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

No. F.DE.15 (179)/PSB/2021/ 3278-3281 **Dated:** 07/09/21

Order

WHEREAS, every school is required to file a full 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 etc in terms of Rule 177(1) of the Delhi School Education Rules, 1973 (hereinafter read as ***'the Rules'***).

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 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 above, the Hon'ble Supreme Court in the judgment dated 27.04.2004 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, Directorate 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 19.01.2016 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/ land owing agencies.

AND WHEREAS, accordingly, this Directorate vide order No. F.DE.15 (40)/PSB/2019/2698-2707 dated 27.03.2019, 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 for increase in fee for the session 2018-19 and 2019-20.

AND WHEREAS, in pursuance to order dated 27.03.2019 of this Directorate **B.G.S International Public School (School ID-1821217), Sec-05, Dwarka, New Delhi-110075** had submitted the proposal for fee increase for the academic session 2019-20. Accordingly, this order is dispensed off the proposal for enhancement of fee submitted by the said school for the academic session 2019-20.

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 the aforesaid School for the academic session 2019-20, necessary records and explanations were also called from the school through email. Further, the school was also provided an opportunity of being heard on 03.12.2019 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 together with subsequent documents/ clarifications submitted by the school were thoroughly evaluated by the team of Chartered Accountants. And based on evaluation of fee proposal of the school the key findings are as under:

A. Financial Discrepancies

1. As per the Clause 2 of Public notice dated 04.05.1997 states *"Schools are not allowed to charge building fund and development charges when the building is complete or otherwise, as it is the responsibility of the society. Society means the trust or institution who has established the school. The society should raise such fund from their own*

sources because the immovable property of the school become the sole property of the society. Therefore, the students should not be burdened by way of collecting the building fund or development charges".

The Hon'ble High Court of Delhi in its Judgment dated 30.10.1998 in case of Delhi Abibhavak Mahasangh concluded held that "T*uition Fee cannot be fixed to recover capital expenditure to be incurred on the properties of the Society*". Also, clause (vii) of order No. F.DE/15/Act/2k/243/KKK/883-1982 dated 10.02.2005 issued by this Directorate states "*Capital Expenditure cannot constitute a component of financial fee structure.*

Further, Rule 177 of DSER 1973 states *"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 capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely: —

a) award of scholarships to students;
b) establishment of any other recognised school, or
c) 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

The abovementioned savings 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 developmental nature;
c) The expansion of the school building or for the 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.

The audited Financial Statements of FY 2018-19 revealed that the school has purchased land amounting to Rs. 2,91,62,912. During personal hearing the school explained that Rs. 2,40,00,000 was met from the society i.e. Shri Adichunchanagiri Shikshana. But this amount not received as capital contribution the school has reported this amount under the head **"unsecured loan".** Which the school has to refund at later stage. So actual outflow from the school fund was Rs. 51,62,912 and the balance amount was met from the society as a loan. The purchase of land out of the school funds was not in accordance with the above-mentioned provisions. Further, the above utilised was done by the school without complying Rule 177 of DSER, 1973. Accordingly, the expenditure incurred by the school for purchase of land out the school funds amounting to Rs. 51,62,912 is recoverable with the society and thus Rs. Rs. 51,62,912 has been included in the calculation with the direction to the school to recover this amount from the society within 30 days from the date of issue of this order. [Calculated Fund Position of the school has been provided at the latter part of this report.]

The school is further directed to treat Rs. 2,40,00,000 as capital contribution received society against purchase of land and not to make any payment to the society in future. Accordingly, the school is required to pass the rectification in books and accounts and report the same in the financial statements of the subsequent year.

2. Clause 7 of order No. DE. 15 /Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 states " *Development fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixture and equipment. Development fee, if required to be charged shall be treated as capital receipt and shall be collected only if the school is maintaining depreciation reserve fund, equivalent to the depreciation charged in the revenue accounts and the collections 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".* And this was also upheld by the Supreme Court in case of Modern School vs. Union of India & Ors through its judgement dated 27 April 2004.

