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

No. F.DE.15 (791)/PSB/2020/5059-5063 **Dated:** 27/06/22

ORDER

WHEREAS, **Ahlcon International School (School ID-1002365), Mayur Vihar, Phase- I, Delhi-110091,** (hereinafter referred to as **"School"**), run by the **Shanti Devi Progressive Education Society** (hereinafter referred to as the **"Society"**), is a private unaided school recognized by the Directorate of Education, Govt. of NCT of Delhi **(hereinafter referred to as "DoE"),** under the provisions of Delhi School Education Act & Rules, 1973 **(hereinafter referred to as "DSEAR, 1973").** The School is statutorily bound to comply with the provisions of the DSEAR, 1973 and RTE Act, 2009, as well as the directions/guidelines issued by the DoE from time to time.

AND WHEREAS, every school is required to file a full statement of fees every year before the ensuing academic session under section 17(3) of the DSEAR, 1973 with the Directorate. Such statement is required to indicate estimated income of the school to be derived from fees, estimated current operational expenses towards salaries and allowances payable to employees etc. in terms of rule 177(1) of the DSEAR, 1973.

AND WHEREAS, as per section 18(5) of the DSEAR, 1973 read with sections 17(3), 24 (1) and rule 180 (3) of the above DSEAR, 1973, responsibility has been conferred upon to the DoE to examine the audited financial Statements, books of accounts and other records maintained by the school at least once in each financial year. Sections 18(5) and 24(1) and rule 180 (3) of DSEAR, 1973 have been reproduced as under:

Section 18(5): *'the managing committee of every recognised private school shall file every year with the Director such duly audited financial and other returns as may be prescribed, and every such return shall be audited by such authority as may be prescribed'*

Section 24(1): *'every recognised school shall be inspected at least once in each financial year in such manner as may be prescribed'.*

Rule 180 (3): *'the account and other records maintained by an unaided private school shall be subject to examination by the auditors and inspecting officers authorised by the Director in this behalf and also by officers authorised by the Comptroller and Auditor-General of India.'*

AND WHEREAS, besides the above, the Hon'ble Supreme Court in the judgment dated 27.04.2004 held in Civil Appeal No. 2699 of 2001 titled Modern School Vs. Union of India and others has conclusively decided that under sections 17(3), 18(4) read along with rules 172, 173, 175 and 177, the DoE has the authority to regulate the fee and other charges, with the objective of preventing profiteering and commercialization of education.

AND WHEREAS, it was also directed by the Hon'ble Supreme Court, that the DoE in the aforesaid matter titled Modern School Vs. Union of India and Others in paras 27 and 28 in case of private unaided schools situated on the land allotted by DDA at concessional rates that:

"27....

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

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

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

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

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

AND WHEREAS, in pursuance to order dated 27.03.2019 of this Directorate **Ahlcon International School (School ID-1002365), Mayur Vihar, Phase- I, Delhi-110091** had submitted the proposal for fee increase for the academic session **2019-20**. Accordingly, this order is dispensed off the proposal for enhancement of fee submitted by the school for the academic session **2019-20**.

AND WHEREAS, in order to ensure that the proposals submitted by the Schools for fee increase are justified or not, this Directorate has deployed team of Chartered Accountant at HQ level who has 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 this Directorate for fee regulation.

AND WHEREAS, in the process of examination of fee hike proposal filed by the aforesaid School for the academic session 2019-20, necessary records and explanations were also called from the school through email. Further, the school was also provided an opportunity of being heard on 21.10.2019 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. During the aforesaid hearing compliances against order no. F.DE-15/(316)/PSB/2019/1610-14 dated 24.04.2019 issued for academic session 2017-18.

AND WHEREAS, the reply of the school, documents uploaded on the web portal for fee increased together with subsequent documents/clarification submitted by the school were thoroughly evaluated by the team of Chartered Accountants. And after evaluation of fee proposal of the school the key observations and status of compliance against order no. F.DE-15/(316)/PSB/2019/1610-14 dated 24.04.2019 issued for academic session 2017-18 are as under:

A. Financial Observations

1. Section 13 (1) of the Right to Education Act, 2009 states that *"no school or person shall, while admitting a child, collect any capitation fee and subject the child or his or her parents or guardian to any screening procedure"*.

