

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

No. F.DE.15 ( 711 )/PSB/2022/4355-4359

Dated: 07/06/22

**ORDER**

WHEREAS, **Bal Bhavan International School (School ID-1821230), Sector-12, Dwarka, New Delhi-110075**, (hereinafter referred to as "**the School**"), run by the **Lagan Kala Upvan (Regd.)** (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 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 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/ 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 2019-20.

AND WHEREAS, in pursuance to order dated 27.03.2019 of the DOE, the **Bal Bhavan International School (School ID-1821230), Sector-12, Dwarka, New Delhi-110075**, submitted the proposal for fee increase 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 that 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 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 28 November 2019 at 2:30 PM to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, the school was further asked to submit necessary documents and clarification on various issues. During the aforesaid hearing, compliances of order issued for academic session 2017-18 were also discussed and school submission were taken on record.

AND WHEREAS, the reply of the school, documents uploaded on the web portal for fee increase together with the subsequent documents/ clarifications submitted by the school were thoroughly evaluated by the team of Chartered Accountants and the key observations noted are as under:

**A. Financial Observations:**

1. As per clause 2 of the Public Notice dated 04.05.1997 “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, the Hon’ble High Court of Delhi in its judgement dated 30.10.1998 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 10.02.2005 issued by this Directorate states *"Capital expenditure cannot constitute a component of the financial fee structure."*

And 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 aforesaid 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".*

Based on the aforesaid provisions, the cost relating to land and building of the school has to be met by the society, being the property of the society and not form the school funds.

The Directorate vide its order no. F.DE.15./(122)/PSB/2019/1120-1124 dated 14.03.2019 issued to school post evaluation of fee enhancement proposal for the academic session 2017-18, directed to school to recover INR 1,22,49,534 from the society with respect to the expenditure incurred for construction of Building during the FY 2015-16. Post personal hearing, the documents submitted by the school were taken on record. On review of the financial statements and documents submitted by the school, it has been observed that school did not comply with the aforesaid direction.

The school submitted vide its letter dated 19.02.2019 that *"Construction of the building was completed in the year 2004 and above expenditure was done for major repair and renovation work on school building. The school further, submitted that once the school has begun its operations, it is the obligation of the school to maintain the building and incur necessary expenditure in relation to its development and expansion. Moreover, the expenditure incurred by the school was not charged to income and expenditure account of the school to which all the fee collected from the students is charged. Thereby the capital expenditure incurred by the school don't constitute a component of the financial fee structure of the school".*

In view of the above representation submitted by school it appears that the school has not correctly understood the true spirit of Rule 177 of DSER, 1973, public notice and pronouncements of the Courts. Further, the school need to differentiate between the revenue expenditure and capital expenditure. Since, the statutory auditor of the school has already classified the aforesaid expenditure as capital expenditure therefore, the claim of the school on the nature of aforesaid expenditure become irrelevant. Accordingly, the justification submitted by the school is not correct and tenable in the eyes of the aforesaid provisions.





In view of the above, expenditure incurred by the school on addition to the building totalling to INR 1,22,49,534 is recoverable from the society. Accordingly, it has been included in the calculation of available fund of the school considering the same as fund 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. Non-compliance with the aforesaid direction shall be viewed seriously while evaluating the fee enhancement proposal of the subsequent year.

2. Rule 177 of DSER, 1973 states *"(1) Income derived by an unaided recognised school by way of fees shall be utilised in the first instance, for meeting the pay, allowances, and other benefits admissible to the employees of the school. Provided that savings, if any from the fees collected by such school may be utilised by its managing committee for meeting the capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely:*

- 1) *award of the scholarships to students,*
- 2) *establishment of any other recognised school, or*
- 3) *assisting any other school or educational institution, not being a college, under the management of the same society or trust by which the first mentioned school is run.*

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

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

Based on the above provisions, it has been observed that the school has paid INR 6,20,000 as scholarships to students during FY 2017-2018, which should not be paid without complying with the requirements of sub-rule 2 of Rule 177 of DSER, 1973.

In view of the above, scholarship payments made by the school without complying with the requirements of Rule 177 of DSER, 1973, is hereby added in the calculation of available fund of the school considering the same as fund available with the school, with the direction to the school to recover this amount from the society within 30 days from the date of this order.

