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

No. F.DE.15 (590)/PSB/2018/30013-30018

Dated: 30/11/18

Order

WHEREAS, this Directorate vide its order No. DE.15 (318)/PSB/2016/19786 dated 17.10.2017 issued 'Guidelines for implementation of 7th Central Pay Commission's recommendations in private unaided recognized Schools in Delhi' and directed that the private unaided Schools, which are running on land allotted by DDA/other govt. agencies with the condition in their allotment letter to seek prior approval of Director (Education) before any fee increase, needs to submit their online fee increase proposal for the academic session 2017-18. Accordingly, vide circular no. 19849-19857 dated 23.10.2017, the fee increase proposals were invited from all aforesaid Schools till 30.11.2017 and this date was further extended to 14.12.2017 vide Directorate's order No. DE.15 (318)/PSB/2016/20535 dated 20.11.2017 in compliance of directions of Hon'ble High Court of Delhi vide its order dated 14.11.2017 in CM No. 40939/2017 in WPC 10023/2017.

AND WHEREAS, attention is also invited towards order of Hon'ble High Court of Delhi dated 19.01.2016 in writ petition No. 4109/2013 in the matter of Justice for All versus GNCTD and others wherein it has been directed by the Hon'ble Delhi High Court that the Director of Education will ensure the compliance of conditions, if any, in the letter of allotment regarding prior approval of Director of education for the increase of fee by all the recognized unaided Schools which are allotted land by DDA.

AND WHEREAS, the Hon'ble High Court of Delhi while issuing the aforesaid direction has observed that the issue regarding the liability of private unaided Schools situated on the land allotted by DDA at concessional rates has been conclusively decided by the Hon'ble Supreme Court in the judgment dated 27.04.2004 passed in Civil Appeal No. 2699 of 2001 titled Modern School V. Union of India and others wherein Hon'ble Supreme Court in Para 27 and 28 has held as under:-

"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 Supreme Court in the above said Judgment also held that under section 17(3), 18(4) of Delhi School Education Act, 1973 read with rule

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172,173,175 and 177 of Delhi School Education Rules 1973, Directorate of Education has the authority to regulate the fee and other charges to prevent commercialization of education.

AND WHEREAS, in pursuance to order dated 23.10.2017 of this Directorate, **Mother's Global School, C Block, Preet Vihar, Delhi-110092 (School Id: 1002278)** had submitted the proposal for increase in fee for the academic session 2017-18 including the impact on account of implementation of recommendations of 7th CPC with effect from 01.01.2016.

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 proposals of the School very carefully in accordance with the provisions of the DSEA, 1973, the DSER, 1973 and other orders/ circulars issued from time to time by this Directorate for fee regulation.

AND WHEREAS, necessary records and explanations were also called from the School vide email dated March 27, 2018. Further, School was also provided opportunity of being heard on July 24, 2018 to present its justifications/ clarifications on fee increase proposal including audited financial statements and based on the discussions, School was further asked to submit necessary documents and clarifications on various issues noted.

AND WHEREAS, the reply of the School, documents uploaded on the web portal for fee increase and subsequent documents submitted by the School were evaluated thoroughly by the team of Chartered Accountants. The key findings noted are as under:

Financial Irregularities

- I. On review of previous year figures of Development Fund schedule for the FY 2015-16, it has been noted that, the School has purchased Fixed assets of Rs.89,61,060 in FY 2014-15 whereas in the fixed assets schedule of FY 2014-15, addition made by the School in the fixed assets was Rs.8,38,049 only. The School has could not provide any justification/clarification with regard to this variance. Further, the School also failed submit the fixed assets register, Hence, in the absence of details, it can be concluded that assets purchased out of development fee amounting to Rs.81,23,011 (Rs.89,61,060 – Rs.8,38,049) during FY 2014-15 has been diverted and accordingly appropriate adjustment has been made while calculating fund position of the School.
- II. The financial statement for the FY 2015-16 has not been prepared by the School as per the format prescribed by DoE in Appendix-II of order dated 16.04.2016. Following irregularities were noted:-
 - The School has not prepared schedules of General Fund, Depreciation Reserve Fund and Staff Welfare Fund in the financial statement.
 - Income and Expenses of transport fee has not been routed through income and expenditure account in the FY 2016-17. They were directly disclosed in the

Balance Sheet. Hence, transport fee received and its corresponding expenditures incurred by the School has been adjusted while evaluating the fee increase proposal.

- III. On review of audited financial statement for the FY 2015-16, it has been noted that, there was no closing balance in the Transport Fund Account whereas in the previous year figures of FY 2016-17, closing balance of Transport Fund was Rs.19,80,051 and with the same amount the School has increased the closing cash and bank balance as on 31-03-2016. Further a difference of Rs.61,201 was also noted in the Current Assets and Current Liabilities of FY 2015-16. The School has not provided any reconciliation with respect to the same. Accordingly, the financial statements of the School cannot be relied upon. Details of the variances are as under: -

(Figures in Rs.)

Particulars	As per audited F.S for the FY 2015-16	As per previous year figures of audited F.S for the FY 2016-17	Difference
Closing balance of Transport Fund	-	19,80,051	19,80,051
Closing Bank Balance	35,69,590	55,39,771	19,70,181
Closing Cash Balance	26,209	36,079	9,870
Other Current Assets	19,50,169	20,11,370	61,201
Current Liabilities and Provisions	1,51,23,520	1,51,84,721	61,201

- IV. During FY 2015-16, difference has been noted in the closing balance of Development Fund. In the schedule of Development Fund, there was a closing balance of Rs.34,10,838 whereas on the face of the Balance Sheet, balance of Development Fund was appearing for Rs.29,729 and differential amount of Rs.33,81,109 (Rs.34,10,838 – 29,729) has been transferred to General fund. The School has failed to provide reconciliation for such difference and hence, the financial statement submitted by the School cannot be relied upon.
- V. As per fixed assets schedule, depreciation on the fixed assets was Rs.13,17,214 whereas, the amount of depreciation that has been charged to Income and Expenditure Account and Depreciation Reserve Fund account of FY 2014-15 was Rs.13,27,904. Further, in FY 2016-17 School has made Provision for Gratuity for Rs.1,72,45,943 whereas, amount charged to Income and Expenditure Account in respect of Gratuity was Rs.1,41,33,135. The variance with respect to Depreciation and Gratuity is unexplained.
- VI. As per Para 99 of Guidance note on "Accounting by School" issued by 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".

Taking cognisance from the above para, it has been observed that School should have created the Development Utilisation Account and then treated the same as deferred income to the extent of depreciation charged in the revenue account. But the School has not maintained the Development Utilisation Account. The assets purchased out of Development Fund were transferred directly to General Reserve resulting overstatement of General Fund with the amount of assets purchased. The details of the amounts transferred from Development Fund account to General Fund are as under. **Refer table 2.3.2**

(Figures in Rs.)

Particulars	FY 2015-16	FY 2016-17
Transferred from Development fund to General Fund for Fixed assets	58,36,152	89,00,776
Transferred from Development fund to General Fund	33,81,109	-
Total	92,17,261	89,00,776

VII. In respect of earmarked levies, School is required to adhere to:

- Clause 22 of order dated 11.02.2009, which specifies that earmarked levies shall be charged from user students on 'no profit no loss' basis;
- Rule 176 of DSER, 1973, which provides that 'income derived from collections for specific purpose shall be spent only for such purpose';
- Judgement of Hon'ble Supreme Court of India in the case of Modern School Vs Union of India and others, which specifies that Schools, being run as non-profit organizations, are supposed to follow fund-based accounting.

On review of audited financial statements of the FY 2015-16 and 2016-17, it has been observed that the School is charging earmarked levy namely Science Fee from the students but this fee is not charged on 'no profit no loss' basis as School is earning surplus from this levy. Further, fund based accounting has not been followed by the School for Science Fee. Therefore, the surplus on this earmarked levy has been adjusted against the general reserve.

Other Irregularities:

- 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 condition specified in the serial no. 18 of allotment letter which provides for 25% reservation to children belonging to EWS category. The admission allowed under EWS category in FY 2014-15, FY 2015-16 and FY 2016-17 was as under.

Particulars	FY 2014-15	FY 2015-16	FY 2016-17
Total Students	2257	2209	2176
EWS Students	209	241	277
% of EWS students	9.26%	10.91%	12.73%

- II. As per Clause 18 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11.02.2009, no caution money/ security deposit of more than Rs.500 per student shall be charged. The caution Money, thus collected shall be kept deposited in a schedule bank in the name of 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 request for a refund. However, on review of audited financial statement for the FY 2014-15 to 2016-17, it has been observed that the School is being refunding only the principal amount of caution money without any interest thereon to the students, which is a contravention of clause 18 of Order No. F.DE./15 (56) /Act /2009 / 778 dated 11/02/2009.
- III. As per Clause 4 of Order No.DE./15/150/ACT/2010/4854-69 dated 09.09.2010, after the expiry of 30 days, the un-refunded caution money belonging to ex-students shall be reflected as income for the next financial year and it shall not be shown as liability. Further, this income shall also be taken into account while projecting fee structure for ensuing academic year. However, on review of 'Budget estimates of receipts and payments of ensuing year' submitted with return filled under rule 180(1) of DSER, 1973, for the FY 2017-18 it was noted that School has not considered the un-refunded caution money as receipts. In the absence of availability of information of un-refundable caution money belonging to ex-students which can be treated as income, correct/ actual liability of the School cannot be ascertained.
- IV. As per the clause 31 of Guidance Note on "Accounting by Schools" issued by the Institute of Chartered Accountants of India, the caution money should be treated as deposit and the amount of caution money refundable to students within 12 months of the financial statement date should be reflected as a 'current liability' in the financial statement. The caution money refundable beyond 12 months of the financial statement date should be shown separately as a liability of long-term nature in the financial statement. However, the School has shown caution money under the head "Designated Fund". The above treatment of caution money resulted in non-compliance of Guidance note on Accounting by Schools" as issued by ICAI.
- V. The School is charging depreciation at the rates prescribed by the Income Tax Act, 1961 and not as per the Guidance note on "Accounting by Schools" issued by ICAI. However, the rates of depreciation used by the School are different from the rates prescribed under Income Tax Act, 1961. Therefore, the School is required to follow the Guidance Note.

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 2017-18 amounting to Rs.15,06,37,230 out of which cash outflow in the FY 2017-18 is estimated to be Rs. 11,86,28,748. This results in net balance of Surplus amounting to Rs. 3,20,08,482 for FY 2017-18 after all payments. The details are as follows:

Particulars	Amount	(Figures in Rs.) Remarks
Cash and Bank balances as on 31.03.17 as per Audited Financial Statements	54,28,617	
Investments as on 31.03.17 as per Audited Financial Statements	6,19,81,968	
Add: Amount diverted by the School for purchase of assets	81,23,011	
Less: Term deposit against Caution Money	16,85,387	
Less: Term deposit against Gratuity Fund	1,58,26,239	Refer Note 1
Less: Term Deposit against Leave Encashment Fund	1,03,50,285	Refer Note 1
Less: Fixed Deposit with Bank in the joint name of Manager of the School and Directorate of Education	30,240	
Less: Fixed Deposit with Bank in the joint name of School and chairman, CBSE	1,52,590	
Total	4,74,88,855	
Add: Fees for FY 2016-17 as per audited Financial Statements (we have assumed that the amount received in FY 2016-17 will at least accrue in FY 2017-18)	9,70,95,822	
Add: Other income for FY 2016-17 as per audited Financial Statements	60,52,553	
Estimated availability of funds for FY 2017-18	15,06,37,230	
Less: Budgeted expenses for FY 2017-18 (after making adjustment)	11,86,28,748	Refer Note 2 and Note 3
Net Surplus	3,20,08,482	

Adjustments:

Note 1: The School is directed to earmark its investment against Gratuity and Leave Encashment with LIC or any other Agency within 90 from the date of receipt of this order.

Note 2: Under the following heads the School has proposed expenditure in excess of 10% (30% in case of Housekeeping Expenses) as compared to the actual expenditure incurred in the FY 2016-17, for which the School has neither provided any reasons for such unusual increase nor it has provided any explanation/ justification. Since FY 2017-18 is the year of implementation of 7th CPC where the parents/students are already overburdened, therefore, the aforesaid expenditure in excess of 10% and 30% has not been considered in the evaluation of fee increase proposal.

Note (2a): Details of establishment expenses disallowed

(Figures in Rs.)

Particulars	FY 2016-17	FY 2017-18	Net Increase/ (Decrease)	% Change	Amount disallowed in excess of 10% and 30%
Salary Expenses	4,82,40,906	6,09,00,000	1,26,59,094	26%	78,35,003
Housekeeping Expenses	13,09,257	30,00,000	16,90,743	129%	12,97,966
Total	4,95,50,163	6,39,00,000	1,43,49,837		91,32,969

Note (2b): Details of revenue expenditure disallowed

(Figures in Rs.)

Particulars	FY 2016-17	FY 2017-18	Net Increase/ (Decrease)	% Change	Amount disallowed in excess of 10%
Legal and Professional Expenses	6,70,750	15,00,000	8,29,250	124%	7,62,175
Computer	12,86,273	50,00,000	37,13,727	289%	35,85,100
Total	19,57,023	65,00,000	45,42,977		43,47,275

Note 3: The School had not proposed arrear salary for the period 01-01-2016 to 31-03-2018 amounting to Rs.1,39,23,992 in the budget of FY 2017-18. However, during discussion, School has submitted calculation of arrear salary, which has been verified and found correct hence, the same has been considered for evaluation of fee increase proposal.

- i. The School has sufficient funds to carry on the operation of the School for the academic session 2017-18 on the existing fees structure. In this regard, Directorate of Education has already issued directions to the Schools vide order dated 16/04/2010 that,

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

AND WHEREAS, in the light of above evaluation which is based on the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of expert Chartered Accountants that prima facie there are financial and other irregularities and also, sufficient funds are available with the School to meet its budgeted expenditure for the academic session 2017-18 including the impact of implementation of recommendations of 7th CPC, the fee increase proposal of the School may not be accepted.

AND WHEREAS, recommendations of the team of expert Chartered Accountants along with relevant material were put before the Director of Education for consideration and who after considering all the material on the record, found that sufficient funds are available with the School to meet its budgeted expenditure for the academic session 2017-18 including the impact of implementation of

recommendations of 7th CPC. Therefore, Director (Education) has rejected the proposal of fee increase submitted by the said School.

AND WHEREAS, it is noticed that the School has diverted Rs.81,23,011 towards additions of fixed assets which was not reflecting in fixed assets schedule as well as on the face of balance sheet. Accordingly, this amount is to be recovered from the society. The amount receipts along with copy of bank statements showing receipt of above mentioned amount should be submitted with DoE, in compliance of the same, within sixty days from the date of issuance of this order. Non-compliance of this shall be taken up as per DSEA&R, 1973.

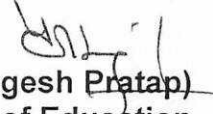
Accordingly, it is hereby conveyed that the proposal of fee increase **Mother's Global School, C Block, Preet Vihar, Delhi-110092 (School Id: 1002278)** is rejected by the Director of Education. Further, the management of said School is hereby directed under section 24(3) of DSEAR 1973 to comply with the following directions:

1. Not to increase any fee in pursuance to the proposal submitted by School on any account including implementation of 7th CPC for the academic session 2017-18 and if the fee is already increased and charged for the academic session 2017-18, the same shall be refunded to the parents or adjusted in the fee of subsequent months.
2. To communicate the parents through its website, notice board and circular about rejection of fee increase proposal of the School by the Directorate of Education.
3. To remove all the financial and other irregularities as listed above and submit the compliance report within 30 days to the D.D.E (PSB).
4. To ensure that the salaries and allowances shall come out from the fees whereas capital expenditure will be a charge on the savings in accordance with the principles laid down by Hon'ble Supreme Court of Delhi in its Judgment of Modern School vs Union of India. Therefore, School not to include capital expenditure as a component of fee structure to be submitted by the School under section 17(3) of DSEA, 1973.
5. To 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.
6. In case of submission of any proposal for increase in fee for the next academic session, the compliance of the above listed financial and other irregularities/violations will also be attached.

Non-compliance of this order or any direction herein shall be viewed seriously and will be dealt with the provision of section 24(4) of DSEA, 1973 and DSER, 1973.

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

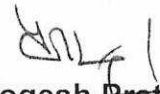

(Yogesh Pratap)
Deputy Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi

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

No. F. DE. 15 (590) / PSB / 2018 / 30013-
30018 Dated: 30/11/18

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. P.A. to Addl. Director of Education (Private School Branch), Directorate of Education, GNCT of Delhi.
4. DDE concerned
5. Guard file.


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