

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

No. F.DE.15 (1272)/PSB/2023/ 2077-2082

Dated: 03/03/23

Order

WHEREAS, **Mothers Global School (School ID-1002278), C-Block, Preet Vihar, New Delhi-110092**, (hereinafter referred to as "**the School**"), run by the **Secular Educational Society** (hereinafter referred to as "**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 for the ensuing academic session under section 17(3) of the DSEAR, 1973 with the Directorate. Such a statement is required to indicate the 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 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 recognized 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 recognized school shall be inspected at least once in each financial year in such manner as may be prescribed'*

Rule 180 (3): *'the account and other records maintained by an unaided private school shall be subject to examination by the auditors and inspecting officers authorized by the Director in this behalf and also by officers authorized 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 land by the DDA/ other land-owning agencies with the condition in their allotment to seek prior approval 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 fees 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 that in the case of private unaided schools situated on the land allotted by DDA/other land-owning agencies at concessional rates:

"27 (c) It shall be the duty of the Director of Education to ascertain whether terms of allotment of land by the Government to the schools have been complied with..."

28. We are directing the Director of Education to look into the letters of allotment issued by the Government and ascertain whether they (terms and conditions of land allotment) have been complied with by the schools... ..

.....If in a given case, Director finds non-compliance of above terms, the Director shall take appropriate steps in this regard."

AND WHEREAS, the Hon'ble High Court of Delhi vide its judgement dated 19.01.2016 in writ petition No. 4109/2013 in the matter of Justice for All versus Govt. of NCT of Delhi and Others, has reiterated the aforesaid directions of the Hon'ble Supreme Court and has directed the DoE to ensure compliance of terms, if any, in the letter of allotment regarding the increase of the fee by recognized unaided schools to whom land has been allotted by DDA/ other land-owning agencies.

AND WHEREAS, accordingly, the DoE vide Order No. F.DE-15(40)/PSB/2019/4440-4412 dated 08.06.2022, directed all the private unaided recognized schools, running on the land allotted by DDA/other land-owning agencies at 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 enhancement of fee for the academic session 2022-23. Accordingly, this Order dispenses the proposal for enhancement of fee submitted by school for the academic session 2022-23.

AND WHEREAS, in order to examine the proposals submitted by the schools for fee increase for justifiability or not, the DoE has deployed teams of Chartered Accountants at HQ level who has evaluated the fee increase proposals of the School carefully in accordance with the provisions of the DSEAR, 1973, and other Orders/ Circulars issued from time to time by the DoE.

AND WHEREAS, in the process of examination of the fee increase proposal filed by the aforesaid school, necessary records and explanations were also called from the school through email and the school was also provided an opportunity to be heard on 13.12.2022 to present its justifications/clarifications on the fee increase proposal. Based on the discussion with the school during a personal hearing, the school was further asked to submit the necessary documents and clarification on various issues noted. In the aforesaid personal hearing, compliance of Order No.15/(579)/PSB/2022/3428-3432 dated 24.05.2022 issued for FY 2019-20 were also discussed with the school and the school's submissions were taken on record.



AND WHEREAS, on receipt of clarification as well as documents uploaded on the web portal for the fee increase post personal hearing, the fee increase proposal was evaluated by the team of Chartered Accountants and the key suggestions noted for improvement by the school are hereunder:

A. Financial Suggestion for Improvements

1. Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states *"Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up gradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund, will be kept in a separately maintained Development Fund Account."*

The Directorate, in its order No. 15/(579)/PSB/2022/3428-3432 dated 24.05.2022 issued to the school post evaluation of a fee increase proposal for FY 2019-20, and in its order No. F.DE.15(590)/PSB/2018/30013-18 dated 30.11.2018 issued to the school post evaluation of a fee increase proposal for FY 2017-18, noted that the school had purchased fixed assets worth INR 89,61,060 out of the development funds in FY 2014-15. Whereas in the fixed asset schedule, only INR 8,38,049 was reported by the school. The school was asked to provide reasons for such a variation, but it failed to offer any explanations or documents. In the absence of detailed information, the net amount of INR 81,23,011 (INR 89,61,060 minus INR 8,38,049) was considered a diversion of school funds.