   Section 13 (2) of the Right to Education Act, 2009 states that *"Any school or person, if in contravention of the provisions of sub-section (1)-*

   a. *receives capitation fee, shall be punishable with fine which may be extended to ten times the capitation fee charged.*
   b. *subjects a child to screening procedures shall be punishable with a fine which may extend to twenty-five thousand rupees for the first contravention and fifty thousand rupees for each subsequent contravention.*

   And section 2(b) of the Right to Education Act, 2009 states *"capitation fee" means any kind of donation or contribution or payment other than the fee notified by the school.*

   Further, the Supreme Court in its Judgement dated 02 May 2016 in the matter of Modern 'Dental College and Research Centre Vs. State of Madhya Pradesh [Medical Council of India] held that *"education is a noble profession and emphasized that every demand of capitation fee by educational institutions is unethical & illegal. It emphasized that commercialization and exploitation are not permissible in the education sector and institutions must run on a 'no-profit-no-loss' basis"*.

   The Hon'ble Supreme Court categorically held that *"though education is now treated as an 'occupation' and, thus, has become a fundamental right guaranteed under Article 19(1) (g) of the Constitution, at the same time shackles are put in so far as this particular occupation is concerned, which is termed as noble. Therefore, profiteering and commercialization are not permitted, and no capitation fee can be charged. The admission of students has to be on merit and not at the whims and fancies of the educational institutions,"*

   Further, the Hon'ble High Court in LPA 196/2004 in the matter of *'Rakesh Goyal Vs. Montfort School and Section 13(1) of RTE Act, 2009,* held that no school or person shall, while admitting a child, collect any Capitation fee/ Donation from the parents. Any school or person who contravenes this provision and receives capitation fee, shall be punishable with a fine which may extend to ten times the capitation fee charged.

   In this regard, it is also important to mention here that the school has been allotted land by the land-owning agency only on the sponsorship of the DoE. Therefore, the school is bound to follow all the instructions/directions issued by the DoE under the obligation of land allotment. Additionally, Rule 50 of DSER,1973 states *"the school is not run for profit to any individual, group or association of individual or any other person' and 'the managing committee observes the provisions of the Act and Rules made there under"*.

   Based on the provisions mentioned above and the pronouncements of the Hon'ble Supreme Court and High Court. The term 'Capitation' is very wide and extensive, and it cannot be restricted only to the amount/contribution received at the time of admission but also includes any kind of collection or donation other than the notified head of fees or collection of unwarranted fee or introduction of any new head in the fee structure etc. whether at the time of the admission of the students or otherwise. In this regard the Directorate vide *Order No. DE15/ Act/Duggal.com/203/99/23033-23980 dated*

15.12.1999 has already specified the head of fees that a recognized private school can collect from the students/parents. Clause no. 9 of the aforesaid order states "*No fee, fund or any other charge by whatever name called, shall be levied or realized unless it is determined by the Managing Committee in accordance with the directions contained in this order .....*".

Accordingly, the School cannot introduce any new head of fee in its fee structure or collect any unwarranted fee from the students/ parents other than the specified head of fees provided in the abovementioned order. Therefore, any demand of capitation fee or introduction of the new head of fee other than the notified head of fees would be termed as *commercialization and exploitation of education,* which is not permissible at any cost.

From the documents submitted by the school, it has been observed that the school has been collecting one-time charges of INR 25,000 in the name of "One Time Periodic Maintenance and Activity Charge" from the students at the time of admission which is in the nature of the capitation fee and therefore, not in accordance with aforesaid provisions.

Accordingly, the school is directed to stop collecting one-time charges i.e. ***"One Time Periodic Maintenance and Activity Charge"*** from the students immediately. Non-compliance with this direction would be viewed seriously while evaluating the fee increase proposal of the subsequent year.

