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

No. F.DE.15(1212)/PSB/2023/ 1227 - 1231 **Dated: 07/02/23**

Order

WHEREAS, **M.D.H International School (School ID- 1821216), Sector -06, Phase-II, Dwarka, New Delhi-110045** (hereinafter referred to as **"the School"**), run by the **Mahashay Chuni Lal Charitable Trust** (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, the manager of every recognized 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.'*

Thus, the Director (Education) has the authority to examine the full statement of fees filled under section 17(3) of the DSEA,1973 and returns and documents submitted under section 18(5) of DSEA,1973 read with rule 180(1) of DSER,1973.

AND WHEREAS, besides the above, the Director (Education) is also required to examine and evaluate the fee increase proposal submitted by the private unaided recognized schools for some of the schools which have been allotted from Director (Education) before any increase in fee.

AND WHEREAS, 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/2019/4440-4412 dated 08.06.2022, 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 academic session 2022-23.

AND WHEREAS, in pursuance to order dated 08.06.2022 of the DOE, the school submitted its proposal for fee increase for the academic session **2022-23**. Accordingly, this order dispenses the proposal for fee increase submitted by the school for the academic session **2022-23**.

AND WHEREAS, in order to ensure that the proposals submitted by the schools for fee increase are justified or not, this Directorate has deployed teams of expert Chartered Accountants at HQ level who have evaluated the fee increase proposals of the school very carefully in accordance with the provisions of the DSEA, 1973, the DSER, 1973 and other orders/ circulars issued from time to time by the DOE.

AND WHEREAS, in the process of examination of fee increase proposal filed by the aforesaid School for the academic session 2022-23, necessary records and explanations were also called from the school through email. Further, the school was also provided an opportunity of being heard on 8th December 2022 to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted. In the aforesaid personal hearing, compliance of Order No. F.DE. 15(99)/PSB/2019/1473-1477 dated 07.02.2019 issued for academic session 2017-18 and compliance of Order No. F.DE. 15(583)/PSB/20223408-3412 dated 24.05.2022 issued for academic session 2019-20 were also discussed with the school and school's submissions were taken on record.

AND WHEREAS, on receipt of clarification as well as documents uploaded on the web portal for fee increase and subsequent documents submitted by the school as a result of the personal hearing, were evaluated thoroughly by the team of Chartered Accountants. After evaluation of fee proposal of the school and its subsequent clarifications and submissions, following key suggestions for improvement were noted:

A. Financial Suggestions for Improvement

1. Section 2 (m) of DSEA, 1973 states that "Manager" in relation to a school, means the person, by whatever name called who is entrusted, either on the date on which this Act comes into force, or as

the case may be, under a scheme of management made under section 5, with the management of the affairs of that school.

On review of the documents submitted by the school, it has been noted that the school is paying salary to the manager during the FY 2019-20 to FY 2021-22 amounting to INR 14,27,000 (FY 2019-20 - INR 4,35,000, FY 2020-21 – INR 5,12,000 and FY 2021-22 – INR 4,80,000).

Therefore, INR 14,27,000 paid as salary to the manager has been added to the fund position of the school with the direction not to pay any remuneration/honorarium/ allowance to the Manager. The school is directed to recover above-mentioned amount from the Manager or the society.

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

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

   Para 57 of Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India, *"An enterprise should determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date."*

   And Para 60 of Guidance Note-21 'Accounting by Schools' (2005) issued by the Institute of Chartered Accountants of India states *"A defined benefit scheme is a scheme under which amounts to be paid as retirement benefits are determined usually by reference to employee's earnings and/or years of service".*

   An appropriate charge to the income and expenditure account for a year should be made through a provision for accruing liability. The accruing liability should be calculated according to actuarial valuation. However, if the school employs only a few persons say less than 50, it may calculate the accrued liability by reference to any other rational method. The ensuing amount of provision for liability should then be invested in *"Plan Assets"* as per AS-15 issued by ICAI.