While evaluating the fee increase proposal for the FY 2022-2023, the above observation was discussed with the school, and it was again requested from the school submit reasons for such a difference. However, similar to the previous instance, the school has not provided an explanation. Accordingly, an amount of INR 81,23,011 (INR 89,61,060 minus INR 8,38,049) has been considered in determining the fund position of the school, with the direction to the school to recover the same from the society within 30 days from the date of issue of this order.

2. Para 49 of 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, para 57 states *"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 recognized in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date"*. Also, para 7 of the Accounting Standard defines Plan Assets as under:

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

On the basis of an actuarial valuation report, the school reported provisions for gratuity of INR 3,00,48,652 and provisions for leave encashment of INR 82,22,988 in the audited financial



statements for FY 2021–22. Against the aforesaid provisions, the school had invested INR 1,89,40,199 towards gratuity and INR 58,25,907 towards leave encashment with LIC and submitted the investment proof thereof. Investments with LIC qualify as plan assets within the meaning of AS-15. Therefore, the amount invested by the school, totaling INR 2,47,66,106, has been considered while determining the fund position of the school, with the direction to the school to invest the remaining amount in the plan asset within 30 days from the date of issue of this order.

3. As per Directorate's Order no. 15072-15871 dated 23 March 1999 "*All pre-primary schools being run by the registered society/ trust in Delhi as Branches of the recognized schools by the appropriate authority in or outside the school premises shall be deemed as one Institution for all Purposes*". Further, the Hon'ble High Court of Delhi in the matter of Social Jurist vs. the Govt. of NCT of Delhi & others concluded "*We do not find any proper reason or rationale to keep Pre-school apart and segregated by those regular schools where Preschool facilities exist and admission starts from that stage.*"

The Directorate's order No. 15/(579)/PSB/2022/3428-3432 dated 24.05.2022 issued to the school post-evaluation of the fee increase proposal for FY 2019-20 noted that Mother's Global School (operating from class 1) was admitting most of the students directly from the pre-school "Mother's Global School (Nursery)". Based on the information provided by the school, it was considered that "Mothers' Global School (Nursery)" is a feeder school of Mother's Global School. Accordingly, the conditions and requirements applicable to "Mother's Global School" would also apply in the same manner to "Mother's Global School (Nursery)". Accordingly, the school was directed to submit complete details of the feeder school in its subsequent proposal for a fee increase because the above provision also applies to the feeder school as well.

It is also important to mention that even during the personal hearing, the school was asked to provide information related to the feeder school, such as the fee structure, the number of students enrolled, and financial statements for FY 2019–20 to FY 2021–22. Despite sending repeated reminders via email (dated 12.01.2023 and 30.01.2023), the school has not provided any of the above details requested. In the absence of critical information, the school's fund position has been determined based on financial statements and other details provided for the main school. The concerned district deputy director is hereby requested to investigate the matter related to the feeder school and submit their report within 30 days from the date of issue of this order, on the basis of which necessary action shall be taken by the department.

4. As per Section 2(m) of DSEA, 1973 states "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 U/s 5 of the DSEA 1973 with the management of the affairs of that School.

The Directorate, in its order No. 15/(579)/PSB/2022/3428–3432 dated 24.05.2022 issued to the school post-evaluation of a fee increase proposal for FY 2019–20, noted that during FY 2018–19, the school was paying remuneration to its manager for its services in contravention of the above-mentioned provisions. Accordingly, the school was directed to recover INR 15,06,744 from the manager or society within 30 days from the date of issue of this order, which is still pending for recovery. Because the post of manager is an honorary post as per the recruitment rules specified under DSEAR, 1973.