2. As per clause 2 included in the Public Notice dated 04.05.1997, "*it is the responsibility of the* society *who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school becomes the sole property of the society*". Additionally, Hon'ble High Court of Delhi in its judgement dated 30.10.1998 in the case of Delhi Abibhavak Mahasangh concluded that "*The tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society.*" Also, Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/ 883-1982 dated 10.02.02005 issued by this Directorate states "*Capital expenditure cannot constitute a component of the financial fee structure.*"

Also, Rule 177 of DSER, 1973 states "*Income derived by an unaided recognized school by way of fees shall be utilized in the first instance, for meeting the pay, allowances and other benefits admissible to the employees of the school. Provided that, savings, if any, from the fees collected by such school may be utilized by its management committee for meeting capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely award of scholarships to students, establishment of any other recognized school, or assisting any other school or educational institution, not being a college, under the management of the same society or trust by which the first mentioned school is run. Further, the aforesaid savings shall be arrived at after providing for the following, namely:*

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

Accordingly, based on the above-mentioned public notice and Court's judgement, the cost relating to land and construction of the school building must be met by the society, being the property of the society and the school funds i.e., fee collected from students should not be utilized for the same. Moreover, the school fee can only be utilized for meeting pay, allowances and other benefits admissible to the employees of the school and not for capital expenditure of building and land.

The Directorate in its order no. F.DE-15/(316)/PSB/2019/1610-14 dated 24.04.2019 issued for academic session 2017-18, directed to the school to recover INR 2,24,08,728 (repayment of the bank loans together with interest on loan and overdraft i.e., INR 1,15,74,026 plus INR 57,29,260 plus INR 51,05,442) from the society on account of secured loans taken from bank for construction of the Auditorium and Building during the financial year 2014-15 to 2016-17. Instead of the society meeting its obligation towards construction of building, school funds were utilized for meeting the cost of construction of the building, which resulted in creation of capital assets from fee collected from students. The school subsequently had taken overdraft limit from Nanital Bank for meeting expenses of the school because the school's fund has already been used by the school for repayment of the loan and interest cost thereon. Had the school funds been utilized towards recurring expenses of the school and not diverted for repayment of bank loans, there would not have been any need for the school to obtain the bank overdraft facilities. Therefore, the interest cost on the overdraft account which is attributable to construction of building and repayment of bank loan were also been included in the above direction for recovery. The school instead of complying with the above direction has further repaid principal of overdraft facilities of INR 19,13,489 and interest of INR 6,42,877 in the FY 2017-18 and INR 6,30,061 in the FY 2018-19.

Accordingly, the total amount of INR 2,55,95,155 (INR 2,24,08,728 + INR 19,13,489 + INR 6,42,877 + INR 6,30,061) is hereby added to the fund position of the school considering the same as fund is available with the school with the direction to the school to recover this amount from the Society within 30 days from the date of issue of this order. Non-compliance with this direction by the school, would be reviewed seriously and necessary action will be taken U/s 24(4) of the DSEA, 1973.

In addition to the above loan repayments, the audited financial statements of the school revealed that the school has incurred capital expenditure on construction of building out of school funds and the school had capitalized building for INR 29,74,257 in FY 2016-17 and INR 23,12,592 in FY 2018-19, which is also not in accordance with the abovementioned provisions. Accordingly, this amount of INR 52,86,849 has also been included while deriving the fund position of the school with the direction to the school to recover this amount from the Society within 30 days from the date of issue of this order.

3. As per Directorate's order no. F.DE-15/WPC-4109/Part/13/7914-7923 dated 16.04.2016 regarding fee increase proposals for FY 2016-17 "*In case, the schools have already charged any increased fee prior to issue of this order, the same shall be liable to be adjusted by the schools in terms of the sanction of the Director of Education on the proposal.*"

As per order no. F.DE-15/(316)/PSB/2019/1610-14 dated 24.04.2019 issued for academic session 2017-18, it was noted that the school had increased its fees by 10% during FY 2016-17 without prior approval from the Directorate of Education. Based on the information provided by the school, the school had collected increased fee totalling to INR 75,89,659 during FY 2016-2017 based on the approval of School Management Committee in its meeting held in Jan 2016. The school was further directed to refund/ adjust the excess of INR 75,89,659 but the school has yet to comply with the above direction as confirmed by the school during the personal hearing. The school also confirmed during the personal hearing that it has not rolled back its increased fee and continuing charging the increased

fee. Accordingly, the school was asked to provide the impact of increase fee collected during the FY 2017-18 & 2018-19 but the same has not been provided. As the fee increase proposal of the school for session 2016-17 & 2017-18 has already been rejected by the department therefore, it has been assumed that the school has collected same amount of increased fee in FY 2017-18 and 2018-19.Accordingly, INR 1,51,79,318 (INR 75,89,659 x 2) has been adjusted while deriving the fund position of the school with the direction to the school to adjust/refund this amount and submit the evidence of the same within 30 days from the date of issue of this order.

4. As per 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.

Based on the above provisions, the manager of the school cannot be allowed as employee of the school and cannot be paid salary or any other payment as per the provisions of the DSEA & R, 1973. Accordingly, the Manager of the school is not entitled to any payment whatsoever from the school funds. From the records submitted by the school and taken on record, it has been noted that the school has paid salary to the Manager amounting to INR 5,54,400 and INR 8,03,280 in FY in FY 2017-18 & 2018-19. Further, the Directorate in its order no. F.DE-15/(316)/PSB/2019/1610-14 dated 24.04.2019 issued for academic session 2017-18, observed that the school had paid salary to the manager INR 14,28,000 during FY 2014-15 to 2016-17. In the aforesaid order the school was also directed to recover this amount from Manager/ Society within 30 days from the date of order which is still pending for compliance. Accordingly, the aforesaid amount paid to Manager as a salary amounting to INR 27,85,680 from FY 2014-15 to 2018-19 has been considered as fund available with the school with the direction to school to recover the said amount from Manager/society within 30 days from the date of order. Non-compliance with this direction action U/s 24(4) would be reviewed seriously and appropriate action shall be taken U/s 24 of the DSEA 1973. Additionally, the amount proposed by the school INR 5,54,400 (INR 46,200*12) towards manager's salary has been excluded from the budgeted expenditure of the school.

5. As per order no. F.DE-15/(316)/PSB/2019/1610-14 dated 24.04.2019 issued for academic session 2017-18 read with Order no. F. DE-15/ACT-I/WPC-4109/PART/13/877 dated 23.08.2017 issued for academic session 2016-17, it appears that the school had obtained inflated/ fabricated invoices from Subhash Udyog and the amount of expenditure recorded by the school was INR 16,71,426 based on invoices received from the Subhash Udyog accordingly it was in the nature of diversion of funds by the school hence, the school was directed to recover this amount from the person concerned with purchase of materials from this vendor/Society within 30 days from the date of order issue of the order for academic session 2017-18.

During the personal hearing, the school was asked to provide the proof of the said recovery, but the school has not provided any details/ justification for this fabricated expenditure. Therefore, the aforesaid amount has been considered as fund available with the school with the direction to recover the same within 30 days from the date of issue of this order failing which necessary action will be initiated against the school under section 24(4) of DSEA, 1973.

6. As per Rule 107 of DSER, 1973, Fixation of Pay states *"(1) The initial pay of an employee, on the first appointment shall be fixed ordinarily at the minimum of the scale of pay. Provided that a higher initial pay, in the specified scale of pay may be given to a person by appointing authority .....*

(2) The pay of an employee on promotion to higher grade or post shall be determined by the same rules as are applicable to the employee of government school."

The Directorate in its order no. F.DE-15/(316)/PSB/2019/1610-14 dated 24.04.2019 issued for academic session 2017-18, it was noted that gross salary of principal was computed at INR 2,50,000 (with grade pay of INR 10,000) for the month of July 2016, which appeared excessive in comparison to the salary paid to principals in government schools. The school explained that the principal is working for a long time with the school and received annual increments as per his experience and tenure of services. However, reconciliation of salary from the date of joining and subsequent increments was not provided by the school. In absence of detailed reconciliation, it could not be concluded whether excessive salary is being drawn by the principal of the school.

During the personal hearing the school was asked to provide the compliance with the abovementioned observations noted in the previous year's order, but the school has not provided any details/justification for such excessive payment which is being paid to the principal. Accordingly, the school is liable for action U/s 24(4) of the DSEA, 1973.

7. As per Rule 125 of DSER, 1973 *"Every employee of a recognized private school, not being an unaided minority school, shall be entitled to .... Allowances according to the rules made by the Delhi Administration."*

As per order no. F.DE-15/(316)/PSB/2019/1610-14 dated 24.04.2019 issued for academic session 2017-18, it was observed that the Principal of the School is being paid additional sum over and above the salary as 'Medical expenses', 'Electricity and Water' and 'Telephone' in cash amounting INR 96,700 during FY 2016-17.

During the personal hearing the school was asked to substantiate the legality of the above payment which is being paid to the Principal over and above the salary expenditure. However, the school has not offered any further clarification with respect to the above payments. Therefore, the amount of INR 96,700 has been added to the fund position of the school considering the same as funds available with the school with the direction to the school to recover this amount from the Principal within 30 days from the date of this order. Moreover, the school is directed not to pay/reimburse any amount to principal or any other staff in contravention of provision of DSEA & R, 1973.

8. As per Clause 14 of this Directorate's 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, 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 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 from this fund, will be kept in a separately maintained Development Fund Account."*

Further, as per Para 99 of Guidance Note on Accounting by Schools (2005) issued by the Institute of Chartered Accountants of India *"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."*

On review of audited Financial Statements for FY 2017-18 and 2018-19 it has been noted that the school has not followed accounting treatment specified in para 99 of the abovementioned order as the school has not been maintaining deferred income account equivalent to the amount utilized for purchase of fixed assets out of the development fund account. It has been further observed that the closing balance of development fund was INR 9,69,06,688 as on 31.03.2019 while liquid fund in the form of FDR, cash and bank balance is not available with the school. Therefore, the balance of development fund appearing in the financial statements cannot be relied upon. And therefore, no amounts towards development fund have been adjusted while deriving the fund position of the school.

Moreover, as per order no. F.DE-15/(316)/PSB/2019/1610-14 dated 24.04.2019 issued for academic session 2017-18 it was noted that the school has primarily utilized development fund towards repair and maintenance including fencing, swimming pool, aluminum work, wall painting, lights, computer accessories, etc. and also purchased certain assets like computer, printer and furniture during FY 2016-2017. School had submitted that these expenses were not routed through Income and Expenditure Account, but directly adjusted from development fund and the assets purchased from development fund were also not reported in the fixed assets schedule and were not included in the value of fixed assets reported on the face of the Balance Sheet. According to the school submission it was concluded that the school had incorrectly utilized development fund on expenditures other than purchase, upgradation and replacement of furniture, fixtures and equipment and did not report assets purchased from development fund in its financial statements, which was not in accordance with the direction included in above order and resulted in understatement of fixed assets in the financial statements of the school and to that extent the financial statements of the school not reflecting true and fair view.

In view of the above, the school is directed to ensure that development fund is utilized only towards purchase of furniture, fixture, and equipment. The school is also instructed to follow correct accounting treatment with respect to development fund, depreciation reserve and make necessary rectification entries relating to development fund and presentation of fixed assets to comply with the accounting treatment indicated in the Guidance Note cited above. Also record the opening balance, additions during the period, deductions/ utilization during the period and balance at the end in respect of each assets purchased by the school. Further, the school is directed to reinstate the fixed assets for the previous years and reflect in the audited financial statements. Also, the school should open a separate bank account/fixed deposits with bank for deposit and utilization of development fee and interest earned thereon should be credited to the development fund account in accordance with the requirements of the order cited above. The school is instructed not to collect development fee till the time it ensures compliance with the instructions above.