Also, clause 14 of Order No. F.DE. /15 (56)/ Act/2009/778 dated 11.02.2009 states *"Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixtures and equipment."*

From review the Financial Statements of the FY 2016-17 to 2018-19, it has been noted that school utilised development fund/fee amounting to Rs. 11,70,000 and Rs. 5,39,000 for purchase of Vehicle and Library Books respectively which is not in accordance with the clause 14 of the order dated 11.02.2009. The details of development fund/ fee utilised in contravention of aforesaid clause is as under:

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	Total (in Rs.)
Vehicle	-	-	11,70,000	11,70,000
Library Books	2,35,213	1,79,645	1,24,331	5,39,189
Total	**2,35,213**	**1,79,645**	**12,94,331**	**17,09,189**

Thus, the school is hereby directed to ensure that the development fund is to be utilized only towards purchase, upgradation and replacement of furniture, fixture and equipment in accordance with clause 14 of the order dated 11.02.2009. Any other capital expenditure should be met out of savings computed in accordance with Rule 177 of DSER, 1973.

In addition to the above, it has also been noted that the school has incurred Rs. 50,21,342 and Rs.1,65,04,804 for 'Upgradation of Capital Assets' in FY 2016-17 and FY 2018-19 respectively out of the development fund/ fee but the same was not reported in the schedule of the fixed assets forming of the Financial Statements of the School. which is neither reflecting not reflecting in the fixed assets schedule. Further, the school has not submitted the break up and supporting documents for the expenditure incurred by the school on upgradation of capital assts due to which the geniuses of these expenditure could not be verified.

Accordingly, the amount of Rs. 2,15,26,146 spent by the school on upgradation of assets is recoverable from the society and has been included while deriving the fund position of the school, considering this amount is available with the school, with the direction to the school to recover this amount from the society within 30 days from the date of issue of this order. [Calculated Fund Position of the school has been provided at the latter part of this report.]

3. The Hon'ble High Court of Delhi in its Judgment dated 30.10.1998 in case of Delhi Abibhavak Mahasangh concluded held that "T*uition Fee cannot be fixed to recover capital expenditure to be incurred on the properties of the Society*". Also, clause (vii) of order No. F.DE/15/Act/2k/243/KKK/883-1982 dated 10.02.2005 issued by this Directorate states "*Capital Expenditure cannot constitute a component of financial fee structure*".

   Further, Rule 177 of DSER, 1973 states "*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 management committee for meeting capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely award of scholarships to students, establishment of any other recognised school, or 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*".

   And the above-mentioned savings 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 developmental nature;
   c) The expansion of the school building or for the 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.

   However, on review of financial statements submitted by the school, it was noted that the school purchased bus in the FY 2018-19 for Rs.11,70,000 without complying Rule 177 of DSER, 1973 and Direction of the Courts and DoE cited above. As per Rule 177 the school firstly need to ensure all amount payable to the employees including protection of retirement benefit payable to the employees/ staff of the school. From the documents submitted by the school it has been noted that the school has not earmarked the sufficient amount towards the retirement benefit of the staff while has incurred capital expenditure on purchase of bus which would be used by specific student availing the transport facilities. Thus, the amount of Rs. 11,70,000 incurred by the school for purchase of bus is not in accordance with the provision of Rule 177. Accordingly, it has been included in the calculation of fund availability of the school with the direction to the school to recover this amount from the society within 30 days from the date of issue of this order. [Calculated Fund Position of the school has been provided at the latter part of this report.]

The documents submitted by the school were taken on record. On review of the documents submitted by the school and the audited Financial Statements of FY 2018-19, it has been observed an amount of Rs. 88,703 was incurred by the school for travelling expenses Managing Director FY 2018-19 as the position of "Director" is not a prescribed post in the Recruitment Rules. Therefore, traveling expenditure incurred by school for travel of Managing Director is not in accordance with the DSEAR, 1973. Accordingly, Rs 88,703 is recoverable from the director/ school management being not a authorised expenditure of the school and thus it has been included while deriving the fund position of the school with the direction to the school to recover this amount within 30 days from the date of issue of this order. [Calculated Fund Position of the school has been provided at the latter part of this report.]