During the personal hearing, the school was asked to provide details of remuneration paid to the manager during FY 2019–20 to FY 2021–22 however, school hasn't provided any details in the regard. Therefore, in the absence of the additional information, the remuneration paid by the school to the manager in the last three financial years cannot be determined.

As a result, the amount of INR 15,06,744 already paid by the school to the manager as per the previous year's order has been considered in the calculation of the fund position of the school. Considering, the facts of the observation, school is hereby directed to recover the aforesaid amount as well as any amount paid during FY 2019-20 to 2021-22 from the manager or society within 30 days of the date of issue of this order.

5. Para 99 of Guidance Note-21 '*Accounting by school*' issued by the Institute of Chartered Accountants of India (ICAI), relating to restricted fund, "*Where the fund is meant for meeting capital expenditure, upon incurrance of the expenditure, the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year*".

On review of the audited financial statements of FY 2019–20 to FY 2021–22, it has been noted the school has maintained 'depreciation reserve fund' mainly to collect development fees. However, the school charges a loss on the sale of a fixed asset at the gross value of the asset discarded or sold off in the income and expenditure account. By doing so, the school finally charges depreciation on the assets in the income and expenditure account. Further, upon purchase of the assets out of the development fund, the school did not create deferred income, which needs to be credited to the income and expenditure account equivalent to the depreciation charged.

It has also been noted that the school has been utilizing development funds to meet other school expenditures other than the purchase of furniture, fixtures, and equipment. Therefore, the school is hereby directed to ensure that the development fee should be collected and used in accordance with clause 14 of the order dated 11.02.2009.

In view of the above, the school is hereby directed not to collect the development fee from the students until it complies with the above-mentioned requirements.

B. Other Suggestion for Improvements

1. Clause 14 of this Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009 states "*Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up gradation and replacement of furniture, fixtures and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund, will be kept in a separately maintained Development Fund Account.*"

As per Order No. F.DE-15/ACT-I/WPC-4109/Part/13/7905-7913 dated 16 April 2016 "*The Director hereby specify that the format of return and documents to be submitted by schools under rule 180*

read with Appendix-II of the Delhi School Education Rules, 1973 shall be as per format specified by the Institute of Chartered Accountants of India, established under Chartered Accountants Act, 1949 (38 of 1949) in Guidance Note on Accounting by Schools (2005) or as amended from time to time by this Institute.”

Para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India states “Where the fund is meant for meeting capital expenditure, upon incurrance of the expenditure, the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year.” Further, Para 102 of the aforementioned Guidance Note states “In respect of funds, schools should disclose the following in the schedules/notes to accounts:

- (a) In respect of each major fund, opening balance, additions during the period, deductions/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 utilization of specific assets.”

The Directorate’s in its order No.15/(579)/PSB/2022/3428-3432 dated 24.05.2022 issued to the school post evaluation of fee increase proposal for FY 2019-20 and order No F.DE.15(590)/PSB/2018/30013-18 dated 30 Nov 2018 issued to the school post evaluation of the proposal for enhancement of fee for FY 2017-2018, noted following issues to which the school failed to provide adequate response:

- During FY 2015-2016, difference was noted in the closing balance of Development Fund. The schedule of Development Fund indicated a closing balance of INR 34,10,838 whereas on the face of the Balance Sheet, balance of Development Fund was appearing as INR 29,729 and differential amount of INR 33,81,109 (INR 34,10,838 less INR 29,729) was transferred to General Fund. The School neither provide reconciliation for such difference nor made any rectification against the same and hence, the financial statements submitted by the School could not be relied upon in relation to development fund and general fund.
- The fixed assets schedule for FY 2014-2015 indicated depreciation on the fixed assets amounting to INR 13,17,214 whereas, the corresponding amount of depreciation charged to Income and Expenditure Account and that added to the Depreciation Reserve Fund account was INR 13,27,904. The school neither provided any reconciliation or reasonable justification/explanation for the difference of INR 10,690 nor made any rectification against the same.
- The School has not maintained Development Utilisation Account/ Deferred Income. The assets purchased out of Development Fund were transferred directly to General Reserve resulting in overstatement of General Fund with the amount of assets purchased from development fund. The details of the amounts transferred from Development Fund account to General Fund are as under:

Particulars	2015-2016	2016-2017	2017-2018	2018-2019
Transfer from Development fund to General Fund on utilisation of	58,36,152	89,00,776	65,39,566	1,01,56,662

Particulars	2015-2016	2016-2017	2017-2018	2018-2019
development fund for purchase of fixed assets				
Transfer from Development fund to General Fund without details	33,81,109	-	-	-
Total Amount of transfer made to General fund from Development fund	92,17,261	89,00,776	65,39,566	1,01,56,662

The school is not aware about the accounting requirements advised in para 99 of Guidance Note 21 and has not made any rectification regarding the amount transferred from development fund to general fund.

It has also been noted that during FY 2018-2019, the school reflected purchase of fixed assets totaling to INR 12,04,543 utilizing depreciation reserve fund against which amount was transferred to general fund from depreciation reserve fund. Further, school made presentation in the fixed assets schedule in two parts – ‘Part A’ comprising of assets purchased from development fund and ‘Part B’ comprising of assets purchased from transport fund. The school did not segregate the assets in fixed assets that it represented as purchased from depreciation reserve fund and presented these assets along with assets purchased from development fund. Additionally, school transferred INR 1,07,44,465 from depreciation reserve fund to general fund for which the school failed to provide any reasonable explanation.

It is being highlighted that the presentation by the school of utilization of depreciation reserve of INR 12,04,543 towards purchase is not in accordance with accounting guidance included in para 99 of Guidance Note cited above. Depreciation reserve is a notional fund, which is not represented with actual funds. Thus, the school can't utilize depreciation reserve for purchase of assets. Accordingly, the accounting treatment by the school in its financial statements with respect to depreciation reserve is incorrect. Further, based on the ruling of the Hon'ble Supreme Court in the matter of Modern School Vs Union of India & Others, Directorate issued directions to the school in relation to development fund and depreciation reserve under clause 14 of Directorate's Order No. F.DE./15 (56)/ Act/2009/778 dated 11 Feb 2009, which is cited above. The school has charged depreciation in its Income and Expenditure Account during FY 2016-2017 and FY 2018-2019 and therefore has not complied with the direction that Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts.

Therefore, since the school has recognised depreciation as an expense in its Income and Expenditure Account and has not created depreciation reserve equivalent to cumulative depreciation on assets, it has not complied with the statutory condition required for collecting development fee. Accordingly, based on the above non-compliance, the school directed to immediately stop collecting development fee from students.

Further, the school is directed to follow DOE instruction regarding development fund and depreciation reserve and ensure that development fund is maintained in a separate bank account, utilised only towards purchase of furniture, fixture and equipment and depreciation reserve is required to be maintained equivalent to the amount of depreciation charged in the revenue accounts.



Also, the school is directed to adhere to accounting and disclosure requirements of Guidance Note 21 and ensure that figures presented in schedules and on face of Balance Sheet reconciles. The school should properly prepare fixed assets schedule for assets purchased against development fund and other assets purchased against general fund/ transport fund, which should be annexed with the audited financial statements along with the requisite disclosures as per the guidance note.