   On review of the documents submitted by the school post personal hearing, it has been noted that the requirement of AS-15 is applicable to the school as it has employed more than 50 staff in a year. The school get estimation of retirement benefit from actuarial i.e INR 2,3397,843 for gratuity and INR 46,90,465 for leave encashment. However, the school had made provision for gratuity amounting to INR 1,94,13,983 and for leave encashment amounting to INR 39,80,492 as on March 31, 2022 which was not equivalent to the actuarial liability determined by the actuary in the report.

   Further, on review of documents submitted by the school, it has been noted that the school has made investment in the form of fixed deposits against gratuity amounting to INR 1,94,13,983 and against leave encashment INR 39,80,492 which can be utilised for payment of these liability. But the investment made by the school in the form of fixed deposit are not in accordance with AS-15. The contention of the school is not tenable as investment held by the school in the form of FDR does not qualify as Plan Asset.

   Gratuity is the statutory liability which the school is required to pay to their eligible employees on their retirement/resignation, as the case may be. However, over the number of years, the department has noticed that most of the schools have been recording liability for retirement benefits in their financial statements without making any investment in Plan Asset due to paucity of funds or otherwise.

Accordingly, many schools keep the retirement benefit 'unfunded', which is not the true spirit of law, and it also defeats the objectives of maintaining of books of accounts as per Generally Accepted Accounting Principles (GAAP) as directed by the Hon'ble Supreme Court in its landmark judgment titled Modern School Vs. Union of India and Ors. Therefore, it has been felt that in order to protect statutory dues of the employees, instead of disallowing the full liability on account of non-investment in Plan Asset, it would be rational to spread this liability over the period of 14 years on the assumption that normally a student studies 14 years in the school. This will not only allow the schools a breather to make an investment in Plan Asset gradually but also lower down the sudden financial burden of fee on the parents/students on account of huge liability for retirement benefits.

Accordingly, an amount of INR 16,71,034 (i.e., 1/14 of INR 2,33,94,475 (INR 1,94,13,983 + INR 39,80,492) has been considered while calculating the fund position of the school. Therefore, the school is directed to comply with the direction to invest the aforesaid amount in plan asset in accordance with AS-15 and submit the compliance report within 30 days from the date of issue of this order. In case the school fails to comply with the above directions, the school shall not be allowed further instalments and the amount so allowed to the school shall be recovered from the society/ school management along with interest while evaluating the fee increase proposal for the subsequent year.

3. Clause 14 of the Order No. F.DE/15 (56)/ Act/2009/778 dated 11.02.2009 "*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.*" Thus, the development fee/funds should not be utilized for any other purposes other than those specified in Clause 14 of the Order dated 11.02.2009.

Also, as per Para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states "*Where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year.*"

Further, Para 102 of the Guidance Note-21 also 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/utilization 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 utilization of each fund balance;
(d) Restrictions, if any, on the utilisation of specific assets."

On review of the audited Financial Statements of the school from FY 2019-20 to FY 2021-22, it has been noted that the school has not been treating development fee as capital receipt. Instead, the school is treating it as revenue receipts for meeting revenue expenses of the school. Further, during personal hearing, the school has explained that it does not have sufficient funds to meet the expenditure of the school. Therefore, it is treating development fee as revenue receipt for payment of operational expenses.

Further, on review of audited Financial Statements of the School from FY 2019-20 to 2021-22, it has been noted that the school does not follow the accounting practice suggested in the guidance note cited above and do not maintain development fund and deferred income account. Accordingly, school is again directed to follow para 99 of GN-21 for correct presentation of its financial statements and make necessary rectification entries in its books of accounts. The compliance of the same will be reviewed in the subsequent fee increase proposal.

4. Clause 3 of the public notice dated 04.05.1997 published in the Times of India states "*No security/ deposit/ caution money be taken from the students at the time of admission and if at all it is considered*

necessary it should be taken once and at the nominal rate of INR 500 per student in any case and it should be returned to the students at the time of leaving the school along with the interest at the bank rate."

