

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

No. F.DE.15(769)/PSB/2022/4886-4890

Dated: 22/06/22

ORDER

WHEREAS, The Baptist Convent School (School ID-1002347), CGHS COMPLEX, I.P. EXTN. PPG. DELHI-92 (hereinafter referred to as "School"), run by the Baptist Educational Society (hereinafter referred to as the "Society"), is a private unaided school recognized by the Directorate of Education, Govt. of NCT of Delhi (hereinafter referred to as "DoE"), under the provisions of Delhi School Education Act & Rules, 1973 (hereinafter referred to as "DSEAR, 1973"). The School is statutorily bound to comply with the provisions of the DSEAR, 1973 and RTE Act, 2009, as well as the directions/guidelines issued by the DoE from time to time.

AND 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 DSEAR, 1973 with the Directorate. Such statement is required to indicate estimated income of the school to be derived from fees, estimated current operational expenses towards salaries and allowances payable to employees etc. in terms of rule 177(1) of the DSEAR, 1973.

AND WHEREAS, as per section 18(5) of the DSEAR, 1973 read with sections 17(3), 24(1) and rule 180 (3) of the above DSEAR, 1973, responsibility has been conferred upon to the DoE to examine the audited financial statements, books of accounts and other records maintained by the school at least once in each financial year. Sections 18(5) and 24(1) and rule 180 (3) of DSEAR, 1973 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 authorized 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 held in Civil Appeal No. 2699 of 2001 titled Modern School Vs. Union of India and others has conclusively decided that under sections 17(3), 18(4) read along with rules 172, 173, 175 and 177, the DoE has the authority to regulate the fee and other charges, with the objective of preventing profiteering and commercialization of education.



AND WHEREAS, it was also directed by the Hon'ble Supreme Court, that the DoE in the aforesaid matter titled Modern School Vs. Union of India and Others in paras 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 DoE to ensure compliance of terms, if any, in the letter of allotment regarding the increase of the fee by recognized unaided schools to whom land has been allotted by DDA/ other land-owning agencies.

AND WHEREAS, accordingly, the DoE vide order No. F.DE.15 (40)/PSB/2019/2698-2707 dated 27.03.2019, directing all the private unaided recognized schools, running on the land allotted by DDA/other land-owning agencies on concessional rates or otherwise, with the condition to seek prior approval of DoE for increase in fee, to submit their proposals, if any, for prior sanction, for increase in fee for the session 2018-19 & 2019-20.

AND WHEREAS, in pursuance to Order dated 27.03.2019 of the DoE, the School submitted its proposal for enhancement of fee for the academic session 2019-20. Accordingly, this Order dispenses the proposal for enhancement of fee submitted by the School for the academic session 2019-20.

AND WHEREAS, in order to examine the proposals submitted by the schools for fee increase for justifiability or not, the DoE 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 DSEAR, 1973, and other Orders/ Circulars issued from time to time by the DoE.

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 28.11.2019 at 4.30 PM to present its justifications/ clarifications on fee increase proposal including audited financial statements. Based on discussions, the School was further asked to submit necessary documents and clarification on various issues were noted.

AND WHEREAS, the response of the school along with documents uploaded on the web portal for fee increase, and subsequent documents submitted by the school, were evaluated by the team of Chartered Accountants, the 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.

As per Order No. F.DE-15/ACT-I/WPC-4109/PART/13/7905-7913 dated 16 April 2016, *"The Director hereby specify that the format of the return and documents to be submitted by schools under rule 180 read with Appendix –II of Delhi School Education Rules, 1973 shall be as per format specified by the Institute of Chartered Accountants of India, established under Chartered Accountants Act, 1949 (38 of 1949) in Guidance Note on Accounting by Schools (2005) or as amended from time to time by this Institute."*

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."*

Para 1 of Standard on Auditing (SA) 700 (Revised) – 'Forming an Opinion and Reporting on Financial Statements' notified by the Institute of Chartered Accountants of India states *"This Standard on Auditing (SA) deals with the auditor's responsibility to form an opinion on the financial statements. It also deals with the form and content of the auditor's report issued as a result of an audit of financial statements."*