3. As per AS-15 'Employee Benefit' issued by ICAI. *"An entity should determine the present value of defined benefit obligations and their fair value of any plan asset so that the amounts recognised in the financial statement do not differ materially from the amounts that would be determined at the balance sheet date."*

Further, the Accounting Standard 15 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, according to para 7.14 of the AS-15 states Plan assets includes;

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



(b) *qualifying insurance policies.*”

Further, Clause 24 of Order No. F.DE./15 (56) /Act / 2009 / 778 dated 11.02.2009 states “*Every recognized unaided school covered by the Act, shall maintain the accounts on the principles of account applicable to non-business organization/ not-for-profit organization as per Generally Accepted Accounting Principles(GAAP). Such schools shall prepare their financial statement consisting of Balance Sheet, P&L Account and Receipt & Payment account every year.*”

On review of the record submitted by the school post personal hearing, it has been observed that the school obtained actuarial valuation of its liability towards gratuity and submitted the actuarial valuation report dated 05.12.2019. As the per the actuarial valuation report the total liability for gratuity was INR 51,35,220 as on 31.03.2019 which the school has also reported in its audited financial statements. But the school has not made any investment that qualify as plan assets in accordance with AS-15.

Further, the school has neither obtained actuarial valuation for its liability towards leave encashment nor reported the same in its audited financial statements of FY 2018-19. The same observation was also noted while evaluating the enhancement of fee proposal of the academic session 2017-18 wherein the school was directed to get the actuary report with respect to leave encashment and invest equivalent amount that qualify as plan asset as per AS-15 which is still pending for compliance.

As the school has not invested any amount in plan assets, the liability reported by the school in its audited financial statements has not been considered while deriving the fund position of the school. Further, the amount proposed by the school INR 10,00,000 has also not been considered in the budgeted expenditure of the school. The school is hereby directed to get its liability towards staff leave encashment determined by an actuary and investment the same (gratuity and leave encashment) in plan assets within 30 days from the date of issue of this order.

4. Section 18(4) of the DSEA, 1973 states “Income derived by unaided schools by way of fees shall be utilized only for such educational purposes as may be prescribed.

Whereas Rule 176 and Rule 177 of the DSER, 1973 states “Fees/funds collected from the parents/students shall be utilized strictly in accordance with the aforesaid rules. Further, clause (vii) (c) 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 the financial fee structure.*”

However, on review of the audited financial statement of FY 2016-17, it has been noted that the school incurred INR 10,55,418 on purchase of Car (Honda City) by taking loan from the bank and incurred financial charges and interest expense on the same leaving the closing balance of INR 5,75,007 as on 31.03.2019. Since, this capital expenditure was incurred out of the school fund without complying with the requirements of aforesaid provisions. Thus, net amount paid by the school out of school fund on purchase of car amounting to INR 5,18,200 (i.e. INR 10,55,418 plus INR 37,789 minus INR 5,75,007) has been included while deriving the fund position 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. The school is further directed not to pay remaining balance of the loan and interest on the same from the school funds.

5. Clause 15 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."*

Also, 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."*

Based on the above provisions, the amount utilised out of development fund for purchase of fixed assets should have been treated as deferred revenue fund. Further, an amount equivalent to depreciation charged on the fixed assets need to be credited to Income & Expenditure Account as amount apportioned from the deferred revenue fund. But the school is not following appropriate accounting treatment of development fund in accordance with the guidance note. As the school has not treated development fund utilisation account as deferred income equivalent to depreciation charged i.e. the school has not credited income and expenditure with the equivalent amount of depreciation charged from the development fund utilisation account. The school has not maintained separate bank account/ investments for Development Fund collected. And the school has not reported development fees as a separate head in its Receipt and Payment Account on account of which the amount collected as development fees from students is not identifiable.

Moreover, the school has followed unsuitable financial practices and improper accounting procedures resulting in unacceptable situation of negative closing balance of development fund, at the same time not following the requirements of the guidance note-21 issued by The Institute of Chartered Accountants of India.