2. From review of documents submitted by the school with the proposal of fee increase for FY 2022-23, the following has been noted with respect to the Fixed Asset Register (FAR) maintained by the school:

- No tagging of the assets has been done in Fixed Assets Register (FAR) and location is not identified due to which assets could not be physically verified.
- Depreciation for the individual assets is not recorded in the FAR, only cost of the assets is available in the FAR and WDV of the assets is not available.
- Invoice number, manufacturer's serial number and location of the asset is not mentioned in the fixed assets register s

Therefore, the School is hereby directed to prepare a FAR, which should include details such as asset description, purchase date, supplier name, invoice number, manufacturer's serial number, location, purchase cost, other costs incurred, depreciation, asset identification number, etc. to facilitate identification of asset and documenting complete details of assets at one place. The school is further directed to comply with the directions for preparing FAR with relevant details mentioned above according to the process for periodic physical verification of assets and documenting the results of physical verification of assets. The same shall be verified at the time of evaluation of the fee increase proposal for subsequent years. This being a procedural finding, no financial impact is warranted on the fund position of the school.

3. As per clause 103 on Related Party Disclosure, contained in Guidance Note 21 on 'Accounting by Schools', issued by the ICAI, there is a requirement that keeping in the view the involvement of public funds, schools are required to disclose the transactions made in respect of related parties.

From review of the audited financial statements for the FY 2021-22, it has been noted that the School has not made any disclosure in its audited financial statements related to related parties disclosure. In the absence of such details, the purpose and genuineness of transactions entered between the related parties cannot be determined. Therefore, the School is hereby directed to include such details in audited financial statements of the subsequent year.

4. The school is not complying with the DoE Order No.F.DE.15/Act-I/08155/2013/5506-5518 dated 04.06.2012 as well as the conditions specified in the land allotment letter which require that the school should provide 25% reservation for children belonging to EWS/DG category. Therefore, the school is directed to ensure admission in accordance with the aforesaid order. Further, the school is also required to provide uniform and textbooks to the EWS/DG category students. Therefore, the concerned Deputy Director Districted are requested to ensure compliance with this regard by the school. From the information provided by the school, the percentage of admission allowed to the school to EWS is provided below.



Particulars	FY 2022-23
Total Students	2,159
EWS Students*	458
% of EWS students	21.21%

*Included EWS and other non-fee-paying students.

5. 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 Schools 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...."*

Review of the audited financial statements of the school revealed that the school has been recording income on cash basis while expenses are being recoded on accrual basis. Thus, the school is not following Generally Accepted Accounting Principles (GAAP). Therefore, the school is hereby directed, to maintain its books of account in accordance with GAAP from subsequent financial years and made necessary adjustment in its books of accounts accordingly. The compliance with this direction shall be verified while evaluating the fee increase proposal of the subsequent year.

6. *Section 18(5) of the DSEA, 1973 states "the managing committee of every recognized private school shall file every year with the Director such duly audited financial and other returns as may be prescribed, and every such returns shall be audited by such authority as may be prescribed"*.

Further, Rule 180 (1) of DSER, 1973 states *"every recognized private school shall submit returns and documents in accordance with Appendix-II"*.

Point No. (2) of the Appendix-II requires final accounts i.e., receipts and payments account, income and expenditure account and balance sheet of the preceding year should be duly audited by the Chartered Accountant.

Accordingly, the DoE vide Order No. F.DE-15/ACT-I/WPC-4109/Part/13/7905-7913 dated 16.04.2016, specified the format of returns and documents submitted to be submitted by the private unaided recognized schools. As per this order the format of the financial statements shall be such as specified by the Institute of Chartered Accountants of India (ICAI), established under Chartered Accountants Act, 1949 (38 of 1949) in Guidance Note-21 'Accounting by Schools (2005)' as amended from time to time by ICAI.

Based on the abovementioned provisions, every private unaided recognized school is required to get its accounts audited by the Chartered Accountant before submission of return under Rule 180(1) of DSER, 1973. The documents submitted by the school were taken on record. Review of the audited financial statements and Independent Auditors Report for FY 2021-22 the following was noted:

- a. The audit report has been issued in Form 10B under the Income Tax Act, 1961 which is not in conformity of the above-mentioned provisions.
- b. In the audit report the auditor has not given reference to "Receipt & Payment Account." Although, the same has been signed by the auditors.