Further Clause 18 of Order no F.DE/15(56)/Act/2009/778 dated 11.02.2009 states "*No caution money/security deposit of more than five hundred rupees per student shall be charged. The caution money thus collected shall be kept deposited in a scheduled bank in the name of the concerned school and shall be returned to the student at the time of his/her leaving the school along with the bank interest thereon irrespective of whether or not he/she requests for refund.*"

While evaluating the fee increase proposal for the academic session 2022-23, the following has been noted with respect the caution money:

- School has been collecting caution money from the students from FY 2019-20 to FY 2021-22.
- School had not maintained separate bank account for deposit of caution money.
- School had not refunded interest on caution money along with refund of caution money.
- School had not treated un-refunded caution money as income in the next financial year after expiry of 30 days.

The school is directed to ensure compliance with the above requirements especially ensuring that caution money is refunded along with interest to the students and un-refunded caution money as income while projecting the fee increase proposal of the subsequent year. Therefore, the amount refundable amounting to INR 9,87,400 as on 31.03.2022 as per the audited financial statements has been considered while deriving the fund position of the school.

B. Other Suggestions for Improvement

1. Clause 19 of Order No. F.DE. /15(56)/Act/2009/778 dated 11.02.2009 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."*

Clause 21 of Order No. F.DE. /15(56)/Act/2009/778 dated 11.02.2009 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."*

Clause 22 of Order No. F.DE /15(56)/ Act/2009/778 dated 1.02.2009 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."*

Clause 6 of Order No. DE 15/ Act/ Duggal.Com /203 /99 /23033-23980 dated 15.12.1999 states *"Earmarked levies shall be charged from the user student only."*

Rule 176 states *"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."*

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 at the concerned school and shall not be included in the savings referred to in sub-rule (2)." Further, Sub-rule 4 of the said rule states "The collections referred to in sub-rule (3) shall be administered in the same manner as the monies standing to the credit of the Pupils Fund as administered."*

Also, earmarked levies collected from students are form of restricted funds, which, according to Guidance Note-21 '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 Guidance Note-21 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.

From the information provided by the school post personal hearing, it has been noted that school charges earmarked levies in the form of (i) Transport fee, (ii) Computer/Sports/Activity fee, (iii) Lab Charges, (iv) Smart Class Charges, (v) Information and Practice fee and (vi) Medical, SUPW Charges from the students. Further, the school has not maintained accounts of all earmarked on fund based accounting except transport fund. The surplus/deficit generated by the school from these earmarked levies in last three financial years are as under

Particulars	Transport Charges	Computer/Sports/Activity Charges*	Medical, SUPW Charges*	Information & Practice Charges*	Lab Charges*	Smart Class Charges*
For the year 2019-20						
Fee Collected during the year (A)	1,06,13,995	32,18,800	7,22,900	18,870	3,99,010	32,61,665
Expenses during the year (B)	81,48,794	12,51,446	11,869	-	2,09,548	16,11,648
Difference for the year (A-B)	**24,65,201**	**19,67,354**	**7,11,031**	**18,870**	**1,89,462**	**16,50,017**
For the year 2020-21						
Fee Collected during the year (A)	11,145	1,07,940	11,900	35,190	3,82,500	25,76,835
Expenses during the year (B)	25,31,056	6,80,167	-	-	3,579	3,69,229
Difference for the year (A-B)	**(25,19,911)**	**(5,72,227)**	**11,900**	**35,190**	**3,78,921**	**22,07,606**
For the year 2021-22						
Fee Collected during the year (A)	9,300	4,37,550	1,00,800	61,200	3,94,590	8,70,690
Expenses during the year (B)	13,47,208	5,25,446	2,177	-	73,360	3,89,126
Difference for the year (A-B)	**(13,37,908)**	**(87,896)**	**98,623**	**61,200**	**3,21,230**	**4,81,564**
Total (Surplus)	**(13,92,618)**	**13,07,231**	**8,21,554**	**1,15,260**	**8,89,613**	**43,39,187**

* Medical & SUPW Charges, Smart Class Charges and Computer/Sports/Activity Charges (Collected from all students); Information & Practice Charges and Lab Charges (Collected from XI & XII 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 at the school, a separate charge cannot be levied towards these services 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 Medical & SUPW fees, Smart Class fees and Computer/Sports/Activity fees from all the students which loses its character of earmarked levy. Thus, the school is directed based on the nature of the Medical & SUPW fees, Smart Class fees and Computer/Sports/Activity fees 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

The school is also directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from students. Unintentional surplus/deficit, if any, generated from earmarked levies must be utilized or adjusted against earmarked fees collected from the users in the subsequent year. Further, the school should also evaluate costs incurred against each earmarked levy and propose the revised fee structure for earmarked levies in the subsequent proposal of fee increase by ensuring that the proposed levies are calculated on no-profit no-loss basis and not to include fee collected from all students as earmarked levies.