On review of financial statements for FY 2017-2018 and FY 2018-2019 submitted by the school, it was noted that while the Balance Sheet, Income and Expenditure Account and Receipt and Payment Account were duly signed by the auditor with reference thereon to the separate Auditor's Report of even date, the school did not submit the Audit Report along with its financial statements. It was further noted that the auditor gave reference to tax audit report u/s 10B. Since the submission of the

financial statements were made to the Directorate and not Income Tax Department, use of Form 10B (prescribed under the Income Tax Act) is inappropriate since the school is expected to prepare financial statements under the Generally Accepted Accounting Principles (GAAP). Thus, the auditor should have used the format of audit report as prescribed under SA 700.

Further, in absence of audit report and no UDIN mention thereof on the financial statements for FY 2018-2019 submitted by the school, it could not be verified if the Chartered Accountant generated UDIN in relation to the audit of the financial statements of the school for FY 2018-2019, which were dated 22 Sep 2019, as mandated by ICAI.

Further, since the financial statements were signed on 22 Sep 2019, the school did not comply with the requirement of submission of audited final accounts in accordance with the timeline prescribed in Rule 180(1). Also, the format of financial statements (Receipt and Payment Account and Schedules) was not in accordance with that included in the Guidance Note cited above as previous year's figures were not included in the Receipt and Payment Account and Schedules for comparison.

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 within the prescribed timelines. The school is also directed to ensure submission of audit opinion, which is issued by the auditor on the entire set of financial statements (i.e. Balance Sheet, Income & Expenditure Account and Receipt & Payment Account) complying with the requirements of SA 700.

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

2. On examination of the financial statements for FY 2017-2018 and FY 2018-2019, it was noted that financial statements submitted by the school were not appropriately authenticated by the representatives of the school, since only the Principal signed the financial statements and also certain pages of the financial statements were not signed. Thus, the authenticity of the financial statements and financial information included therein cannot be confirmed.

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

B. Financial observations

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 High Court judgement, the cost relating to land and construction of the school building has to be met by the society, being the property of the society and school funds i.e. fee collected from students is not to be utilised for the same except in compliance with Rule 177 of DSER, 1973.

Directorate's order No. F.DE.15(652)/PSB/2018/30723-30727 dated 19 Dec 2018 issued to the school post evaluation of fee hike proposal for FY 2017-2018 noted that the audited financial statements of the school for the FY 2014-2015, FY 2015-2016 and FY 2016-2017 revealed that the school had incurred expenditure on construction of school building totalling to INR 33,11,586. The amount spent by the school on construction of school building during FY 2014-2015, FY 2015-2016 and FY 2016-2017 of INR 33,11,586, which were spent from the school funds without complying with the requirements of Rule 177 and thus were liable to be recovered from the Society.

Further, from the financial statements for FY 2017-2018 and FY 2018-2019 submitted by the school, it was noted that the school had incurred additional expenditures totalling to INR 1,01,52,988 (INR 69,40,633 in FY 2017-2018 and INR 32,12,355 in FY 2018-2019) towards construction of school building, which were also incurred without complying with the requirements of Rule 177.

The school represented that the students are not burdened/charged by way of collecting the building fund or development charges. A bare perusal of the rule 177 would establish any shadow of doubt that the savings made by school from the income derived by way of fees, after having met the liability of payment of salaries and allowances etc. can legally be utilized for the needed expansion of the school or any expenditure of developmental nature. Without prejudice to the above, it is also submitted the public notice cannot override the DSER, 1973, as the rules are statutory in nature and have the status of a subordinate legislation.

Based on the fact that the school did not implement the recommendations of 7th CPC and did not even get its liability towards retirement benefits (gratuity and leave encashment) of staff valued from an actuary in accordance with the requirements of Accounting Standard 15 until 26 Apr 2019 i.e. the first time actuarial valuation was obtained by the school and did not secure the funds against staff gratuity and leave encashment in investments such as group gratuity scheme and group leave encashment scheme of LIC or other insurer, 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".