4. Clause 3 of the public notice dated 04.05.1997 published in the Times of India states "*No security/ deposit/ caution money be taken from the students at the time of admission and if at all it is considered necessary it should be taken once and at the nominal rate of INR 500 per student in any case and it should be returned to the students at the time of leaving the school along with the interest at the bank rate.*"

Further Clause 18 of Order no F.DE/15(56)/Act/2009/778 dated 11.02.2009 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.*"

On review of the financial statements, it has been noted that the school has been collecting caution money from the students. But only principal amount is being refunded to the students at the time of his or her leaving from the school which is not in accordance with the clause 18 of the order dated 11.2.2009 and clause 3 of the Public Noted dated 04.05.1997. The school is hereby directed to comply with the above-mentioned provisions with respect to caution money collected from the student. Further, the amount refundable of Rs.5,49,000 as on 31.03. 2019 as reported in the audited Financial Statements has been considered while deriving the fund position of the school. [Calculated Fund Position of the school has been provided at the latter part of this report.]

5. As per Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "*Accounting for defined benefit plans is complex because actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses.*" Further, the Accounting Standard defines Plan Assets (the form of investments to be made against liability towards retirement benefits) as:

   a. Assets held by a long-term employee benefit fund; and
   b. Qualifying insurance policies

Para 57 of Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India, *"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."*

The documents submitted by the school has been taken on record. From the review of the record submitted by the school it has observed that the actuarial valuation reports of actuary indicate total liability towards gratuity amounting to Rs.2,32,98,857 as on 31.03.2019 and the school has created equivalent provision and reported the same in its Financial Statements of FY 2081-19.

However, the school has not invested any amount that qualify as plan assets within the meaning of AS-15 'Employees Benefit' issued by ICAI . Therefore, the school is directed to deposit the amount determined by the actuary in plan assets as per the requirements of AS-15 and submit the compliance report within 30 days from the date of issue of this order. Accordingly, an amount of Rs. 38,63,785 budgeted by the school for FY 2019-20 has also been not been considered while deriving the fund position of the school because the school has not invested any amount in plan assets as required by AS-15. [Calculated Fund Position of the school has been provided at the latter part of this report.]

Further, the school has neither provided any provision for leave encashment in its Financial Statement nor has the actual liability determined by the actuary till dated. During the person hearing, the school explained that there is no leave balance payable at the end of the financial year as the staff availed the all the leaves by end of the financial year due to which leave payable at the end of the financial year does not arise.

6. Clause (vii) of order No. F.DE/15/Act/2k/243/KKK/883-1982 dated 10.02.2005 issued by this Directorate states "*Capital Expenditure cannot constitute a component of financial fee structure*".

Form the review of the audited financial statements of the school, it has been noted the school has incurred expenditure of Rs. 39,50,902 for 'School Maintenance' during the financial year 2016-17 to 2018-19 and Rs. 98,22,943 for 'play grounds' in FY 2018-19 and reported the same as revenue expenditure in the audited Financial Statements. The school has not submitted any supporting document for these expenditures. However, considering the volume of expenditure it appears that these expenditures cannot be of revenue nature which is not in accordance with the above-mentioned provision. As it appears that the school is making component of capital expenditure as part of the fee structure which is not permissible to the school.

As per DE 15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999, the fee and fund collected from the student can be utilised as under:

Registration Fee and Admission Fee: Registration fee of Rs. 25 per student and admission fee of Rs. 200 per student collected at the time of admission of the students are immaterial heads of income for school.

Caution Money: It is not an income of the school, but a deposit/ liability which is to be refunded at the time of students leaving the school

Tuition Fee: It is required to be determined so as to cover the standard cost of establishment including terminal benefits including expenditure of revenue nature concerning curricular activities.