The 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.

2. According to the Directorate of Education Order No F. DE.-15/Act-I/WPC-4109/Part/13/7905-7913 dated 16.04.2016, In exercise of the powers confirmed by Clause (xviii) of Rule 50 and Rule 180 of the Delhi School Education Rules, 1973, the Director specified 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 Accountant of India, established under Chartered Accountant Act 1949 (38 of 1949) in Guidance Note on Accounting by the Schools (2005).

   Clause 24 of DoE Order dated 11.02.2009 states "*Every recognized unaided school covered by the Act, shall maintain accounts on the principles applicable to a non-business organization/ not-for-profit organization as per Generally Accepted Accounting Principles (GAAP). Such schools shall prepare their financial statement consisting of a Balance Sheet, P&L Account and Receipt & Payment account every year.*"

   Further, Appendix-III (Part-I-General instructions and accounting principles) of Guidance Note-21 states:

   1. "*the financial statement of the school should be prepared on accrual basis.*

   2. *a statement of all significant accounting policies adopted in the preparation and presentation of the balance sheet and income and expenditure account should be included in the School's Balance sheet.........*

   3. *accounting policies should be applied consistently from one financial year to the next. Any change in the accounting policies which has a material effect in the current period, or which is reasonably expected to have a material effect in later periods should be disclosed....*".

   Also Para 58(i) of the abovementioned Guidance Note states that "A school should charge depreciation according to the written down value method at the rates recommended in Appendix I to the Guidance Note- 21."

   Para 67(ii) of Guidance Note-21 issued by the Institute of Chartered Accountants of India, states "*The financial statements should disclose, inter alia, the historical cost of fixed assets.*"

   On review of the audited financial statements for the FY 2019-20 to FY 2021-22 of the school, following observations are noted:

- The school has recorded income and expenses on cash basis.
- The school is not preparing Receipt and Payment account as a part of the financial statements during FY 2019-20 to FY 2021-22.
- It has been noted that the depreciation on fixed assets have been provided on written down value method at the rates prescribed in the Income Tax Rules, 1962. Further, the school has practice of reflecting its fixed assets at written down value.

Accordingly, the school is directed to maintain its books of account in accordance with GAAP, Para 58(i), Para 67(ii) and Appendix-II of the Directorate of Education order dated 16.04.2016 from subsequent financial years. The compliance with this direction shall be verified while evaluating the fee increase proposal of the subsequent year.

3. The Directorate vide its order No. F.DE.15/Act-I/08155/2013/5506-5518 dated 04.06.2012 directed that the school shall provide 25% reservation to children belonging to EWS category. Even as per the land allotment letter, the school is required to provide free ship to students belonging to weaker section. However, as per the information provided by the school for the FY 2019-20 to FY 2021-22, it has been noted that the school was not complying with the abovementioned DOE's Order and condition mentioned in the land allotment letter which provides for granting of free ship to the extent of 25% to the children belonging to EWS category. The details of total students and EWS students for the FY 2019-20 to 2021-22 are tabulated below:

Particulars	**FY 2019-20**	**FY 2020-21**	**FY 2021-22**
EWS	136	144	153
Total Strength	1024	1057	1125
% Of EWS students to total strength	**13.28**	**13.62**	**13.60**

Therefore, school is directed to comply with the directions and DDE District is requested to look into this matter and ensure compliance with the above requirements.

4. Appendix II to Rule 180(1) of DSER, 1973, the school is required to submit final accounts i.e., receipts and payment account, income and expenditure account and balance sheet of the preceding year duly audited by a Chartered Accountant by 31st July.