Since the school has not recovered any amount from the society till date, the above mentioned expenditure on building totalling to INR 1,34,64,574 (INR 1,01,52,988 plus INR 33,11,586) pertaining to FY 2014-2015 to FY 2018-2019 is hereby added to the fund position of the school (enclosed in the later part of this order) considering the same as funds available with the school and with the direction to the school to recover this amount from the Society within 30 days from the date of this order. The school is further directed not to incur capital expenditure on building from school funds without ensuring compliance of Rule 177.

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

Section 10(1) of Delhi School Education Act, 1973 on 'Salaries of employees' states "*The scales of pay and allowances, medical facilities, pension, gratuity, provident fund and other prescribed benefits of the employees of a recognised private school shall not be less than those of the employees of the corresponding status in school run by the appropriate authority."*

Directorate's order No. F.DE.15(652)/PSB/2018/30723-30727 dated 19 Dec 2018 issued to the school post evaluation of fee hike proposal for FY 2017-2018 directed the school to get the liability against retirement benefits valued by an actuary.

The school submitted copy of actuarial valuation report of its liability towards gratuity for FY 2018-2019 (first year for which actuarial valuation obtained). It was noted that the school obtained actuarial valuation of its liability towards gratuity of INR 25,11,629 and has recorded the same in the books of the account as on 31 Mar 2019. However, the school has not determined its obligation towards staff leave encashment and had not recorded the provision for same in its books of account. Further, the school has not made any investment in group gratuity scheme and group leave encashment scheme of LIC/ other insurers till date to secure the statutory liability towards staff retirement benefits.

Since the school has not implemented recommendations of 7th CPC till date and the school has not yet created investments equivalent to its liability towards staff retirement benefits in previous years, an amount of INR 2,51,163 (approximately 10% of the gratuity liability included in the actuarial report) has been considered while deriving the fund position of the school (enclosed in the later part of this order) with a direction to the school to deposit this amount in investments such as group gratuity scheme and group leave encashment scheme of LIC/ other insurers within 30 days from the date of this order to protect statutory liabilities. Further, the school should keep on depositing amounts in group gratuity scheme and group leave encashment scheme of LIC/ other insurers in subsequent years to ensure that the value of the investments matches with the liability towards retirement benefits determined by the actuary.

Accordingly, the school is directed to determine its obligation towards leave encashment and make appropriate provision in the books of account for leave encashment and make earmarked equivalent investments against provision for gratuity and leave encashment with LIC (or any other agency) so as to protect against its the statutory liabilities towards staff.

Since 10% of the liability determined by the actuary towards staff gratuity and leave encashment has been adjusted, the additional amount budgeted by the school towards gratuity and leave encashment for the FY 2019-2020 has not been considered as part of budgeted expenses for FY 2019-2020 in the fund position of the school (enclosed in the later part of this order).

3. Directorate's order no. F.DE.15(652)/PSB/2018/30723-30727 dated 19 Dec 2018 regarding fee increase proposals for FY 2017-2018 states *"Not to increase any fee in pursuance to the proposal submitted by school on any account including implementation of 7th CPC for the academic session 2017-2018 and if the fee is already increased and charged for the academic session 2017-2018, the same shall be refunded to the parents or adjusted in the fee of subsequent months"*.

As per the land allotment letter issued by the Delhi Development Authority to the Society in respect of the land allotted for the school states *"The school shall not increase the rates of tuition fee without the prior sanction of the Directorate of Education Delhi Admin. and shall follow the provisions of Delhi School Education Act/Rules, 1973 and the instructions issued from time to time"*.

Directorate's order no. F.DE.15 (40)/PSB/2019/2698-2707 dated 27 Mar 2019 regarding fee increase proposals for FY 2018-2019 and FY 2019-2020 states *"In case, the schools have already charged any increased fee prior to issue of this order, the same shall be liable to be adjusted by the schools in terms of the sanction of the Director of Education on the proposal."*

Directorate's order No. F.DE.15(652)/PSB/2018/30723-30727 dated 19 Dec 2018 issued to the school post evaluation of fee hike proposal for FY 2017-2018 noted that the school had increased tuition fees in FY 2016-2017 without prior approval of the directorate.