Annual Charges: Annual charges are expected to cover all revenue expenditure not included in tuition fee and overhead and expenditure on playgrounds, sports equipment, cultural and other co-curricular activities as distinct from curricular activities of the school

Earmarked Levies: Earmarked levies are required to be charged from the user students only. Earmarked levies for the services rendered are to be charged on no profit no loss basis in respect of facilities provided to the user students involving additional expenditure in provision of the same.

Development Fee: It is to be treated as capital receipts and utilised towards purchase, upgradation and replacement of furniture, fixture and equipment.

Thus, based on the abovementioned provisions each head of fee has a distinct purpose and the same has to be utilised for the defined purpose only as per Duggal Committee report dated 30.12.1999. Accordingly, the attention of the school management to make distinction between capital and revenue type of expenditure and report the same in the Financial Statements accurately. Since, the school did not submit the details of these expenditures this will be examined at the time evaluation of fee increase proposal of the subsequent year.

B. Other Discrepancies

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

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

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

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

From the review of the audited Financial Statements of FY 2016-17 to 2018-19, it has been observed that the school charges earmarked levies in the form in the form of Transport Fees, Lab Fees, Computer Fee and Virtual Internet Fee from students, but the school did provide the details of earmarked collected and amount of expenditure out of it. However, from the audited Financial Statements the position of earmarked levies collected, and expenditure incurred by the school during the last three financial years has been derived as under:

Particulars	**Transport Fee***	**Lab Fee**	**Computer and Virtual Internet Fee****
For the year 2016-17			
Fee Collected during the year (A)	1,58,02,474	2,47,825	29,71,071
Expenses during the year (B)	1,41,19,417	1,62,235	16,79,998
Difference for the year (A-B)	**16,83,057**	**85,590**	**12,91,073**
For the year 2017-18			
Fee Collected during the year (A)	1,56,03,425	3,09,150	30,30,650
Expenses during the year (B)	1,52,37,956	1,74,987	1,13,07,120
Difference for the year (A-B)	**3,65,469**	**1,34,163**	**(82,76,470)**
For the year 2018-19			
Fee Collected during the year (A)	1,69,71,706	3,26,975	29,00,447
Expenses during the year (B)	1,60,61,517	99,391	1,17,19,937
Difference for the year (A-B)	**9,10,189**	**2,27,584**	**(88,19,490)**
Total (in Rs.)	**29,58,715**	**4,47,337**	**(1,58,04,887)**

*On review of proposal submitted by the school on online portal it was noted that the school did not propose the expenditure related to Transport. Therefore, the school management is directed to fill the accurate detail of all its income and expenditure while submitting the online proposal for enhancement of fee.

**incudes smart class and robotic expenditure. The school introduced new head " Robotic Expenditure" in FY 2017-18 for the first time and has incurred Rs. 1,02,68,200 and Rs.1,08,11,160 in FY 2017-18 and 2018-19. The school was to provide the relevant supporting documents for this expenditure, but school did not provide the same for verification. in the absence of this the genuineness of these expenditure cannot be ascertained. Considering the volume of the expenditure, it appears this could include element of capital expenditure. Therefore, the school management is directed to the provide supporting documents of this expenditure and distinguish the component of this expenditure into capital and revenue as per generally accepted accounting principles.

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). However, school has not been following fund-based accounting in accordance with the principles laid down by aforesaid Guidance Note. Therefore, the school is 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, as per the Duggal Committee report, there are only four categories of fee that can be charged by a school. The first category of fee comprises of "registration fee and all One Time Charges" which is levied at the time of admission such as Admission Fee and Caution Money. The second category of fee comprise of "Tuition Fee" which is to be fixed to cover the standard cost of the establishment and also to cover expenditure of revenue nature for the improvement of curricular facilities like Library, Laboratories, etc., and Science and Computer fee up to class X and examination fee. The third category of the fee should consist of "Annual Charges" to cover all expenditure not included in the second category and the fourth category should consist of all "Earmarked Levies" for the services rendered by the school and to be recovered only from the 'User' students. These charges are Transport Fee, Swimming Pool Charges, Horse Riding, Tennis, Midday Meals etc.

Based on the aforesaid provisions, earmarked levies are to be collected only from the user students availing the services. And if the services are extended to all the students of the school, a separate charge should not be levied by the school as it would get covered either form the Tuition Fee or from Annual Charges. Therefore, the school is directed to stop collecting separate charges in the name of the "Virtual and IT Fee ".

2. Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11.02.2009 states "*Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixtures and equipment. Development Fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the 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.*"

Further, as per 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.*

On review of the audited financial statements for FY 2016-17 to FY 2018-19, it has been noted that the upon utilisation of development fund, the school has not transferred to the credit of income and expenditure account an amount in proportion to the depreciation charged to revenue account. Accordingly, not complying with clause 14 of the order dated 11.02.2009. Therefore, school is directed to make necessary adjustments in development utilisation and general reserve in accordance with para 99 of Guidance Note issued by the ICAI. .

As per 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*". While on review of Financial Statements, it has been noticed that the fixed assets purchased out of general fund are shown at written down value and the fixed assets purchased out of development fund are shown at gross block. Which is not consistent with the Guidance Note, Thus, the school is hereby directed to comply with the requirements of Guidance Note issued by ICAI.

3. As per Section 18(5) of the DSEA, 1973, the management 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.

Further, Rule 180 of DSER, 1973 states " (1) every unaided recognised private schools shall submit the returns and documents in accordance with Appendix-1, (2) Every return or documents referred to in sub-rule (1), shall be submitted to the Director by the 31st day of July of each year.(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 any officers authorised by the Comptroller and Auditor General of India"

Section 24 (2) of DSA, 1973 states "The Director may arrange special inspection of any school on such aspects of its working as may, from time to time, be considered necessary by him".

Whereas Appendix-II to Rule 180 specify that "final accounts i.e. receipts, and payment account, income and expenditure and balance sheet of the preceding year should be duly audited by Chartered Accountant.

And It has been noticed that Financial Documents/ Certificates Attested by third person misrepresenting themselves as CA Members are misleading the Authorities and Stakeholders. ICAI is also receiving number of complaints of signatures of CAs being forged by non CAs.

To curb such malpractices, the Professional Development Committee of ICAI has come out with an innovative concept of UDIN i.e. Unique Document Identification Number which is being implemented in phased manner. It will secure the certificates attested/certified by practicing CAs. This will also enable the Regulators/Banks/Third parties to check the authenticity of the documents.

Accordingly, the Council in the 379th meeting of ICAI held on 17.12.2018 and 18 .12. 2018, made mandatory for all practicing member to obtain 18 digits UDIN before issuing any audits reports/ certification etc. in the following manner:

- All Certification done by Practising CAs w.e.f. 01.02.2019.
- All GST & Tax Audit Reports w.e.f. 01.04.2019.
- All other attest functions w.e.f. 01.07.2019.

However, on examination of the financial statements submitted by the school for evaluation of fee increase proposal of FY 2019-20, it has been observed that the financial statements of the school were certified by the Chartered Accountant without mentioning the UDIN as required by the council. This being the procedural finding therefore, the school management are instructed to ensure this compliance from the Auditor of the school.

4. As per Order No. F.DE-15/ACT-I/WPC-4109/Part/13/7905-7913 dated 16.04.2016 "The Director hereby specify that the format of return and documents to be submitted by schools under rule 180 read with Appendix-II of the Delhi School Education Rules, 1973 shall be as per format specified by the Institute of Chartered Accountants of India, established under Chartered Accountants Act, 1949 (38 of 1949) in Guidance Note on Accounting by Schools (2005) or as amended from time to time by this Institute."

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

On review of audited Financial Statements for the FY 2018-19, it has been noted that the depreciation on fixed assets have been provided on written down value method at the rates prescribed in the Income Tax Rules, 1962. Therefore, the school is directed to provide depreciation on assets in accordance with the guidance note cited above.