On account of number of complaints received by the Institute of Chartered Accountants of India (ICAI) regarding signatures of Chartered Accountants (CAs) are being forged by non-CAs and corresponding findings by ICAI that financial documents/certificates attested by third person misrepresenting themselves as Chartered Accountants (CA) are misleading the Authorities and Stakeholders, ICAI, at its 379th Council Meeting, made generation of Unique Document Identification Number (UDIN) mandatory for every signature of Full time Practicing 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 practicing Chartered Accountants from 1 July 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.*"

  However, on review of the audited financial statements for the FY 2019-20 to FY 2021-22, it has been observed that the financial statements of the school were certified by the Chartered Accountant without mentioning the UDIN as required by the council. This being the procedural observation therefore, the school management are directed to ensure this compliance from the Auditor of the school.

5. The school has prepared a Fixed Assets Register (FAR) that only captures name of asset, details of receipt, issue, and balance. The FAR should also include details such as date of purchase, bill number, supplier name, amount, manufacturer's serial number, location, depreciation, asset identification number, etc. to facilitate identification of asset and document the complete details of assets at one place.

   Accordingly, the school is directed to update the fixed assets register with the above details to strengthen the internal control system of the fixed assets and submit the compliance report within 30 days from the date of issue of this order. Compliance of the above shall be verified at the time of evaluation of proposal for enhancement of fee for subsequent year.

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

i. The total funds available for the FY 2022-23 amounting to INR **8,45,66,041** out of which cash outflow in the FY 2022-23 is estimated to be INR **5,12,67,796.** This results in surplus of INR **3,32,98,245** for FY 2022-23 after all payments. The details are as follows:

Particulars	**Amount (in INR)**
Cash and Bank balances as on 31.03.22 as per Audited Financial Statements	1,00,73,470
Investments as on 31.03.22 as per Audited Financial Statements **(Refer Note 1 Below)**	3,58,29,662
Liquid Funds as on 31.03.2022	**4,59,03,132**
Add: Fees for FY 2021-22 as per Audited Financial Statements **(Refer Note 2 & 3 Below)**	4,22,95,946
Add: Other income for FY 2021-22 as per Audited Financial Statements **(Refer Note 3 Below)**	20,30,160
Add: Amount recoverable from society for Salary paid to the manager during FY 2019-20 to FY 2021-22 **(Refer Financial Suggestion No. 1)**	14,27,000
Total Available Funds for FY 2022-23	**9,16,56,238**
Less: FD with CBSE and School as on 31.03.2022 **(Refer Note 1 Below)**	2,55,715
Less: Gratuity and Leave Encashment Fund with LIC as on 31.03.2022 **(Refer Financial Suggestion No. 2)**	16,71,034
Less: Development Fund as on 31.03.2022 **(Refer Financial Suggestion No. 3)**	-
Less: Caution Money as on 31.03.2022 **(Refer Financial Suggestion No. 4)**	9,87,400
Less: Transport Fund as on 31.03.2022	41,76,048

Particulars	Amount (in INR)
Less: Depreciation Reserve Fund as on 31.03.2022 **(Refer Note 4 Below)**	-
Net Available Funds for FY 2022-23 - (A)	**8,45,66,041**
Less: Budgeted expenses for the session 2022-23 **(Refer Note 5 Below)**	**5,12,67,796**
Less: Salary Arrears as per 7th CPC **(Refer Note 6 Below)**	-
Total Estimated Expenditure for FY 2022-23 - (B)	**5,12,67,796**
Net Surplus (A-B)	**3,32,98,245**

Note 1: The detail of fixed deposit held by the school as per the audited financial statements of FY 2021-22 is provided below:

Particulars	Amount (in INR)	Remarks
Building Fund	56,51,435	The school has all investments in the name of the school except one which is in the name of School & CBSE amounting to INR 2,55,715. Hence the same has been considered while calculating the fund position of the school.
Depreciation Fund	26,07,704	
E L Encashment Fund	39,80,492	
Gratuity Fund	1,94,13,983	
Transport Fund	41,76,048	
Total	**3,58,29,662**	

Note 2: The Department vide its Order No.F.No.PS/DE/2020/55 dated 18.04.2020 and Order No.F.No.PS/DE/2020/3224-3231 dated 28.08.2020 had issued guidelines regarding the chargeability of fees during the pandemic COVID 2019. The department in both the above-mentioned orders directed to the management of all the private schools not to collect any fee except the tuition fee irrespective of the fact whether running on the private land or government land allotted by DDA/other land-owning agencies and not to increase any fee in FY 2020-21 till further direction.