On review of fee structure and sample of fee receipts submitted by the school for the FY 2015-2016 to FY 2019-2020, it was noted that the school had collected increased fee from students of class 1st to 3rd and classes 6th and 7th in FY 2016-2017, class 2nd to 4th and classes 7th and 8th in FY 2017-2018 without prior approval of the Directorate. It was noted that the school had spent school funds on construction and development of building and has been increasing fee from students, which clearly indicates profiteering and commercialisation of education.

The school explained that there is no increase in the fee paid by these students (of class 1 in FY 2016-2017 promoted to class 2 in FY 2017-2018) as compared with the fee paid by them in previous classes. The school further explained that it did not decrease the fee collected from students in previous year after they were promoted to next class and has submitted the proposals for fee increase to DOE accordingly.

The contention of the school is incorrect, as it has revised its fee structure for particular classes without prior approval of the Directorate. The school did not provide the exact amount of increased fees collected from students during FY 2016-2017 to FY 2018-2019. Therefore, exact amount of excess fee collected by school could not be derived on account of non-submission of requisite information by the school. Thus, no adjustment is reflected in the fund position of the school enclosed in the later part of this order).

Accordingly, the school is hereby directed to calculate the excess fee collected from students from FY 2016-2017 to FY 2018-2019 and immediately refund/adjust the excess fee collected and submit the evidence of refund/adjustment to the Directorate within 30 days from the date of this order.

Further, the school is directed not to increase any fee/charge of any class without approval from the Directorate.

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

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

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

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

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

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

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

From the information provided by the school and taken on record, it has been noted that the school charges earmarked levies in the form of Transport fees, Activity fees, Examination fees Multiple intelligence fees, pupil fund charges, Smart board charges and seminar charges from students. However, the school has not maintained separate fund accounts for any of these earmarked levies separately and the school has been generating surplus from earmarked levies, which has been utilised for meeting other expenses of the school or has been incurring losses (deficit) that has been



met from other fees/income. Details of calculation of surplus/deficit, based on breakup of expenditure provided by the school for FY 2018-2019 is given below:

Earmarked Fee	Income (INR)	Expenses (INR)	Surplus/(Deficit) (INR)
	A	B	C=A-B
Transport fees [^]	6,16,800	4,47,585	1,69,215
Examination Fee	19,18,800	2,22,170	16,96,630
Smart Board Charges	19,30,500	2,49,654	16,80,846
Activity Fee	18,42,405	0*	18,42,405
Multiple Intelligence Activities	10,68,000	0*	10,68,000
Pupil Fund	40,22,109	0*	40,22,109
Seminar Charges	2,03,700	0*	2,03,700

[^] The school did not apportion 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.

* Details of the expenses incurred against the earmarked levy were not provided by the school.

Based on aforementioned, earmarked levies are to be collected only from the user students availing the service/facility. In other words, if any service/facility has been extended to all the students of the school, a separate charge should not be levied for the service/facility as the same would get covered either under tuition fee (expenses on curricular activities) or annual charges (expenses other than those covered under tuition fee). The school is charging pupil fund, Smart board, Activity fees and multiple Intelligence fees from the students of all classes. Directorate's order No. F.DE.15(652)/PSB/2018/30723-30727 dated 19 Dec 2018 issued to the school post evaluation of fee hike proposal for FY 2017-2018 directed the school to stop collection of separate earmarked levies collected from all students in the name Activity fee, Multiple Intelligence fee, pupil fund etc.

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 pupil fund, Smart board, Activity fees and ERP Charges renamed Technology and activity fees and Multiple intelligence charges (compulsorily charged from all students), 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.

In the proposal submitted for the FY 2019-2020 and the fee structure for the FY 2019-2020 submitted by the school, the school has merged all the earmarked levies such as pupil fund, smart board, activity fee, multiple intelligence chargers, seminar workshop and named a new head called "Technology and activity fees", which is collected from all the students of all the classes. The school is directed not to 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.

Additionally, the school is directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount separately 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 ensuring that the proposed levies are calculated on no-profit no-loss basis. The school is also directed not to collect any earmarked levy compulsorily from students and the same should be optional and at the discretion of the students.