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 2019-20 amounting to Rs. **18,77,22,601** out of which cash outflow in the FY 2019-20 is estimated to be Rs. **16,70,63,254.** This results in net balance of Surplus amounting to Rs. **2,06,59,348** for FY 2019-20 after all payments. The details are as follows:

Particulars	**Amount (in Rs.)**
Cash and Bank balances as on 31.03.19 as per Audited Financial Statements of FY 2018-19	1,15,52,907
Investments as on 31.03.19 as per Audited Financial Statements of FY 2018-19	8,36,602
Liquid Fund as on 31.03.2019	**1,23,89,509**
Add: Recovery from society against purchase of Land **[Refer Financial Finding No. 1]**	51,62,912
Add: Recovery from Society for misutilisation of utilisation of development fund **[Refer Financial Findings No.2)**	2,15,26,146
Add: Recovery from Society for Purchase of Buses in noncompliance with Rule 177 of DSER 1973. **[Refer Financial Findings No. 3]**	11,70,000
Add: Recovery from Director/ SMC towards payment of traveling expenditure of Managing Director **[Refer Financial Findings No.4]**	88,703
Add: Fees as per Audited Financial Statements of FY 2018-19 [we have assumed that the amount received in FY 2018-19 will at least accrue in FY 2019-20], **[Refer Note No.1 for details]**	14,73,29,324
Add: Other Income as per Audited Financial Statements of FY 2018-19 [we have assumed that the amount received in FY 2018-19 will at least accrue in FY 2019-20] **[Refer Note No. 1 for details]**	14,63,109
Total Available Funds for FY 2019-20	**18,91,29,703**

Particulars	Amount (in Rs.)
Less: Development Fund balance as on 31.03.2019	21,500
Less; Caution Money balance as on 31.03.2019	5,49,000
Less: Fixed Deposits in the joint name of Secretary, CBSE and Manger, School as on 31.03.2019 (as per School's submission)	3,27,683
Less: Fixed Deposits in the joint name of Manager & DDE, CBSE and Manger, School as on 31.03.2018 (as per School's submission)	5,08,919
Less: Staff retirement benefits- Gratuity and Leave Encashment **[Refer Note No.2 for details]**	-
Net Available Funds for FY 2019-20	**18,77,22,601**
Total cash outflow (Revenue Expenditure + Capital Expenditure - Depreciation)	14,86,48,508
Less: Arrears Salary as per 7th CPC as provided by the school	1,84,14,746
Net Surplus	**2,06,59,348**

Note 1: Fee and income as per audited Financial Statements of FY 2018-19 has been considered with the assumption that the amount received in FY 2018-19 will at least accrue during FY 2019-20.

Further, the school budgeted Rs.93,60,000 as a new head of income as **'Robotics Lab Fee'** for the FY 2019-20. Thus, hereby the school is directed not to collect any fee in the Robotics Lab from the students.

Note 2: All amount budgeted by the school has been considered while deriving the fund position of the school for the FY 2019-20 including an amount of Rs. 1,84,14,746 provided by the school post personal hearing payable has also been considered except the following expenditures.

Particulars	Amount in Rs.	Remarks
Provision for Gratuity	38,63,785	Refer Financial Discrepancies no-5
Reserve for 3 months' salary	26,43,000	The amount in respect of salary reserve should be kept in the form of Fixed Deposit in the joint name of Manager of the school and Deputy Director of Education as envisaged under Form 2 of Right of Children to Free and Compulsory Education Act, 2009. However, the school has not made any such investment as evidenced from the financial records submitted by the school.

Further, in respect of the following heads, the School has proposed expenditure in excess of 10% as compared to the actual expenditure incurred in FY 2018-19 or the school proposed new head of expenditure for which the school has not offered satisfactory explanation/ Justification. Therefore, the aforesaid expenditure in excess of 10% over the previous year and/or new head of expenditure have not been considered while deriving the fee increase proposal of the school.