In view of the above, the school is hereby directed to get its accounts audited in accordance with above mentioned provisions and resolve all queries raised by the statutory auditor before completion of the audit. The compliance with this direction will be examined while evaluating the fee increase proposal of the subsequent year. However, for the purposes of evaluation of fee increase proposal for the academic session 2022-23, the balance sheet and income and expenditure submitted by the school for FY 2019-20, 2020-21 and 2021-22 has been considered.

7. As per 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 Rs. 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, as per 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.*"

Based on the discussion with the school during the personal hearing, it has been noted that the school refunds the principal amount only to the students at the time of their leaving from the school, which is not in accordance with the above-mentioned provisions. Therefore, the school is hereby directed to ensure the refund of the caution money along with interest thereon. Accordingly, the outstanding balance of caution money as on 31.03.2022 of INR 28,71,646 has been considered while deriving the fund position of the school.

8. 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.*"



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 fees and (ii) Science fees from the students. The school has not maintained fund-based accounting except for transport fees. The surplus/deficit generated by the school from these earmarked levies in the last three financial years are as under:

Particulars	Transport Fees	Science Fees
For the year 2019-20		
Fee Collected during the year (A)	1,09,65,268	6,72,300
Expenses during the year (B)	1,09,46,081	25,73,175
Difference for the year (A-B)	19,187	(19,00,875)
For the year 2020-21		
Fee Collected during the year (A)	-	-
Expenses during the year (B)	13,52,245	25,28,489
Difference for the year (A-B)	(13,52,245)	(25,28,489)
For the year 2021-22		
Fee Collected during the year (A)	-	-
Expenses during the year (B)	16,19,895	25,52,014
Difference for the year (A-B)	(16,19,895)	(25,52,014)
Total (Surplus)*	(29,52,953)	(69,81,378)

*Surplus/Deficit calculated in the above tabular data are based on the information/ledgers provided by the school via email.

The school is directed to maintain separate fund account depicting clearly the amount collected, amount utilized 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 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.

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 is **INR 10,38,64,516** out of which the expected expenditures of the school would be **INR 11,70,25,020** resulting in net deficit of **INR 1,31,60,504** for the FY 2022-23. The detailed calculation is as under:

Particulars	Amount (INR)
Cash and Bank balances as on 31.03.2022 as per audited financial statements for FY 2021-22	18,17,489
Investments as on 31.03.2022 as per audited financial statements for FY 2021-22	2,81,84,709
Liquid Funds as on 31.03.2022	3,00,02,198
Add: Asset purchased out of development fund but not recorded (Refer financial suggestion no. 1)	81,23,011
Add: Amount recoverable from Manager/society towards amount paid to the manager (Refer financial suggestion no. 4)	15,06,744
Add: Fee for FY 2021-22 as per audited financial Statements for FY 2021-22 (Refer Note No. 1 Below)	10,56,18,501
Add: Other income for FY 2021-22 as per audited financial statements for FY 2021-22	23,98,031
Add: Additional income of annual charges and development fund (Refer Note No. 1 Below)	41,63,792
Less: Fees arrears of FY 2020-21 recorded in FY 2021-22	1,91,29,366
Total Available Funds for FY 2022-23	13,26,82,911
Less: Development Fund as on 31.03.2022 as per AFS 2021-22	4,24,777
Less: Staff Retirement Benefits as on 31.03.2022 (Refer Financial Suggestion No. 2)	2,47,66,106
Less: Depreciation reserve fund (Refer Note No. 2 Below)	-
Less: ATL Grant balance with bank as on 31.03.2022 as per audited financial statements 2021-22	2,12,189
Less: FDR in Joint name with CBSE	5,13,450
Less: FDR in Joint name with DOE	30,228
Less: Caution money as on 31.03.2022 (Refer Other Suggestion No. 7)	28,71,646
Net Available Funds for FY 2022-23 - (A)	10,38,64,516
Less: Budgeted expenses for the session 2022-23 (Refer Note No. 3 and 4 Below)	9,80,81,410
Less: Salary arrears (Refer Note No. 5 Below)	1,89,43,610
Total Estimated Expenditure for FY 2022-23 - (B)	11,70,25,020
Net Deficit (A-B)	1,31,60,504

Note 1: 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 will also be applicable with respect to collection of fees for academic session 2021-22.