Accordingly, the school is hereby directed to ensure compliance regarding proper accounting and presentation of Development Fund and Depreciation Reserve Fund and Development Fund Utilisation Fund in its Financial Statements and open a separate bank account/investment for deposit and utilisation of development fund and compliance with the guidance note. In view of the above, excess utilisation of development fund amounting INR 4,81,465 has been included in calculation of available fund 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.

6. 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 11.02.2009 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 is 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.

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 and a corresponding amount is transferred from the concerned restricted fund account to the credit of the Income and Expenditure Account.

On review of the audited financial statements of school of the FY 2016-17 to 2018-19, it has been noted that school charges earmarked levies in the name of Computer fee (including Smart Class and IT fee), Science fee and student activity fee from students. However, the school has not maintained separate fund accounts for these earmarked levies and hence the school may be either generating surplus from earmarked levies, which has been utilised for meeting other expenses of the school or has been incurring losses (deficit) which has been met from other fees/income. Details of calculation of surplus/deficit, FY 2016-2017 to 2018-19 is s under:

Particulars#	Science Fee	Activity Fee	Smart Class (Computer and IT) Fee
<b>For the year 2018-19</b>			
Fee Collected during the year (A)	4,77,750	31,72,875	36,21,700
Expenses during the year (B)	5,09,383	34,92,415	36,54,397
<b>Difference for the year (A-B)</b>	<b>(31,633)</b>	<b>(3,19,540)</b>	<b>(32,697)</b>
<b>For the year 2017-18</b>			
Fee Collected during the year (A)	4,94,400	26,94,000	33,84,900
Expenses during the year (B)	1,96,035	21,82,821	24,52,800
<b>Difference for the year (A-B)</b>	<b>2,98,365</b>	<b>5,11,179</b>	<b>9,32,100</b>
<b>For the year 2016-17</b>			
Fee Collected during the year (A)	4,22,400	23,80,000	31,10,625
Expenses during the year (B)	80,850	16,77,475	30,18,772
<b>Difference for the year (A-B)</b>	<b>3,41,550</b>	<b>7,02,525</b>	<b>91,853</b>
<b>Total Surplus</b>	<b>6,08,282</b>	<b>8,94,164</b>	<b>9,91,256</b>

# Science fee is collected from (class XI and XII students) while student activity and smart class (including computer and IT) fee is being collected from all students.

In view of the above, the earmarked levies are to be collected only from the user students availing the services, and if any service/facility has been extended to all the students of the school, a separate charge cannot be levied towards this service by the school as the same would get covered either from tuition fee (expenses on curricular activities) or annual charges (expenses other than those covered under tuition fee). Accordingly, charging earmarked levies in the name of Activity Fee and Smart Class Fee (including IT and computer fee) from all the students loses its character of earmarked levy. Thus, the school is directed based on the nature of Activity Fee and Smart Class Fee (including IT



and computer fee), 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.

Further, during, the personal hearing the school explained that annual charges collected from students is not sufficient to meet the revenue expenses of the school. Accordingly, total fees (including earmarked fee) have been considered while deriving the fund position of the school.

The school is hereby directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from students. Unintentional surplus/deficit, if any, generated from earmarked levies has to be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies during subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on no-profit no-loss basis.

The act of the school of charging unwarranted fee or any other amount/fee under head other than the prescribed head of fee and accumulation of surplus fund thereof tantamount to profiteering and commercialization of education as well as charging of capitation fee in other form.

#### **B. Other Observations**

1. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/968 dated 13.10.2017 issued to school post evaluation of enhancement for the academic session 2016-2017 & order no. F.DE.15/(122)/PSB/2019/1120-1124 dated 14.03.2019 issued to school post evaluation of fee enhancement for the academic session 2017-18, noted that the school is not following proper procedures for procurement of assets or materials and services as the school management does not collect quotations from market or enters into written contracts or agreements with the vendors and suppliers.

The school is yet to implement internal control process regarding procurement of goods and services. During personal hearing the school has explained that it will implement the same with effect from financial year 2019-20 accordingly, the same will be validated during evaluation of subsequent fee increase proposal as may be submitted by the school.