Particulars	FY 2018-19	FY 2019-20	Net Increase/ (Decrease)	% Change	Amount disallowed in excess of 10%
Function Expenses	11,30,869	13,75,000	2,44,131	22%	1,31,044

Particulars	FY 2018-19	FY 2019-20	Net Increase/ (Decrease)	% Change	Amount disallowed in excess of 10%
Travelling & Conveyance	14,92,231	20,79,000	5,86,769	39%	4,37,546
Printing and Stationary	13,27,340	18,50,000	5,22,660	39%	3,89,926
Telephone	1,02,307	1,38,000	35,693	35%	25,462
Vehicle Maintenance	1,82,532	2,75,000	92,468	51%	74,215
Building Maintenance	12,97,848	25,00,000	12,02,152	93%	10,72,367
Computer	1,69,148	5,00,000	3,30,852	196%	3,13,937
Total	**57,02,275**	**87,17,000**	**30,14,725**		**24,44,498**

ii. The School has sufficient funds to carry on its operation for the academic session 2019-20 on the existing fees structure. In this regard, Directorate of Education has already issued directions to the Schools vide order dated 16.04.2010 that,

"All Schools must, first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase."

AND WHEREAS, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that along with certain financial and other irregularities, that the sufficient funds are available with the school to carry out its operations for the academic session 2019-20. Accordingly, the fee increase proposal of the school may be rejected.

AND WHEREAS, it is also noticed that the School has incurred Rs. 51,62,912 for purchase of land and Rs. 2,15,26,146 for upgradation of capital assets out of the school fund which was not in accordance with clause 2 of public notice dated 04.05.1997 and Rule 177 of DSER, 1973. Further, the school has incurred Rs. 11,70,000 in contravention of Rule 177 of the DSER, 1973. Therefore, the school is directed to recover Rs. 2,78,58,058 from the society. The amount of above receipt along with copy of bank statement showing the receipt of above-mentioned amount should be submitted with DoE, in compliance of the same, within thirty days from the date of issuance of this order. Non-compliance of this shall be taken up as per DSEA&R, 1973.

AND WHEREAS, Rs. 88,703 incurred by the school on travelling expenditure of Director of school in contravention of DSEAR, 1973 is required to be collected either from the school management or director of the school within 30 days from the date of issue of this order. The amount of above receipt along with copy of bank statement showing the receipt of above-mentioned amount should be submitted with DoE, in compliance of the same, within thirty days from the date of issuance of this order. Non-compliance of this shall be taken up as per DSEA&R, 1973.

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 the material on the record, and after considering the provisions of section 17 (3), 18(5), 24(1) of the DSEA, 1973 read with Rules 172, 173, 175 and 177 of the DSER, 1973 has found that the school has sufficient funds for meeting financial implication for the academic session 2019-20. Therefore, Director (Education) has rejected the proposal submitted by the school to increase the fee for the academic session 2019-20.

Accordingly, it is hereby conveyed that the proposal of fee increase of **B.G.S International Public School (School ID-1821217), Sec-05, Dwarka, New Delhi-110075** is rejected by the Director of Education.

Further, the management of said School is hereby directed under section 24(3) of DSEAR 1973 to comply with the following directions:

1. Not to increase any fee in pursuance to the proposal submitted by school on any account for the academic session 2019-20 and if the fee is already increased and charged for the academic session 2019-20, the same shall be refunded to the parents or adjusted in the fee of subsequent months.

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 rectify all the financial and other irregularities/violations as listed above and submit the compliance report within 30 days to the D.D.E (PSB).

4. To ensure that the salaries and allowances shall come out from the fees whereas capital expenditure will be a charge on the savings in accordance with the principles laid down by Hon'ble Supreme Court of India in its Judgment of Modern School vs Union of India. Therefore, school not to include capital expenditure as a component of fee structure to be submitted by the school under section 17(3) of DSEA, 1973.

5. To utilise the fee collected from students in accordance with the provisions of Rule 177 of the DSER, 1973 and orders and directions issued by this Directorate from time to time.

6. In case of submission of any proposal for increase in fee for the next academic session, the compliance of the above listed financial and other irregularities/violations will also be attached.

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 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
B.G.S International Public School (School ID-1821217),
Sec-05, Dwarka,
New Delhi-110075
No. F.DE.15(179)/PSB/2021/ 3278-3281 Dated: 07/09/21

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)
O/c **Directorate of Education, GNCT of Delhi**