C. Other observations

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

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

As per the details submitted by the school, it is noted that the school is not refunding caution money along with interest to students. Therefore, the school is instructed to refund interest amount along with caution money to students in accordance with the directions included in aforementioned orders. Compliance of same will be validated at the time of evaluation of subsequent fee increase proposal of the school

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

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

As per Order No. F.DE-15/ACT-I/WPC-4109/Part/13/7905-7913 dated 16 April 2016 *"The Director hereby specify that the format of return and documents to be submitted by schools under rule 180 read with Appendix-II of the Delhi School Education Rules, 1973 shall be as per format specified by the Institute of Chartered Accountants of India, established under Chartered Accountants Act, 1949 (38 of 1949) in Guidance Note on Accounting by Schools (2005) or as amended from time to time by this Institute."*

Para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states *"Where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which is depreciated as per the*

recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year."

Further, Para 102 of the aforementioned Guidance Note states "In respect of funds, schools should disclose the following in the schedules/notes to accounts: (a) In respect of each major fund, opening balance, additions during the period, deductions/utilisation during the period and balance at the end;

(b) Assets, such as investments, and liabilities belonging to each fund separately;

(c) Restrictions, if any, on the utilisation of each fund balance;

(d) Restrictions, if any, on the utilisation of specific assets."

During the FY 2017-2018, The school has transferred assets amounting to INR 54,21,249 from assets purchased from general fund to assets purchased from development fund. Along with furniture, fixtures and equipment, the school has transferred certain assets such as library books, intangible assets, construction of 3D lab and Science lab, which is in contravention of the above-mentioned provisions since development fund can be utilized only towards purchase, upgradation and replacement of furniture, fixture and equipment.

Also, basis the presentation made in the financial statements for FY 2018-2019 submitted by the school, it was noted that while the school transferred an amount equivalent to the purchase cost of the fixed assets purchased from development fund to "Development Fund Utilized" account. However, the school did not transfer an amount equivalent to the depreciation on assets from the "Development Fund Utilised" to the Income and Expenditure Account as income, which is required as per the accounting treatment as indicated in the guidance note cited above. Thus, the school has not done the accounting and reporting of development fund, depreciation and depreciation reserve in accordance with the requirements of Para 99 of Guidance Note 21.

Further, it was noted that during FY 2017-2018 and FY 2018-2019, the school reflected purchase of fixed assets totaling to INR 39,29,794 and INR 33,13,443 respectively by utilizing depreciation reserve fund.

The presentation by the school of utilization of depreciation reserve, which is accumulated depreciation on assets, towards purchase is not in accordance with accounting treatment included in para 99 of Guidance Note cited above. Depreciation reserve is a notional fund, which is not represented with actual funds. Thus, the school can't utilize depreciation reserve for purchase of assets. Accordingly, the accounting treatment by the school in its financial statements with respect to depreciation reserve is incorrect. Further, based on the ruling of the Hon'ble Supreme Court in the matter of Modern School Vs Union of India & Others, Directorate issued directions to the school in relation to development fund and depreciation reserve under clause 14 of Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009, which is cited above.

It was further noted that the depreciation reserve indicated in the Balance Sheet did not reconcile with the accumulated depreciation presented in the fixed assets schedule. Difference based on the financial statements of FY 2018-2019 is derived as under:

Particulars	Amount (INR)
Depreciation Reserve Utilised (A)	99,28,320
Depreciation Reserve Un-utilised (B)	7,02,624



Particulars	Amount (INR)
Total Depreciation Reserve as on 31 Mar 2019 per Balance Sheet (C)=(A+B)	1,06,30,944
Depreciation Reserve as on 31 Mar 2019 reported in Schedule of Fixed Assets (Normal Assets) (D)	49,04,972
Depreciation Reserve as on 31 Mar 2019 reported in Schedule of Fixed Assets purchased out of Development Fund (E)	55,61,334
Total Depreciation Reserve as on 31 Mar 2019 per Fixed Assets Schedule (F)=(D+E)	1,04,66,306
Difference (G)=(C-F)	1,64,638

Also, it was noted that there were two schedules of fixed assets one was fixed assets purchased (other than development fund) and one for fixed assets purchased from development fund. The school did not segregate the assets included in the fixed assets (other than development fund), which were purchased from depreciation reserve and presented these assets along with assets purchased from general fund.

