any other school or educational institution, not being a college, under the management of the same society or trust by which the first mentioned school is run.*

    (2) The savings referred to in sub-rule (1) shall be arrived at after providing for the following, namely:-

(a) *pension, gratuity and other specified retirement and other benefits admissible to the employees of the school,*
(b) *the needed expansion of the school or any expenditure of a development nature,*
(c) *the expansion of the school building or for the expansion or construction of any building or establishment of hostel or expansion or construction of any building or establishment of hostel or expansion of hostel accommodation,*
(d) *co-curricular activities of the students,*
(e) *reasonable reserve fund, not being less than ten percent, of such savings."*

Directorate Order No. F.DE.15(420)/PSB/2018/30072-77 dated 30 Nov 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that as per audited financial statements for FY 2015-2016, the school has created 'Branch Building Construction Fund' amounting to INR 4,00,00,000. This fund was created out of the surplus earned during the FY 2015-2016 amounting to INR 1,00,00,000 and balance amount of INR 3,00,00,000 was created out of previous years' reserves without complying with the principles laid down under Rule 177 of DSER, 1973.

Further, during the FY 2016-2017, FY 2017-2018 and FY 2018-2019, the school has utilised fund amounting to INR 1,01,12,595, INR 12,28,500 and INR 13,17,049 respectively for the purpose of construction of branch school building out of abovementioned fund. From the Fixed Assets Schedule annexed to the audited financial statements of the school, it was noted that school has not reported additions in the block of building of school of the corresponding amount during the said financial year and the school has debited the 'Branch Building Construction Fund' at the time of making payment from bank. Thus, it is clear that school funds have been utilised for construction of another building (owned by the Society) in contravention of Rule 177 of DSER, 1973 since the school did not implement the recommendations of 7th CPC till date and did not made any investment in 'plan-assets' such as group gratuity scheme and group leave encashment scheme of LIC/ other insurers till date to secure the statutory liability towards staff retirement benefits. Accordingly, the school did not comply with the requirements of Rule 177 (1) i.e. "*Income derived by an unaided utilized school by way of fees shall be utilized in the first instance, for meeting the pay, allowances, and other benefits admissible to the employees of the school*"..

Thus, the above mentioned expenditure of INR 1,26,58,144 (INR 1,01,12,595 plus INR 12,28,500 plus INR 13,17,049) pertaining to FY 2016-2017 to FY 2018-2019 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 reverse the amount of building fund created in its books of account by transfer to general reserve and not to divert school funds in contravention of Rule 177.

3. Para 57 of Accounting Standard 15 – 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "*An enterprise should determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the*

amounts that would be determined at the balance sheet date." Further, according to para 7.14 of the Accounting Standard 15, "*Plan assets comprise:*

(a) *assets held by a long-term employee benefit fund; and*

(b) *qualifying insurance policies.*"

On review of the audited financial statements for FY 2017-2018 and FY 2018-2019 and submissions of the school, it was noted that the school has created the provision for liability towards gratuity and leave encashment in its financial statements in accordance with the actuarial valuation reflecting the actuary determined liability towards Gratuity and Leave Encashment as on 31 Mar 2019 of INR 1,54,45,561 and INR 24,38,091 respectively.

Further, the school was directed by the Directorate through order No. F.DE.15(420)/PSB/2018/30072-77 dated 30 Nov 2018 to make earmarked equivalent investments against provision for Gratuity and Leave Encashment with LIC (or any other agency) so as to protect against its the statutory liabilities towards staff. However, it was noted that the school has not deposited any amount in investment such as group gratuity scheme or group leave encashment scheme of LIC of other insurer. Thus, the school has not complied with the directions included in the aforesaid order.

The school is directed to make investments in plan-assets such as group gratuity scheme or group leave encashment scheme of LIC of other insurer so as to create a fund equivalent to the amount of liability determined by the actuary towards gratuity and leave encashment and protect itself against its statutory liabilities towards staff. On account of non-compliance of the direction by the school regarding deposit of amount equivalent to the provision of gratuity and leave encashment in investment with LIC or other insurer, no amount has been considered towards gratuity and leave encashment while deriving the fund position of the school for FY 2019-2020 (enclosed in the later part of the order).