From 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 annual charges and development charges its audited financial statements of FY 2021-22. Therefore, the income collected by the school during the FY 2021-22 with respect to annual charges and development fee has been grossed up in order to make comparative income with the FY 2022-23. The detailed calculation has been provided below:

Particulars	Income as per AFS of FY 2021-22	Income Considered for FY 2022-23	Remarks
Tuition Fee	6,19,92,613	6,19,92,613	
Annual Charges	1,60,92,910 (after adj. of arrear of FY 20-21)	1,89,32,835	The school recorded 85% of the income in line with aforesaid DoE's order. Therefore, these income has been has been grossed up to 100%.
Development fund	75,01,912 (after adj. of arrear of FY 20-21)	88,25,779	

Note 2: 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 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 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 for the FY 2020-21 has not been considered while deriving the fund position of the School.

Note 3: All budgeted expenditure proposed by the school has been considered while deriving the fund position of the school except the followings.



Heads	Expenditure as per AFS 2021-22	Proposed Amount (INR)	Amount Disallowed	Reasons
Establishment cost	5,22,16,469	9,25,00,000	2,46,18,590	The school has proposed excessive establishment expenditure along with salary arrears of 7 th CPC. Therefore, it has been restricted up to 130% of actual expenditure incurred by the school during the previous year.
Earmarked levy	10,000	5,00,000	5,00,000	Neither earmarked levies income nor expenses have been considered while deriving the fund position of the school.
Repair and Maintenance expense	1,42,16,230	1,00,00,000	1,00,00,000	<p>From review of the audited financial statements of during the last financial year i.e., 2021-22. It was noted that the school has incurred INR 1.22 crore on repair and maintenance of school buildings, plumbing and garden, etc.</p> <p>The School was asked to provide complete ledger statement with supporting documents of repair and maintenance expense on building however, the school has not provided the same for review.</p> <p>Further, it has been also noted that the repair and maintenance expense (excluding building) incurred by the school on other activities was done on Cash basis mostly. This also raise doubts over the misutilization of school funds by the School.</p> <p>Furthermore, considering the volume of expenditure incurred by the school in previous year and no documentary proof submitted by the school in support of the behalf, no amount of repair and maintenance has been considered.</p>
Furniture and Fixture	69,11,623	50,00,000	50,00,000	The School has already incurred capital expenditure on Furniture fixture of INR 69 lacs in FY 2021-22. Therefore, no additional

Heads	Expenditure as per AFS 2021-22	Proposed Amount (INR)	Amount Disallowed	Reasons
				expense has been considered for subsequent financial year.
Finishing and Furnishing	0.00	45,00,000	45,00,000	As per Clause 7.24 of Duggal Committee and Clause No. 2 of the Public Notice dated 04.05.1997, this expenditure should be borne by the society instead of school. Hence, not considered.

Note 4: While evaluating the fee increase proposal, the department considers how much liquid funds schools would require for a particular session for smooth operation without compromising the quality of education. Thus, while deriving the fund position of the school, all legitimate revenue as well as capital nature expenditures in accordance with the provisions of DESAR, 1973 and the pronouncement of Courts judgment have been considered. Therefore, the balance of the other current assets and other current liabilities has not been considered because these are cyclic in nature, as the same would have been part of the budgeted income and expenditure of the school in earlier years. Although it is reflected in the financial statements at the end of the financial year.