The department in pursuance of the order dated 31.05.2021 in WPC 7526/2020 of Single Bench of the Hon'ble High Court of Delhi and interim order dated 07.06.2021 in LPA 184/2021 of the Division Bench of Hon'ble High Court of Delhi and to prevent the profiteering and commercialization, again directed to the management of all the petitioners private unaided recognized schools through its Order No. F. No. DE.15 (114) /PSB /2021 /2165-2174 dated 01.07.2021:

(i) *"to collect annual school fee (only all permitted heads of fees) from their students as fixed under the DSEAR,1973 for the academic year 2020-21, but by providing deduction of 15% on that amount in lieu of **unutilized facilities** by the students during the relevant period of academic year 2020-21".* And if the school has collected the fee in excess to the direction issued by the Hon'ble Court, the same shall be refunded to the parents or adjusted in the subsequent month of fee or refund to the parents.
(ii) The amount so payable by the concerned students be paid in six equal monthly instalments w.e.f. 10.06.2021.
(iii) The above arrangement is also applicable with respect to collection of fees for FY 2021-22.

On review of the audited financial statements of FY 2021-22 and based on the further information provided by the school, it has been noted that the school has reported 85% of the tuition fees, annual charges, and development fees in its audited financial statements of FY 2021-22 on receipts basis. Therefore, the income collected by the school during the FY 2021-22 with respect to tuition fee and annual charges has been grossed up on accrual basis to make comparative income with the FY 2022-23. The detailed calculation has been provided below:

Table A

Particulars	Income as per Income & expenditure for the FY 2021-22	Income Considered while deriving the fund position for the FY 2022-23	Remarks
Tuition Fee	3,42,52,229	3,21,03,960	The school has not provided proper reconciliation of fees for the FY 2021-22. Hence, fees has been calculated on the basis of fee paying students mentioned in the proposal.
Annual Charges	41,85,676	42,31,500	
Development fees	39,83,361	40,18,710	
Total	**4,24,21,266**	**4,03,54,170**	

Note 3: All the other income as per audited financial statements of FY 2021-22 has been considered with the assumption that the amount received in FY 2021-22 will at least accrue during FY 2022-23 including transport income amounting to INR 1,27,37,000 budgeted in FY 2022-23.

Note 4: As per the Duggal Committee report, there are four categories of fees that can be charged by a private unaided school. The first category of fee comprised of "*Registration fee and all one Time Charges*' levied at the time of admissions such as admission charges and caution money. The second category of fee comprises '*Tuition Fee*' which is to be fixed to cover the standard cost of the establishment and to cover the expenditure of revenue nature for the improvement of curricular facilities like library, laboratories, science, and computer fee up to class X and examination fee. The third category of the fee should consist of '*Annual Charges*' to cover all expenditure not included in the second category and the fourth category consist of all '*Earmarked Levies*' for the services rendered by the school and be recovered only from the 'User' students. These charges are transport fee, swimming pool charges, Horse riding, tennis, midday meals etc. This recommendation has been considered by the Directorate while issuing order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and order No. F.DE. /15(56)/Act/2009/778 dated 11.02.2009.

The purpose of each head of the fee has already been defined and it is nowhere defined the usage of development fee or any other head of fee for investments against depreciation reserve fund. Further, Clause 7 of order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and clause 14 of the order no F.DE./15(56)/Act/2009/778 dated 11.02.2009, "*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, fixture and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining 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*". Thus, the above direction provides for:

- Not to charge development fee for more than 15% of tuition fee.
- Development fee will be used for purchase, upgradation and replacement of furniture, fixtures, and equipment.