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

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

   Further, clause no. 9 of the aforementioned order states "*No fee, fund or any other charge by whatever name called, shall be levied or realised unless it is determined by the Managing Committee in accordance with the directions contained in this order ......*"

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

Clause 17 of Order No. F.DE/15(56)/Act/2009/778 dated 11 Feb 2009 issued by this Directorate states *"No admission Fee of more than two hundred rupees per student, at the time of admission shall be charged. Admission Fee shall not be charged again from any student who is once given admission as long as he remains on the rolls of the school."*

On review of audited financial statements for the FY 2017-2018 and FY 2018-2019 and sample of fee receipts submitted by the school, it was observed that the school collected one-time activity charges of INR 30,000 from students at the time of admission. No private recognised school can collect fee other than those prescribed in aforementioned order dated 15 Dec 1999. Further, collecting one-time charge from students at the time of admission of students takes the form of admission fee, which can be collected only upto an amount of INR 200. Thus, collection of one-time fees from students at the time of admission indicates that the school is engaging in profiteering and commercialization of education in contravention of the aforementioned clause.

The school was directed to stop the collection of one-time activity charges from students through directorate's order no. F.DE.15 (420)/PSB/2018/30072-77 dated 30 Nov 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018, but school has not stopped collecting the one time activity charges.

On review of the audited financial statements of school for FY 2018-2019, it was noticed that the school collected a total sum of the INR 46,98,830 from students at the time of admission in contravention to the direction mentioned above. For the purpose of evaluation of the fee hike proposal for FY 2019-2020, the above-mentioned fee has been excluded from the income for FY 2019-2020 while deriving the fund position of the school (enclosed in the later part of this order) with the direction to the school to adjust from fee/refund the amount collected during FY 2019-2020 from students in respect of one-time charge within 30 days from the date of this order.

Since one-time activity charge is collected by the school in contravention to the directions given by the Directorate in its order dated 30 Nov 2018, which resulted in profiteering and commercialization of education, the school is directed again not to collect any one-time charge from the students at the time of admission.

5. On review of the salary statement for the month of Mar 2019 submitted by the school, it was noticed that the school had made payment of salary to Mr. Rajesh Batra (Admin Officer), who seems to be a relative of the Chairman (Mr. H.C. Batra) based on same surname. Further, based on the pay scales as per 6th CPC, it appeared that the excessive salary is being paid to Mr. Rajesh Batra (Admin Officer). In the absence requisite documents to substantiate that the appointment and fixation of salary of aforementioned person was made in accordance with Recruitment Rules, no adjustment has made while deriving the fund position of the school (enclosed in the later part of this order).

   The school is directed to determine the amount of excessive salary paid to such person from the date of appointment till date and recover the same either from the concerned person or society within 30 days from the date of this order. Compliance of direction mentioned above will be examined at the time of evaluation of proposal for enhancement of fee for subsequent academic session.

6. Incomes (fee collected from students) reported in the Income and Expenditure Account/ Receipt and Payment Account for FY 2018-2019 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 2018-2019 in its Income & Expenditure Account/ Receipt and Payment and amount of fee arrived/computed as per details provided by the school.

Following differences were derived based on the computation of FY 2018-2019:

Particulars	Income reported in Income & Expenditure Account (A)	Fee computed based on details no. of students provided by the school (B)	Derived Difference (C)= (A-B)	Derived % Difference (D)=(C/B* 100)
Tuition fee	7,57,02,006	7,38,04,740	18,97,266	2.57%
Development fee	1,13,35,779	1,10,53,608	2,82,171	2.55%
Annual fee	90,61,998	87,98,400	2,63,598	3.00%

The school should perform a detailed reconciliation of the amount collected from students and income to be recognised based on the fee structure and number of students enrolled by the school. Since the school is required to prepare and submit the reconciliation, no adjustment has been made in the fund position of the school (enclosed is the later part of the order).