Note 5: The school has submitted salary arrears amounting to INR 2,52,58,147 for FY 2020-21 and FY 2021-22. As per the information provided by the school, it has implemented the recommendation of the 7th CPC w.e.f. July 2019. However, it has not been paying DA and HRA as per the norms. The figures of salary arrears submitted by the school were reviewed, and it was found that the school had claimed 'Travel allowance' and 'DA on TA allowance' for the COVID-19 period when the school was closed. Therefore, the salary arrears proposed by the school have been restricted to INR 1,89,43,610.

- ii. In view of the above examination, it is evident that the school does not has adequate funds for meeting all the operational expenditures for the FY 2022-23. In this regard, the directions issued by the Directorate of Education vide circular no. 1978 dated 16 April 2010 states that:

"All schools must, first of all, explore and exhaust the possibility of utilizing 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 utilized 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 suggestions that were identified (appropriate financial impact has been taken on the fund position of the school) and certain procedural suggestions which were also noted (appropriate instructions against which have been given in this order), that the sufficient funds are not 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 accepted.

AND WHEREAS, it is noticed that the school has paid/utilised INR 96,29,755 in contravention to Rule 177 of DSER' 1973 and other orders issued by the departments from time to time. Therefore,

the school is directed to recover the aforesaid amount from society/ management. The receipts along with copy of bank statements showing receipt of the above-mentioned amount should be submitted with DoE, in compliance of the same, within 30 days from the date of issue of this order. Non-compliance with this direction shall be viewed seriously as per the provision of DSEAR, 1973 without providing any further opportunity of being heard.

AND WHEREAS, considering the financial situation and existing deficiencies and keeping in view that salary and other employee's benefits can be paid to the teachers and staff smoothly, the fee increase is allowed to the school with the suggestions for improvement. The school is hereby further directed that the additional income received on account of increase fee should be utilized at first instance only for payment of salary and salary arrears and submit the compliance report within 30 days from the date of issue of this order.

AND WHEREAS, it is relevant to mention charging of any arrears on account of fee for several months from the parents is not advisable, not only because of the additional sudden burden fall upon the parents/students but also as per the past experience, the benefit of such collected arrears is not passed to the teachers and staff in most of the cases as was observed by the Justice Anil Dev Singh Committee (JADSC) during the implementation of the 6th CPC. 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 15% to be effective from 01 October 2022.

AND WHEREAS, recommendation of the team of Chartered Accountants along with relevant materials were put before the Director of Education for consideration and who after considering all the material on the record, and after considering the provisions of section 17 (3), 18(5), 24(1) of the DSEA, 1973 read with Rules 172, 173, 175 and 177 of the DSER, 1973 has found that funds are not available with the school for meeting financial implication for the academic session 2022-23. Hence, for smooth payment of salaries and other employee's benefit, the fee increase is required to the School.

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

Accordingly, it is hereby conveyed that the proposal for fee increase of **Mothers Global School (School ID-1002278), C-Block, Preet Vihar, New Delhi-110092**, filled by the school in response to the Order No. F.DE.-15(40)/PSB/2019/4440-4412 dated 08.06.2022 for the academic session 2022-23, is accepted by the Director (Education) with the above conclusion and suggestions and the school is hereby allowed to increase the fee by 15% to be effective from 1 October, 2022.

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

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



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

Non-compliance of this order or any direction herein shall be viewed seriously and will be dealt with in accordance with the provisions of section 24(4) of Delhi School Education Act, 1973 and Delhi School Education Rules, 1973.

This is issued with the prior approval of the Competent Authority.

Nandini

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

To
The Manager/ HoS
Mothers Global School
(School ID-1002278),
C-Block, Preet Vihar,
New Delhi-110092

No. F.DE.15 (1272)/PSB/2023 / 2077-2082

Dated: 03/03/23

Copy to:

1. P.S. to Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. DDE (East) to ensure the compliance of the above order by the School Management.
4. DE's nominee concerned.
5. In-charge (I.T Cell) with the request to upload on the website of this Directorate.
6. Guard file.

Nandini

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