The school is directed to follow DOE's instructions regarding development fund and depreciation reserve and ensure that development fund is utilised only towards purchase of furniture, fixture and equipment and depreciation reserve is maintained equivalent to the amount of depreciation charged in the revenue accounts. Also, the school should follow the accounting and disclosure requirements prescribed in Guidance Note 21. The school should prepare separate fixed assets schedules properly for assets purchased against development fund and other assets purchased from general reserve/fund along with the requisite disclosures as per the guidance note.

3. 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	952	1,156	1,175
No. of EWS Students	55	91	113
% of EWS students to total students	5%	8%	10%

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

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

- i. The total funds available for the year 2019-2020 amounting to INR 6,98,18,499 out of which cash outflow in the year 2019-2020 is estimated to be INR 8,32,73,446. This results in net Deficit of INR 1,34,54,947. 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)	15,37,747
Investments (Fixed Deposits) as on 31 Mar 2019 (as per financial statements of FY 2018-2019)	4,30,394
Total Liquid Funds Available with the School as on 31 Mar 2019	19,68,141
Add: Fees/Incomes for FY 2019-2020 (based on income reported in financial statements of FY 2018-2019) [Refer Note 1]	5,68,36,224
Add: Amount recoverable from Society towards construction of building [Refer Financial Observation No. 1]	1,34,64,574
Gross Estimated Available Funds for FY 2019-2020	7,22,68,939
Less: FDR held jointly with DOE (as per financial statements of FY 2018-2019)	4,30,394
Less: Staff retirement benefits [Refer Financial Observation No. 2]	2,51,163
Less: Development Fund balance as on 31 Mar 2019 (as per financial statements of FY 2018-2019)	14,33,883
Less: Caution Money (as per financial statements for FY 2018-2019)	3,35,000
Less: Refund/Adjustment of increased fees collected from students during FY 2016-2017 to FY 2018-2019 [Refer Financial Observation No. 3]	Amount not quantified
Net Estimated Available Funds for FY 2019-2020	6,98,18,499
Less: Budgeted Expenses for FY 2019-2020 [Refer Note 2]	5,99,36,903
Less: Arrears of salary as per 7th CPC for the period Jan 2016 to Mar 2018 (as per the computation of 7th CPC submitted by the school)	2,33,36,543
Estimated Deficit	1,34,54,947

Notes:

1. Fees and income based on income reported in financial statements of FY 2018-2019 have been considered with the assumption the amount of income during FY 2018-2019 will at least accrue during FY 2019-2020.
2. Per the Budget for FY 2019-2020 submitted by the school along with proposal for fee increase, the school had estimated revenue expenditure of INR 8,94,63,011 (including INR 2,33,36,543 as arrears of 7th CPC salaries for the period Jan 2016 to Mar 2018, which has been considered separately in table above) during FY 2019-2020, 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.

Expense Heads	Actuals FY 2018-2019	Budget FY 2019-2020	Amount Allowed	Amount Disallowed	Remarks
Employee Welfare including Retirement Benefits	-	15,00,000	-	15,00,000	Refer Financial Observation No. 2
Audit Fee	2,06,500	3,45,500	2,27,150	1,18,350	Reasonable explanation/ justification not provided by the school for such increase in expenses as compared with expenses incurred during FY 2018-2019. Thus, budgeted expenditure restricted to 110% of that incurred during FY 2018-2019.
Electricity & Water	13,29,590	16,00,000	14,62,549	1,37,451	
Abacus	88,000	1,39,000	96,800	42,200	
Answer Sheet Expenses	4,17,384	5,00,000	4,59,122	40,878	
Assignment Expenses	4,53,004	6,00,000	4,98,304	1,01,696	
Computer Expenses	2,47,810	3,50,000	2,72,591	77,409	
Function & festival	7,80,094	15,82,500	8,58,103	7,24,397	
Newspaper & Periodicals	14,357	90,000	15,793	74,207	
Question Paper Expenses	2,47,730	5,50,000	2,72,503	2,77,497	
Result Expenses	1,42,950	2,10,000	1,57,245	52,755	
Science Lab Expenses	2,37,378	4,29,300	2,61,116	1,68,184	
Seminar Expenses	3,73,241	5,00,000	4,10,565	89,435	
Smart Board Software Expenses	2,49,654	3,25,000	2,74,619	50,381	
Sports & Cultural Expenses	62,400	2,50,000	68,640	1,81,360	
Repair and maintenance - Building	6,58,941	8,00,000	7,24,835	75,165	
Transport Charges- Fuel	-	2,20,000	-	2,20,000	New expense head budgeted during FY 2019-2020 for which no reasonable justification or rationale was provided by the school. Thus, the same have not been considered.
AMC on Air Conditioner	-	69,500	-	69,500	
Scholarship Expenses	-	3,26,000	-	3,26,000	
Gifts & Prizes	-	6,60,000	-	6,60,000	
Capital Expenditure	53,30,916	64,53,996	52,51,295	12,02,701	Capital expenditure to the extent development