B. Other Discrepancies

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.

   As per Order No. F.DE-15/ACT-I/WPC-4109/PART/13/7905-7913 dated 16 Apr 2016, "*The Director hereby specify that the format of the return and documents to be submitted by schools under rule 180 read with Appendix –II of 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.*"

   Also, Standard on Auditing (SA) 700 (Revised) – 'Forming an Opinion and Reporting on Financial Statements' notified by the Institute of Chartered Accountants of India include formats for issuing audit opinions on the financial statements by practicing Chartered Accountants.

   It was noted the auditor did not issue the audit opinions on the financial statements of the school in accordance with the formats included in SA 700 instead the audit opinions were a modified version of Form No. 10B (Audit report under section 12A(b) of the Income-tax Act, 1961, in the case of charitable or religious trusts or institutions). Since the financial statements submitted by the school are towards general purposes and not specifically drawn for submission to the Income Tax Department, the auditor must have used the audit report template included in SA 700.

Further, on review of the audited final accounts for FY 2018-2019 submitted by the school, it was noted that though the receipt and payment account for FY 2018-2019 was duly signed by the auditor with reference thereon to the audit report of even date, but in its audit report, the auditor only gave his opinion on the true and fair view on:

- In the case of balance sheet of the state of affairs as at 31 Mar and
- In the case of Income and Expenditure account of excess of expenditure over income for the period ended on that date.

Thus, the auditor did not give his opinion on the receipt and payment account. The school did not provide reasonable justification for auditor's non-inclusion of receipt and payment account in his audit opinion. Further, the auditor had signed the audit report and financial accounts for FY 2018-2019 on 19 Aug 2019. Thus, the school did not comply with the requirement of submission of audited final accounts in accordance with the timeline of 31 July prescribed in Rule 180(1).

Accordingly, the school is directed to ensure the financial statements as per the requirements of Rule 180(1) are appropriately prepared and submitted within the prescribed timeline to the Directorate. The school is also directed to ensure that the audit opinion is issued by the auditor on Balance Sheet, Income & Expenditure Account and Receipt & Payment Account.

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 including compliance with the requirements of SA 700.

2. On examination of the financial statements for FY 2016-2017 to FY 2018-2019, it was noted the financial statements were not appropriately authenticated by the representatives of the school, since only the Principal signed the Balance Sheet, Income and Expenditure Account and Receipt and Payment Account. Also, the schedules annexed to the financial statements were not signed or initialed by any of the officials of the school. Thus, the authenticity of the financial statements and financial information included therein cannot be confirmed.

   The school is directed to ensure that the entire set of financial statements (all pages, schedules including Notes to Account) must be appropriately signed or initialled (as appropriate) by two representatives of the school authorised in this regard as per Bye laws or other governing documents.

3. 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, since these can be utilised only for the purposes for which these have been collected, 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 Transport Fee, Digital Learning Fee, Computer & Science Fee, Accidental Insurance and Examination Fee from students.

On review of the audited financial statements for FY 2018-2019, it was noted that the school created a separate fund for transport fee. However, it transferred the balance of another fund ('School Bus Fund') carried over from previous years. The school did not provide details whether this School Bus fund was created out of surplus made from transport fee or other appropriations. It was further noted that the school failed to disclose transport fees in the Income and Expenditure Account rather it was presented directly in the designated fund maintained by the school as Transport Fund on the liability side of the Balance Sheet. While this is revenue receipt collected by school from the students, the school did not route the incomes and expenses in relation to transport facility through Income and Expenditure Account, which is not in accordance with the Generally Accepted Accounting Principles.

Further, 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 and was also mentioned in Directorate Order No. F.DE.15 (420)/PSB/2018/30072-77 dated 30 Nov 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018. Details of calculation of surplus or deficit, based on breakup of expenditure provided by the school for FY 2018-2019 is given below:

Earmarked Fee	Income (INR)	Expenses (INR)	Surplus/(Deficit) (INR)
	A	B	C=A-B
Transport Fees^	1,68,40,978	1,78,67,288	(10,26,310)
Digital Learning Fee	29,15,895	31,40,573	(2,24,678)
Computer & Science Fee	9,76,200	25,62,416	(15,86,216)
Accidental Insurance	10,42,249	10,96,742	(54,493)
Examination Fee	16,15,848	13,38,640	2,77,208

^ 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 over the life of the 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.

While the school incurred a deficit on transport facility as indicated in table above, the school reported positive balance of transport fund in its financial statements as on 31 Mar 2019 of INR 17,36,190, which was primarily on account of transfer of balance of another fund maintained by the school under the aegis of School Bus Fund. Since the school did not provide any detail regarding School Bus fund and how the same was created, the balance of transport fund reflected by the school its financial statements as on 31 Mar 2019 has not been considered while deriving the fund position of the school (enclosed in later part of this order).

Also, 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 Examination Fee and Accidental Insurance Fee 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 Examination Fee and Accidental Insurance Fee and details provided by the school in relation to expenses incurred against the same, the school should not charge such fee as earmarked fee with immediate effect and should incur the expenses relating to these from tuition fee and/or annual charges, as applicable collected from the students. The school explained that annual fee collected from students is not sufficient to meet the revenue expenses of the school.

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 must be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies during subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on no-profit no-loss basis and not to include fee collected from all students as earmarked levies. The school is also directed not to include fee collected from all students as earmarked levies and stop collecting Examination Fee and Accidental Insurance Fee from students.

Also, the school is directed to disclose all revenue incomes and expenses in its Income and Expenditure Account including earmarked levies collected from students and related expenses.

4. Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 which states "*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, 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 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.*"

   Basis the presentation made in the audited financial statements for the FY 2017-2018 and FY 2018-2019 submitted by the school, it was noted that the school transferred an amount equivalent to the purchase cost of the fixed assets purchased from development fund to "Development Fund Utilised" account, but did not treat the same as deferred income and did not transfer amount equivalent to depreciation from "Development Fund Utilised" account to the Income and Expenditure Account and did not comply with the requirements indicated in the guidance note cited above.

   Further, it was noted that the school has not reported depreciation reserve as on 31 Mar 2019 equivalent to the amount of accumulated depreciation reported in the fixed assets schedule annexed to the audited financial statements for FY 2018-2019.

   Also, from the financial statements submitted by the school, it was noted that the school was not crediting interest earned on the development fund bank account and fixed deposit to development fund, instead the school treated interest income as revenue receipt. Thus, the school did not comply with the condition of Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 cited above.

   The school is directed to transfer an amount equivalent to the amount of depreciation from "Development Fund Utilised against Fixed Assets" account to Income and Expenditure

Account as income to comply with the accounting and disclosure requirements of the guidance note. The school is also directed to ensure compliance with Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 by transferring income earned on investments made from development fund to the development fund account.

5. As per Order No. F.DE-15/ACT-I/WPC-4109/PART/13/7905-7913 dated 16 Apr 2016, *"The Director hereby specify that the format of the return and documents to be submitted by schools under rule 180 read with Appendix –II of 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."*

   Para 67 of the Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India, *"The financial statements should disclose, inter alia, the historical cost of fixed assets"*.

   Basis the presentation made in the financial statements for FY 2017-2018 and FY 2018-2019 submitted by the school, it was noted that while the fixed assets schedule relating to assets procured from development fund annexed to the financial statements included break up of opening block of assets, additions, deletions, closing block of fixed assets, opening depreciation reserve, depreciation during the year, adjustment (if any), closing balance of depreciation reserve and net (WDV) opening and closing block of fixed assets, the fixed assets schedule relating to assets purchased from general fund did not include details of historic cost and accumulated depreciation rather only opening written down value, depreciation during the year and closing written down value of assets. Also, on the face of the Balance Sheet, the school reported Fixed Assets (other than assets purchased from development fund) at written down value, which is not in accordance with the disclosure requirements included in the guidance note citied above.

   The school was directed to follow the uniform method for accounting and presentation of fixed assets through directorate's order no. F.DE.15 (420)/PSB/2018/30072-77 dated 30 Nov 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018.

   Accordingly, the school is directed to disclose all fixed assets at gross (historic) value on the face of Balance Sheet on the assets side and accumulated depreciation as depreciation reserve on the liability side of the Balance Sheet. Further, the fixed assets schedule should include complete details regarding opening block of assets, additions, deletions, closing block of fixed assets, opening depreciation reserve, depreciation during the year, adjustment (if any), closing balance of depreciation reserve and net (WDV) opening and closing block of fixed assets.

   Compliance of the same shall be validated during evaluation of subsequent fee increase proposal as may be submitted by the school. The above being a presentation/ disclosure finding, no financial impact is warranted for deriving the fund position of the school.

6. On review of proposal for enhancement of fee for the academic session 2019-2020 submitted by school, we noted that school is collecting earmarked levies in the form of

Transport Fees from students, but the same was not disclosed in the proposal for enhancement of fee submitted by the school.

The school must ensure that it discloses all heads of income in its proposal for enhancement of fee including earmarked levies. Also, the school should be cautious while submitting details to the Directorate and ensure that such omissions are not repeated.

7. 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	2016-2017	2017-2018	2018-2019
Total No. of Students	2,264	2,244	2,273
No. of EWS students	305	357	369
% of EWS students to total no. of students	13.47%	15.90%	16.23%

   The school 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.

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

i. The total funds available for the year 2019-2020 amounting to INR 23,89,35,304 out of which cash outflow in the year 2019-2020 is estimated to be INR 16,81,08,134. This results in net surplus of INR 7,08,27,170. The details are as follows:

Particulars	Amount (INR)
Cash and Bank Balance as on 31 Mar 2019 (as per audited financial statements of FY 2018-2019)	84,44,697
Investments (Fixed Deposits) as on 31 Mar 2019 (as per audited financial statements of FY 2018-2019)	6,88,51,834
Total Liquid Funds Available with the School as on 31 Mar 2019	**7,72,96,531**
Add: Fees/Incomes for FY 2019-2020 (based on income reported in audited financial statements of FY 2018-2019) [Refer Note 1]	12,47,96,936
Add: Amount recoverable from Society on account of expenditure incurred on building [Refer Financial Discrepancy No. 1]	2,44,26,535
Add: Amount recoverable from Society on account of funds utilized for construction of branch building [Refer Financial Discrepancy No. 2]	1,26,58,144
Gross Estimated Available Funds for FY 2019-2020	**23,91,78,146**
Less: FDR submitted with DoE (as per audited financial statements of FY 2018-2019)	2,42,842
Less: Staff retirement benefits [Refer Financial Discrepancy No. 3]	-

Particulars	Amount (INR)
Less: Depreciation Reserve [Refer Note 2]	-
Less: Salary Reserve [Refer Note 3]	-
Less: Development Fund ('Nil' as per audited financial statements of FY 2018-2019)	-
Less: Transport Fund balance as on 31 Mar 2019 [Refer Other Discrepancy No. 3]	-
Net Estimated Available Funds for FY 2019-2020	**23,89,35,304**
Less: Budgeted Expenses for FY 2019-2020 [Refer Note 4]	13,78,41,794
Less: Arrears of salary as per 7th CPC for the period Jan 2016 to Mar 2019 (as per separate computation of 7th CPC submitted by the school)	3,02,66,340
Estimated Surplus as on 31 Mar 2020	**7,08,27,170**

Notes:

1. Fees and incomes as per audited financial statements of FY 2018-2019 have been considered with the assumption that the amount of income during FY 2018-2019 will at least accrue during FY 2019-2020 with an adjustment of INR 46,98,830 towards one time activity charges (Refer Financial Discrepancy No. 4) to be adjusted/ refunded to students (included as income in the audited financial statements of FY 2018-2019), which would not accrue during FY 2019-2020.
2. The school has charged depreciation on fixed assets purchased from school funds and development funds. However, school has created depreciation reserve on assets purchased from development funds and reflected the same on the liabilities side of the Balance Sheet of the school, which does not reconcile with the amount of accumulated depreciation as on 31 Mar 2019 (Refer Other Discrepancy No. 4). While development fund as per audited financial statements of FY 2018-2019 (reported as Nil) has been adjusted for deriving the fund position of the school, 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.
3. The school submitted copies of fixed deposits with bank totaling to INR 1,63,00,755 as on FY 2018-2019, which were described as created towards working Reserve fund (Salary) of the school. However, the FDRs submitted by the school were in the name of the school and not in the joint name of the Manager of the School and Deputy Director of Education. Accordingly, in absence of any joint FDRs, no amount has been considered in table above.
4. Per the Budget Estimate for FY 2019-2020 submitted by the school along with the proposal for fee increase for FY 2019-2020, the school had estimated the total expenditure during FY 2019-2020 of INR 18,76,95,058, which in some instances was found to be unreasonable/ excessive. Based on the explanations and details provided by the school during personal hearing, most of the expenses heads as budgeted were considered. Further, during review of budgeted expenses, certain discrepancies were noted in expenses budgeted by the school, which were adjusted from the budgeted expenses as under:

Particulars	Actuals FY 2018-2019	Budget FY 2019-2020	Amount Allowed	Amount Disallowed	Remarks
Salary and wages including allowance of	53,09,366	2,06,47,200	58,40,303	1,48,06,897	The school proposed an increase under the head salary and

Particulars	Actuals FY 2018-2019	Budget FY 2019-2020	Amount Allowed	Amount Disallowed	Remarks
non-teaching staff					allowances of non-teaching staff by 389% as compared to total expenditure incurred by the school in FY 2018-19 without providing reasonable justification. Thus, in absence of any substantive details/ computation, the overall impact on salary of Non-Teaching staff has been restricted to 110% of the salary expense of FY 2018-2019.
Vehicle Running & Maintenance	34,46,456	48,00,000	37,91,102	10,08,898	No reasonable justification/ explanation provided by the school for such increase in expense as compared with FY 2018-2019. Accordingly, budgeted expenses for FY 2019-2020 have been restricted to 110% of the expense incurred during FY 2018-2019.
Printing & Stationery	13,96,053	19,50,000	15,35,658	4,14,342	
Examination Expenses	13,38,640	19,00,000	14,72,504	4,27,496	
Capital Expenditure (Out of Development Fund)	1,19,47,471	1,42,65,070	1,13,35,779	29,29,291	Capital expenditure restricted to the extent of development fees receipts (as per audited financial statements of FY 2018-2019), as the school has reflected nil balance of development fund

Particulars	Actuals FY 2018-2019	Budget FY 2019-2020	Amount Allowed	Amount Disallowed	Remarks
					and has not derived savings in accordance with Rule 177 of DSER, 1973.
Total	2,34,37,986	4,35,62,270	2,39,75,346	1,95,86,924	

In view of the above examination, it is evident that the school has sufficient funds for meeting all the budgeted expenses for the financial year 2019-2020.

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 2019-2020 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 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 2019-2020 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 the 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 2019-2020. 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 2019-2020.

Accordingly, it is hereby conveyed that the proposal for enhancement of fee for session 2019-2020 of **Bharti Public School (School ID-1003235), Swasthya Vihar, Vikas Marg, Delhi – 110092** 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 2019-2020. In case, the school has already charged increased fee during FY 2019-2020, 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 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
Bharti Public School
School ID - 1003235
Swasthya Vihar, Vikas Marg
Delhi – 110092

No. F.DE.15(185)/PSB/2021/ 3441-45 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