- Development fee will be treated as capital receipts.
- Depreciation reserve fund is to be maintained.

Thus, the creation of the depreciation reserve fund is a pre-condition for charging of development fee, as per above provisions and the decision of Hon'ble Supreme Court in the case of Modern School Vs Union of India & Ors.: 2004(5) SCC 583. Even the Clause 7 of the above direction does not require to maintain any investments against depreciation reserve fund. Also, as per para 99 of Guidance Note-21 'Accounting by School' 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."*

Accordingly, the depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue account) is mere of an accounting head for the appropriate accounting treatment of depreciation in the books of account of the school in accordance with Guidance Note -21 issued by the Institute of Chartered Accountants of India. Thus, there is no financial impact of depreciation reserve on the fund position of the school. Accordingly, the depreciation reserve fund as reported by the school in its audited financial statements for the FY 2021-22 has not been considered while deriving the fund position of the school.

Note 5: All budgeted expenditure proposed by the school has been considered while deriving the fund position of the school except the following:

Particulars	**Amount Proposed in Budget 2022-23**	**Amount Disallowed**	**Remarks**
Depreciation	15,00,000	15,00,000	Being Non Cash Item
Gratuity and Leave Encashment	22,00,000	22,00,000	Refer Financial Suggestion No. 2
Owned Vehicles- CNG Consumption Expenses	8,00,000	8,00,000	Neither income nor expense has been considered while calculating the fund position of the school on the assumption that earmarked levies are collected on no profit no loss basis
Owned Vehicles- Vehicles Repair & Maintenance Expenses	9,00,000	9,00,000	
Salary to transport staff	30,58,000	30,58,000	
Owned Vehicles- Transport Insurance Charges	3,00,000	3,00,000	
Hired vehicle- Transport Charges	34,00,000	34,00,000	
Total	**1,21,58,000**	**1,21,58,000**	

Note 6: As per school's reply during hearing, it was held that the school has not implemented the recommendations of the 7th CPC. Further, the school has not provided detailed calculation of 7th CPC arrears. Hence, salary arrears as per 7th CPC provided by the school has not been considered while calculating the fund position of the school.

In view of the above examination, it is evident that the school has sufficient funds to carry on its operation for the academic session 2022-23 on the existing fee structure. In this regard, Directorate of Education has already issued directions to the schools vide order dated 16.04.2010 that,

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

AND WHEREAS, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants that along with certain financial and other irregularities, that the sufficient funds are available with the school to carry out its operations for the academic session 2022-23. Accordingly, the fee increase proposal of the school may be rejected.

AND WHEREAS, recommendation of the team of Chartered Accountants along with relevant materials were put before the Director of Education for consideration and who after considering all the material on the record, and after considering the provisions of section 17 (3), 18(5), 24(1) of the DSEA, 1973 read with Rules 172, 173, 175 and 177 of the DSER, 1973 has found that the school has sufficient funds for meeting financial implication for the academic session 2022-23. Therefore, Director (Education) has rejected the proposal submitted by the school to increase the fee for the academic session 2022-23.

Accordingly, it is hereby conveyed that the proposal of fee increase of **MDH International School (School ID- 1821216), Sector -06, Phase-II, Plot No-3, Dwarka, New Delhi-45,** is rejected by the Director of Education. Further, the management of said School is hereby directed under section 24(3) of DSEAR 1973 to comply with the following directions:

1. Not to increase any fee in pursuance to the proposal submitted by school on any account for the academic session 2022-23 and if the fee is already increased and charged for the academic session 2022-23, the same shall be refunded to the parents or adjusted in the fee of subsequent months.

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

Nandini-

(Nandini Maharaj)
Additional Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi

To
The Manager/ HoS
MDH International School,
School ID- 1821216,
Sector -06, Phase-II,
Dwarka, New Delhi-45

No. F.DE.15 (1212)/PSB/2023/ 1227-1231

Dated: 07/02/23

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) 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.

Nandini-

(Nandini Maharaj)
Additional Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi