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

No. F.DE.15(201)/PSB/2021/ 3486 - 3490 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, **Bloom Public School (School ID-1720169), C-8, Vasant Kunj, New Delhi-110070** submitted its proposal for enhancement of fee for the academic session 2019-2020 in the prescribed format.

AND WHEREAS, in the process of examination of fee hike proposal filed by **Bloom Public School (School ID-1720169), C-8, Vasant Kunj, New Delhi-110070** 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 2 Dec 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 reply of the school, documents uploaded on the web portal for fee increase and all subsequent documents submitted by the school were thoroughly evaluated and 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.

Further, on review of the audited final accounts submitted by the school, it was noted that the receipt and payment accounts were stamped and initialled by the auditor also authenticated by the representatives of the school and no reference thereon was drawn to the audit report of the auditor. Also, 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 2019 and
- In the case of Income and Expenditure account of the Deficit for the year 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.

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 2019-2020 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.

Accordingly, the school is directed to ensure the financial statements as per the requirements of Rule 180(1) are appropriately prepared and submitted to the Directorate. The school is also directed to ensure that the audit opinion is issued by the auditor on the complete set of financial statements i.e. 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.

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 one authorised signatory of the school (Chairman) signed the financial statements.

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

B. 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.

Further, 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.*"

As per 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, up gradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and the collection under this head along with income generated from the investment made out of this fund, will be kept in a separately maintained development fund account.*"

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*"

The financial statements of the school for FY 2017-2018 and FY 2018-2019 includes a consolidated fixed assets schedule for assets purchased out of development fund and school funds. The school submitted the details of utilization of development funds during FY 2017-2018 and FY 2018-2019, it was noted that the school had utilized the development fund for additions in building totalling to INR 31,44,596 (INR 26,36,216 in FY 2017-2018 and INR 5,08,380 in FY 2018-2019) and purchased of vehicles totalling to INR 22,24,489 (INR 17,49,937 in FY 2017-2018 and INR 4,74,552), while as per clause 14 of Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 and 2004 judgement of Hon'ble Supreme Court in the matter of Modern School Vs Union of India and Others, development fund could only be utilized towards purchase, up-gradation and replacement of furniture, fixture and equipment, utilisation of development fund for construction/ addition to building and purchase of vehicle is a non-compliance by the school. Further, this capital expenditure was incurred by the school without complying the requirements prescribed in Rule 177 of DSER, 1973.

Directorate Order No. F.DE.15(653)/PSB/2018/30728-30732 dated 19 Dec 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018 noted that the school had utilised the development funds for purchased of vehicles and library books and the school was directed to make necessary adjustments and comply with the above mentioned clause.

Basis 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 created "Development utilisation Fund" account from FY 2017-2018 onwards with nil opening balance and transferred an amount equivalent to the purchase cost of the fixed assets purchased during the year from development fund to "Development Utilised Fund" account. It was also noted that the school transferred amount equivalent to the amount of depreciation charged on assets purchased during the year from "Development Utilised Fund" account as income to the Income and Expenditure Account. Further, during FY 2018-2019 the school transferred the amount of INR 32,99,843 from "Development Utilised Fund" account as income to the Income and Expenditure Account, however the school did not provide the basis of calculation of such amount.

Further, from the financial statements submitted by the school for FY 2017-2018 and FY 2018-2019, it was noted that the school was crediting interest earned on the development fund bank account and fixed deposit to development fund till FY 2017-2018 and during FY 2018-2019 school treated interest income as revenue receipt. Thus, the school did not comply with the condition cited above.

The details of development fee collected and utilized from FY 2014-2015 to FY 2018-2019 are as follows:

Particulars	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018	FY 2018-2019
Development Fund - Opening Balance	1,59,21,559	1,58,72,236	2,71,97,795	2,58,45,971	2,95,73,186
Add: Development fees received during the year	86,26,170	1,00,33,838	98,00,418	1,00,05,411	93,46,894
Add: Interest accrued on development fund during the year	20,08,596	17,56,324	23,93,339	19,34,694	-
Total Development fund Available	**2,65,56,325**	**2,76,62,398**	**3,93,91,552**	**3,77,86,076**	**3,89,20,080**
Less: Utilization of development funds					
- Purchase of Vehicles	55,50,000	-	87,97,050	17,49,937	4,74,552
- Installation of CCTV in school buses	-	-	-	2,34,636	-
- Purchase of fixed assets (FFE)	51,34,089	4,64,603	47,48,531	31,29,973	61,55,996
- Building Renovation	-	-	-	26,36,216	5,08,380
- Security wall	-	-	-	4,62,128	9,84,867
Total Utilization of development fund	**1,06,84,089**	**4,64,603**	**1,35,45,581**	**82,12,890**	**81,23,795**
Closing Balance	**1,58,72,236**	**2,71,97,795**	**2,58,45,971**	**2,95,73,186**	**3,07,96,285**

Based on the table above, it has been derived that the school is collecting development fee excessive to its needs towards purchase, upgradation and replacement of furniture, fixture and equipment. This has resulted in accumulation of substantial balance of development fund over the period indicating profiteering and commercialisation of education.

It was further noted that the school had incurred expenditure in the last five years totalling to INR 2,13,97,766 (INR 1,68,06,175 towards purchased of vehicles and INR 45,91,591 towards renovation of school building/ wall) out of development fund. Also, it was noted that the school has reported above mentioned expenditures as part of the fixed assets purchased out of development fund, which is incorrect since development fund can be utilised only for purchase, upgradation and replacement of furniture, fixture and equipment. Thus, this is incorrect utilisation of development, which the school is directed to rectify.

Thus, the school has not complied with direction included in aforementioned order and has also not complied with the accounting treatment described for the same in Guidance Note cited above.

Therefore, in view of excessive development fee being charged by the school, development fund to the extent of one year collection (i.e. collected by the school during FY 2018-2019) of INR 93,46,894 has been considered while deriving the fund position of the school (enclosed in later part of this order).

The expenditure on renovation/development of school building and purchased of vehicles, being an expense of developmental/capital nature is covered under Rule 177 of DSER, 1973. However, the school incurred the same without ensuring compliance with the requirements of Rule 177. Based on the fact that the school did not implement the recommendations of 7th CPC till date, 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"*.

Accordingly, capital expenditure incurred on renovation of school building totalling to INR 31,44,596 (INR 26,36,216 plus INR 5,08,380) along with development funds utilised towards purchased of vehicles (Vans) totalling to INR 22,24,489 (INR 17,49,937 plus INR 4,74,552) is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the society within 30 days from the date of this order. Further, the school is directed to follow DOE instruction regarding development fund and ensure that development fund is utilised only towards purchase of furniture, fixture and equipment.

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

2. 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 of no. of students provided by the school (B)	Derived Difference (C)=(A-B)	Derived % Difference (D)=(C/B* 100)
Development fee	93,46,894	89,70,265	3,76,629	4.20%

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. Compliance of the same would be checked at the time of evaluation of subsequent fee increase proposal.

Since the reconciliation is to be prepared and provided by the school, no adjustment has been made in the fund position of the school (enclosed is the later part of the order).

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

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

From the information provided by the school and taken on record, it was noted that the school charges earmarked levies in the form of Annual Day Fees, Library/ Medical/ Technology/ Student and Staff welfare Fees, Science Fees, Sports & Activity Fees, Transport Fees and Special Education Fees from the students. However, the school has maintained separate fund for Transport Fees only and for other earmarked levies the school did not maintained separate fund accounts 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 Order No. F.DE.15(653)/PSB/2018/30728-30732 dated 19 Dec 2018 issued to the school post evaluation of the fee increase proposal for FY 2017-2018. Details of calculation of surplus/deficit, based on breakup of expenditure provided by the school for FY 2018-2019 is given below:

Earmarked levies	Income (INR)	Expense (INR)	Surplus/(Deficit) (INR)
	A	B	C=A-B
Annual Day Fees	4,96,200	5,45,730	(49,530)
Library/ Medical/ Technology/ Student and Staff welfare Fees*	45,63,164	-	45,63,164
Science Fees	1,21,440	1,23,974	(2,534)
Sports & Activity Fees*	16,05,060	-	16,05,060
Transport Fees^	1,32,51,255	1,33,75,163	(1,23,908)
Special Education Fees	1,86,945	1,86,945	-

^ 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.

* No details/breakup of expenses incurred against these earmarked levies were provided by the school.

The surplus in Library/ Medical/ Technology/ Student and Staff welfare fees and Sports & Activity fees is reflected since the school did not provide details of expenses incurred by the school towards same. Thus, actual surplus or deficit against science fee could not be determined. Furthermore, on review of proposal for enhancement of Fee for the academic session 2019-2020 submitted by school, it was noted that school did not disclose Annual

Day Fees, Library/ Medical/ Technology/ Student and Staff welfare Fees, Sports & Activity Fees collected from the students in the proposal for enhancement of fee for the abovementioned year.

Further, 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 Library/Medical/Technology/Student and Staff welfare fees and Sports & Activity 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 Library/Medical/Technology/Student and Staff welfare fees and Sports & Activity 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 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 has to be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies during subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on no-profit no-loss basis and not to include fee collected from all students as earmarked levies. Also, the school is directed to disclose all incomes and expenses in its financial statements and submit details of all earmarked levies collected from students in the proposal/fee structure submitted to the Directorate. The school is also directed not to include fee collected from all students as earmarked levies and stop collecting Library/Medical/Technology/Student and Staff welfare fees and Sports & Activity Fees from students with immediate effect.

2. Direction no. 3 of the public notice dated 4 May 1997 published in the Times of India states "*No security/ deposit/ caution money be taken from the students at the time of admission and if at all it is considered necessary, it should be taken once and at the nominal rate of INR 500 per student in any case, and it should be returned to the students at the time of leaving the school along with the interest at the bank rate*"

   Clause 18 of Order no F.DE/15(56)/Act/2009/778 dated 11 Feb 2009 states "*No caution money/security deposit of more than five hundred rupees per student shall be charged. The caution money, thus collected shall be kept deposited in a scheduled bank in the name of the concerned school and shall be returned to the student at the time of his/her leaving the school along with the bank interest thereon irrespective of whether or not he/she requests for refund.*"

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

The following were noted under Directorate's Order No. F.DE.15(669)/PSB/2018/30828-30832 dated 24 Dec 2018:

- School had not maintained separate bank account for collection of caution money
- School had not refunded interest on caution money along with refund of caution money.

It was noticed that the school has opened separate bank account for caution money during the FY 2018-2019, whereas the school had not refunded caution money along with interest to students at the time of leaving the school. During the personal hearing, the school confirmed that interest on caution money was not refunded to the students.

Therefore, the school is directed to ensure compliance with the aforementioned directions including refund of caution money along with interest to exiting students.

Accordingly, the amount reported in the financial statements for FY 2018-2019 in respect of outstanding caution money has only been considered while deriving the fund position of the school (enclosed in the later part of this order).

3. On review of Notes to Account attached with the financial statements for FY 2018-2019, inconsistency was noticed between the accounting policy related to fixed assets and reporting in the Balance Sheet.

   The Notes to Account mentioned that fixed assets are carried at written down value (cost less depreciation), whereas on the face of Balance Sheet, fixed assets were reported at cost i.e. gross value. Therefore, there is inconsistency in the financial statements of the school.

   Accordingly, the school is directed to ensure consistency between the accounting policy related to fixed assets and reporting done in the Balance Sheet.

4. In the course of examination of the proposal for fee increase submitted by the school, the school was asked to submit certain documents, however, the school did not submit the following information:

   - Copies of third-party contracts entered during the FY 2017-2018 and FY 2018-2019 along with details regarding the nature of contracts.
   - Copy of Rent Agreement with Holy Health & Education Society.

- Appointment documents of Principal and Manager
- Salary sheet of three months (each year) of teaching and non -teaching staff (including driver, IV Grade, Contractual etc) during the FY 2016-2017 to FY 2018-2019.

Since the school did not submit the aforementioned documents, same could not be examined and verified.

Accordingly, the school is directed to ensure that requisite documents are submitted by it at the time of evaluation of subsequent fee increase proposal, as may be submitted by the school. Thus, the compliance regarding the same will be checked at the time of evaluation of subsequent fee increase proposal.

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	1,325	1,256	1,247
No. of EWS Students	214	226	235
% of EWS students to total students	16.15%	18%	18.84%

   While 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 FY 2019-2020 amounting to INR 23,52,41,312 out of which cash outflow in the year 2019-2020 is estimated to be INR13,98,50,849. This results in net surplus of INR 9,53,90,464. The details are as follows:

Particulars	Amount (INR)
Cash and Bank Balance as on 31 Mar 2019 (as per financial statements of FY 2018-2019)	1,28,33,714
Investments (Fixed Deposits) as on 31 Mar 2019 (as per financial statements of FY 2018-2019)	15,82,00,356
Total Liquid Funds Available with the School as on 31 Mar 2019	**17,10,34,070**

Particulars	Amount (INR)
Add: Fees/Incomes for FY 2019-2020 (based on income reported in financial statements of FY 2018-2019) [Refer Note 1]	11,18,11,592
Add: Amount recoverable from Society on account of expenditure incurred on school building during FY 2017-2018 and FY 2018-2019 [Refer Financial Discrepancy No. 1]	31,44,596
Add: Amount recoverable from the society for purchase of Vehicles [Refer Financial Discrepancy No. 1]	22,24,489
Gross Estimated Available Funds for FY 2019-2020	**28,82,14,747**
Less: Caution Money (as per financial statements for FY 2018-2019) [Refer Other Discrepancy No. 2]	7,42,400
Less: Staff retirement benefits [Refer Note 2]	4,28,84,141
Less: Development Fund balance [Refer Financial Discrepancy No. 1]	93,46,894
Less: Depreciation Reserve [Refer Note 3]	-
Less: Reserve for contingency of Establishment [Refer Note 4]	-
Net Estimated Available Funds for FY 2019-2020	**23,52,41,312**
Less: Budgeted Expenses for FY 2019-2020 [Refer Note 5]	11,14,65,273
Less: Arrears of salary as per 7th CPC for the period Jan 2016 to Mar 2019 (as per financial statements for FY 2018-2019)	2,83,85,576
Estimated Surplus as on 31 Mar 2020	**9,53,90,464**

Notes:

1. Fees and incomes as per financial statements of FY 2018-2019 have been considered (other than non-cash income such as profit on sale of fixed assets, depreciation on fixed assets purchased from development fund and unclaimed caution money) with the assumption that the amount of income during FY 2018-2019 will at least accrue during FY 2019-2020.
2. Based on the receipts submitted by the school, it deposited INR 3,42,28,770 with LIC towards group gratuity and INR 86,55,371 towards group leave encashment during FY 2018-2019, which has been considered in table above.
3. On evaluation of depreciation reserve presented in the financial statements for FY 2018-2019 by the school, it was noted that the school had created depreciation reserve on fixed assets purchased from development funds and general funds and presented the same as depreciation reserve on liabilities side of the Balance Sheet of the school. Also, the school is charging development fund from students for purchase, up-gradation and replacement of furniture, fixture and equipment. Since the school has not complied with the requirements of clause 14 of Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009. Development fund has been adjusted for deriving the fund position of the school (Refer Financial Discrepancy No. 1), depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue accounts as per clause 14 of Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009) is more of an accounting head for appropriate accounting treatment of depreciation in the books of account of the school in accordance with Guidance Note 21 issued by the Institute of Chartered Accountants of India. Thus, there is no financial impact of depreciation reserve on the fund position of the school. Accordingly, it is not considered in table above.
4. The school submitted copies of fixed deposits (FDRs) with bank totalling to INR 2,53,95,656 as on 31 Mar 2019, which were described by the school as created towards four-month salary reserve fund. However, the FDRs submitted by the school were made in the name of the

school and not in the joint name of the school and Deputy Director of Education. Accordingly, the same were not considered in table above.

5. Per the Budget Estimate for FY 2019-2020 submitted by the school along with proposal for fee increase, the school had estimated the total expenditure during FY 2019-2020 of INR 12,82,33,847, 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 some of the expense heads, which were adjusted from the budgeted expenses. The same were discussed during personal hearing with the school. Therefore, the following expenses have been adjusted while considering the budgeted expenses for FY 2019-2020:

Particulars	Actuals FY 2018-2019	Budget FY 2019-2020	Amount Allowed	Amount Disallowed	Remarks
Teacher Auditors	-	5,15,000	-	5,15,000	The school did not provide any rationale or explanation for these new heads of expenses proposed by it. Thus, these additional expense heads have not been considered.
Toilets & Other Consumables	-	3,70,000	-	3,70,000	
Misc. Expenses	-	8,00,000	-	8,00,000	
Employee Welfare including Retirement Benefits	18,34,316	36,78,247	20,17,748	16,60,499	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.
Legal Expenses	6,725	6,00,000	7,398	5,92,603	
Printing & Stationery	53,386	3,00,000	58,725	2,41,275	
Repair & Maintenance	4,87,652	6,00,000	5,36,417	63,583	
Staff Welfare Expenses	1,01,557	5,80,000	1,11,713	4,68,287	
Vehicle Running & Maintenance	1,56,207	3,00,000	1,71,828	1,28,172	
Library Books	3,592	80,000	3,951	76,049	
Depreciation	89,13,340	90,00,000	-	90,00,000	Depreciation, being a non-cash expense does not have any impact on the fund position of the school.
Capital Expenditure (Out of	81,23,795	1,22,00,000	93,46,894	28,53,106	Capital expenditure restricted to the extent of

Particulars	Actuals FY 2018-2019	Budget FY 2019-2020	Amount Allowed	Amount Disallowed	Remarks
Development Fund)					development fees receipts (as per financial statements of FY 2018-2019) since the balance of development fund as on 31 Mar 2019 has been considered separately in table above.
Total	**1,96,80,570**	**2,90,23,247**	**1,22,54,674**	**1,67,68,574**	

In view of the above examination, it is evident that the school has adequate funds for meeting all the 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, 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, the 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 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 **Bloom Public School (School ID-1720169), C-8, Vasant Kunj, New Delhi-110070** 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 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
Bloom Public School
School ID-1720169
C-8, Vasant Kunj
New Delhi-110070

No. F.DE.15(201)/PSB/2021/ 3486-3490 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 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