Expense Heads	Actuals FY 2018-2019	Budget FY 2019-2020	Amount Allowed	Amount Disallowed	Remarks
(Out of Development Fund)					fee collected during FY 2018-2019 have been considered as the development fund balance has been separately adjusted in table above.
Total	1,08,39,949	1,75,00,796	1,13,11,231	61,89,565	

In view of the above examination, it is evident that the school does not have adequate funds for meeting all the budgeted expenses for the financial year 2019-2020.

- ii. In view of the above examination, it is evident that the school does not has adequate funds for meeting all the operational expense for the financial year 2019-20. In this regard, 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."

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 observations that were identified (appropriate financial impact has been taken on the fund position of the school) and certain procedural findings which were also noted (appropriate instructions against which have been given in this order), that the sufficient funds are not available with the to carry out its operations for the academic session 2019-20. Accordingly, the fee increase proposal of the school may be accepted.

AND WHEREAS, it has been noted that the School has incurred INR 1,34,64,574 towards construction of building out of school funds which is in contravention to provisions of DSEAR, 1973. Thus, the school is directed to recover total amount of INR 1,34,64,574 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, it is relevant to mention that Covid-19 pandemic had a widespread impact on the entire society as well as on general economy. Further, charging of any arrears on account of fee for several months from the parents is not advisable not only because of additional sudden burden fall upon the parents/students but also as per the past experience, the benefit of such collected arrears is not passed to the teachers and staff in most of the cases as was observed by the Justice Anil Dev Singh Committee (JADSC) during the implementation of the 6th CPC. Further, it has to be seen that after Covid, which has affected the society at large, financial sudden burden to some extent may be avoided. Keeping this in view, and exercising the powers conferred under Rule 43 of DSER, 1973, the Director (Education) has accepted the proposal submitted by the school and allowed an increase in fee by 8% to be effective from 01 July 2022.

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 funds are not available with the school for meeting financial implication for the academic session 2019-20.

AND WHEREAS, the school is directed, henceforth to take necessary corrective steps on the financial and other observations noted during the above evaluation process and submit the compliance report within 30 days from the date of this order to the D.D.E (PSB).

Accordingly, it is hereby conveyed that the proposal of fee increase for academic session 2019-20 of **The Baptist Convent School (School ID-1002347), CGHS COMPLEX, I.P. EXTN. PPG. DELHI-92** is accepted by the Director of Education and the school is hereby allowed to increase the tuition fee by 8% to be effective from 1 July, 2022.

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

1. To increase the fee only by the prescribed percentage from the specified date.
2. To ensure payment of salary is made in accordance with the provision of Section 10(1) of the DSEA, 1973. Further, the scarcity of funds cannot be the reason for non-payment of salary and other benefits admissible to the teachers/ staffs in accordance with section 10 (1) of the DSEA, 1973. Therefore, the Society running the school must ensure payment to teachers/ staffs accordingly.
3. To utilize 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.

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
The Baptist Convent School (School ID-1002347),
CGHS COMPLEX, I.P. EXTN. PPG.
DELHI-92

No. F.DE.15(769)/PSB/2022/4886-4890

Dated: 22/06/22

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 (East) to ensure the compliance of the above order by the school management.
4. In-charge (I.T Cell) with the request to upload on the website of this Directorate.
5. Guard file.



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