2. 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.*"

The school vide order no. F. DE-15/ACT-I/WPC-4109/PART/13/968 dated 13.10.2017 issued to school post evaluation of fee enhancement for the academic session 2016-2017 and order no. F.DE.15/(122)/PSB/2019/1120-1124 dated 14.03.2019 issued to school post evaluation of fee enhancement for the academic session 2017-18, noted that depreciation is being charged by the school as per Income Tax Act,1961, however the same should be as per the Guidance Note 21. The school was directed to comply with the directions of GN 21.



On verification of the audited financial statements of FY 2018-2019, it has been noted that school did not charge depreciation at the rates specified in Appendix I to the Guidance Note. Thus, the school is again directed to comply with the direction given in the aforesaid order. The compliance of the same shall be validated during evaluation of subsequent fee increase proposal as may be submitted by the school.

3. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/968 dated 13.10.2017 issued to the school post evaluation of fee enhancement for the academic session 2016-2017 noted that the school did not prepare Fixed Assets Register (FAR) in proper form and format and following observations were noted:
- Quantitative details of fixed assets were not given
  - Details of depreciation charged on the fixed assets were not given
  - No tagging/ marking on fixed assets were made which helps in describing ownership and control over assets.

The school has prepared and submitted a Fixed Asset register (FAR) that only captures asset name, date of purchase and amount of the assets. The school should also include details such as supplier name, invoice number, manufacturer's serial number, location of the assets, depreciation, identification number, etc. to facilitate identification of asset and documenting complete details of fixed assets at one place.

Therefore, school is directed to update Fixed Assets Register based on the above parameters. The above being a procedural observation, no financial impact is warranted for deriving the fund position of the school

4. The Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/968 dated 13.10.2017 issued to school post evaluation of fee enhancement for the academic session 2016-2017 noted that:
- The school had not complied with the provisions of Income Tax Act, 1961 and DVAT, 2004 while processing various payments to the contractors and vendors during the period covered under inspection.
  - The school had not deducted tax under section 194C of the Income Tax Act, 1961 and under section 36A & Rule 59 of DVAT Act, 2004, as the case may be, on payments made.
  - The school had not made timely payments of lease rent to DDA, MCD property tax, ESI and Provident Fund.

From the record submitted by the school, it has been noted that the school did not submit any documents to substantiate compliance in relation to the above-mentioned issue. The school is directed to ensure compliance with all the statutory provisions as applicable to it. Compliance of the same shall be validated during evaluation of subsequent fee increase proposal as may be submitted by the school.

5. Directorate's order No. F. DE-15/ACT-I/WPC-4109/PART/13/968 dated 13.10.2017 issued to school post evaluation of fee enhancement for the academic session 2016-2017 noted that the school has submitted bills amounting to INR 1,16,64,320 which did not bear any TIN no./service tax no. etc. and the genuineness of these bills were questionable. The school was asked to submit relevant documents to substantiate the authenticity of the expenditure incurred, however, the school did not submit any documentation regarding the same. In view of above, the concerned DDE is hereby directed to verify the authenticity and validity of the expenditure incurred by the school with respect to the above bills



and submit the compliance report within 30 days from the date of issue of this order. This compliance report will be seriously viewed while evaluating the fee increase proposal of the school of the subsequent year.

6. As per Directorate's Order No. DE.15/ (122)/PSB/2019/1120-1124 dated 14.03.2019 issued post evaluation of enhancement of fee for the academic session 2017-18. It was found that the school entered into an agreement on 19.01. 2017 with Choma LLP to set up LED wall at the school premises at a monthly rent of INR 49,000 exclusive of service charge.

It was also noted that Choma LLP was incorporated (i.e. came into existence) on 17.01.2017 as per the records of Ministry of Corporate Affairs and the school entered into an agreement for renting of LED wall with the firm within two days of its incorporation i.e. with effect from 19.01.2017. Further, the school did not undertake any procurement process for setting up LED wall. Therefore, whether the contract was entered at arm's length and competitive price could not be validated. This being a serious observation and hence, DDE concerned was directed to inspect the school premises to validate installation of LED wall in the school premises along with its usage for the students and submit a report within 30 days from the date of this order. During personal hearing, school explained this inspection has already been completed by the concerned DDE. However, inspection report from the DDE district is still awaited. Therefore, the concerned DDE is requested to forward the compliance report to the team of chartered accountants deployed at head quarter for verification.

7. 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."*

It has been noted in DoE's order no. F. DE-15/ACT-I/WPC-4109/PART/13/968 dated 13.10.2017 that the school had not refunded money along with interest thereon to exiting students and was instructed to include interest earned on caution money in the refund amount.

During the personal hearing, the school mentioned that caution money appearing in the Balance Sheet as on 31.03.2017 was collected way back in FY 2005-2006 and the school has already issued cheques to the students as refund of the same during FY 2017-2018. However, on review of the audited financial statements of FY 2018-19, it was noted that the balance of caution money was nil.

8. Part IV of Appendix III - 'Instructions for preparing Income and Expenditure Account' of Guidance Note 21 issued by the Institute of Chartered Accountants of India specifies that *"Any item under which income or expense exceeds 1 per cent of the total fee receipts of the School or INR 5,000, whichever is higher, should be shown as a separate and distinct item against an appropriate account head in the Income and Expenditure Account. These items, therefore, should not be shown under the head 'miscellaneous income' or 'miscellaneous expenses'."*



From the audited Income and Expenditure Account for the FY 2016-2017, it was noted that the school had not segregated all the expenses which exceeded 1% of the total fee receipts as a separate and distinct item as 'others' was reported under the head 'Administrative and General expenses.

The school is directed to ensure that all subsequent financial statements are prepared in accordance with Guidance Note 21.

9. 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 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”

And 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 and 18 December 2018, made mandatory for all practicing member to obtain 18 digits UDIN before issuing any audit reports/ certification etc. in the following manner:

- ❖ All Certification done by Practicing CAs w.e.f. 1 February 2019.
- ❖ All GST & Tax Audit Reports w.e.f. 1 April 2019.
- ❖ All other attest functions w.e.f. 1 July 2019.

However, on examination of the financial statements submitted by the school for evaluation of fee increase proposal of FY 2018-19. It been has observed that the financial statements of the school for the FY 2018-19 were certified by the Chartered Accountant without mentioning the UDIN as required by the council. Therefore, the school management are instructed to ensure this compliance from the Auditor of the school. This being the procedural observation hence, no financial impact has been given while deriving the fund position for the academic session 2019-20.



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 2019-20 amounting to INR 12,41,48,642 out of which cash outflow for the year 2019-20 is estimated to be INR 13,38,25,449. This results in net Deficit of INR 96,76,807. The details are as follows:

Particulars	Amount (INR)
Cash and Bank balances as on 31.03.19 as per Audited Financial Statements of FY 2018-19	3,363
Investments as on 31.03.19 as per Audited Financial Statements of FY 2018-19	10,49,193
Bank Overdraft as on 31.03.2019 as per audited Financial Statements of FY 2018-19	(1,25,728)
<b>Liquid Fund as on 31.03.2019</b>	<b>9,26,828</b>
Add: Recovery from society against addition to building (Refer Financial Observation No. 1)	1,22,49,534
Add: Recovery from society against amount paid as scholarship (Refer Financial Observation No. 2)	6,20,000
Add: Recovery from society against amount spent on purchase of car during FY 2016-17 and interest on paid on the same (Refer Financial Observation No. 4)	5,18,200
Add: Recovery from society against excess utilisation of Development Fund (Refer Financial Observation No. 5)	4,81,465
Add: Fees as per audited financial statements of FY 2018-19 (Refer Note 1 below)	10,91,42,620
Add: Other Income as per audited financial statements of FY 2018-19 (Refer Note 1 below)	4,72,614
<b>Total Available Funds for FY 2019-20</b>	<b>12,44,11,261</b>
Less: FDR with joint name of School Manager and CBSE/DOE as on 31.03.2019 (Refer Note 2 below)	2,62,619
Less: Retirement Benefit (Refer Financial Observation No. Note 3)	-
Less: Caution Money Fund as on 31.03.2019 (Refer Note 3 below)	-
Less: Development Fund as on 31.03.2019 (Refer Financial Observation No. Note 4)	-
<b>Net Available Funds for FY 2019-20</b>	<b>12,41,48,642</b>
Less: Budgeted expenditure as per the budget provided by the school for the Financial Year 2019-20 (after making adjustment) (Refer Note 4 below)	12,05,18,766
Less: Arrears Salary as per 7 <sup>th</sup> CPC (From Apr'19 to Mar'19) (Refer Note 5 below)	1,33,06,683
<b>Estimated Deficit</b>	<b>96,76,807</b>

Note-1: Fee and income as per audited financial statements of FY 2018-2019 has been considered assuming that the amount of income received during the FY 2018-2019 will at least accrue to the school in FY 2019-2020.

Note-2: Earmarked investment made by the school in the joint name of School Manager and DoE/ CBSE at the time of recognition has been excluded while deriving the fund position of the school on the assumption that the same is not available for utilisation by the school.



**Note-3:** 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 interest thereon at bank rate irrespective of whether or not he/she requests for refund.”

On review of the audited financial statements of the school for the FY 2018-19, it has been observed that year-end balance of caution money was nil.

**Note-4:** As per Budgeted Receipt and Payment Account for FY 2019-2020 submitted by the school along with proposal for fee increase, the school had estimated the total expenditure during FY 2019-2020 of INR 15,28,28,100. All budgeted expenditure of the school has been considered except the following:

- a. The amount of INR 10,00,000 proposed by the school toward gratuity expenses because the school did not comply with the direction given in the previous order dated 14.03.2019 and has not invested any amount in plan assets.
- b. The amount of INR 11,50,000 and INR 57,14,100 proposed by the school for the first time towards “Health Check Up and Allied” and ‘Mid Day Meal’ respectively has not been considered.
- c. The excess amount of INR 14,63,351 (in excess of 110% of the actual expenditure incurred in FY 2018-19) proposed by the school under the head “Student Welfare” has not been considered due non submission of proper justification for such unusual increase.
- d. The school has not complied with the clause 14 of the order dated 11.02.2009 therefore, total amount proposed by the school towards capital expenditure has been restricted to the development fee received by the school during the FY 2018-19. Accordingly, INR 96,75,200 proposed by the school towards capital expenditure has not been considered in the budgeted expenditure of the school.

**Note-5:** The school submitted vide letter dated 09.12.2019, regarding the implementation of the recommendation of 7<sup>th</sup> CPC with effect from October 2019 partially due to shortage of fund. Further, the school also provided the impact of the 7<sup>th</sup> CPC in its budget which has been considered separately in the above table.

- ii. In view of the above examination, it is evident that the school does not have surplus fund to meet its budgeted expenditure for the academic session 2019-20 at the existing fee structure. In this regard, the directions issued by the Directorate of Education vide circular no. 1978 dated 16.04.2010 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 along with certain financial and other observations that the sufficient funds are not 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 accepted.

AND WHEREAS, recommendation of the team of Chartered Accountants along with relevant materials were put before the Director (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, it is relevant to mention that Covid-19 pandemic had a wide spread 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 are 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. 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 10% to be effective from 01 July 2022.

AND WHEREAS, it has been noted that the School has incurred 1,22,49,534 for construction of school building, INR 6,20,000 for scholarship, INR 5,18,200 for purchase of car and INR 4,81,465 excess utilization of development fund in non-compliance of the DSEAR 1973 and various orders issued by the department from time to time. Therefore, the school is required to recover INR 1,38,69,199 from the society. The receipt of the above amount along with the copy of the 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, 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 status within 30 days from the date of this order to the D.D.E (PSB).

Accordingly, it is hereby conveyed that the proposal for fee increase for the academic session 2019-20 of **Bal Bhavan International School (School ID-1821230), Sector-12, Dwarka, New Delhi-110075** is hereby accepted by the Director (Education) and the school is allowed to increase its fee by 10% to be effective from 01 July 2022.

Further, the management of said school is hereby directed under section 24(3) of DSEA 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  
Bal Bhavan International School, Sector-12, Dwarka,  
Delhi - 110075 (School ID-1821230)

No. F.DE.15 ( 711 )/PSB/2022/ 4355-4359

Dated: 07/06/22

**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 (South West-B) 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