9. Section 18(4) of DSEA 1973 state *"income derived by Unaided Recognized School by way of fees should be utilized only for educational purposes as prescribed under Rules 176 and 177 of the DSER, 1973"*. However, the financial statements of the schools for the FY 2018-19 revealed that the school has incurred INR 27,97,867 on purchase of cars. School has purchased a Toyota Yaris for INR 16,86,926 and Maruti Ciaz VXI for INR 11,10,941. From the above observation it can be inferred that on the one hand the school funds have been used for creation of society's assets such as construction of school building and on the other hand the school has been purchasing luxury cars without complying provisions of section 18 (4) read with Rule 176 and 177.

Accordingly, this amount of INR 27,97,867 has been included in the calculation of available fund of the school with the direction to the school to recover this amount from the society/management of the school within 30 days from the date of issue of this order.

10. As per the Directorate's Order No. DE 15/Act/Duggal.com/203/ 99/23033/23980 dated 15.12.1999, the management is restrained from transferring any amount from the recognized unaided school fund to society or trust or any other institution. The Hon'ble Supreme Court also through its judgement on a review petition in 2009 restricted transfer of funds to the society.

However, as per order no. F.DE-15/(316)/PSB/2019/1610-14 dated 24.04.2019 issued for academic session 2017-18, during FY 2016-17, it was noted that the school had paid INR 50 Lakhs to 'Shanti Devi Progressive Educational Society'. The school did not provide any details on what account this amount was transferred by the school to the society and, not submitted ledger accounts of the society prior to FY 2016-17 and did not provide any details of the liability reflected towards Society in its books of account.

During the personal hearing school was asked to submit the details of amount paid to 'Shanti Devi Progressive Educational Society' from FY 2014-15 to FY 2018-19. The school submitted that refund of INR 50,00,000 lacs was returned to the bank during FY 2019-20 by the society as the school had taken loan from the bank for payment of 7th CPC arrears. Therefore, the impact of this amount has been provided while evaluating the fee increase proposal of the school for academic session 2019-20.

B. Other Observations

1. As per order no. F.DE-15/(581)/PSB/2018/30320-24 dated 10.12.2018 issued for academic session 2017-18, review of the Receipts and Payments Account for the year 2014-2015 revealed that the school had taken loan for INR 6,30,00,000. The analysis of receipts and payments account shows that the same was utilised for repayment of another loan of INR 3,60,55,731 taken during the year. No response has been provided by the school to substantiate this transaction. Therefore, the school is directed to submit its clarification for these transactions within 30 days from the date of issue of this order otherwise necessary action under section 24(4) of the DSEA, 1973 will be initiated against the school.

2. No physical verification of fixed assets is carried out by the school in the current financial year as well as in previous financial years. This indicates that the school do not have proper internal control system for managing and safeguarding its fixed assets. Hence, shortage and excesses, if any, can't be reported. Accordingly, the school should maintain proper internal control systems, which includes carrying out physical verification of fixed assets, to safeguard its fixed assets. Similar observation was also noted in order no. F.DE-15/(581)/PSB/2018/30320-24 dated 10.12.2018 issued for academic session 2017-18, however the school has not complied with the above direction therefore, the school is directed to comply with the above direction and submit the compliance report within 30 days from the date of issue of this order.

3. School has not complied with the Order no. F.DE-15/ACT-I/WPC4109/Part/13/7905-7913 dated 16-04-2016. For example, the school is required to follow accrual system of accounting for maintaining its books of accounts and to disclose relevant accounting policies in its financial statements. However, these provisions are not adhered by the school. Therefore, the school is directed to follow proper accounting system for maintaining its books of accounts and to disclose relevant accounting policies in its financial statements. Further, from the minutes of the meeting of the school it has been noted that the school has not accounted for its total liability towards gratuity and leave encashment.

4. From review of the records, it has been observed internal control system of the payment process of the School is weak. For example, payments are processed before signing of vouchers by principal and manager, paid and cancelled stamp was not marked on the vouchers after making payments, purchase procedure was not followed, sanction letter of the competent authority not attached, corrections and overwriting in the bills are made etc. Therefore, the school is directed to maintain proper internal control systems to strengthen its payment process and to ensure that payments are made after following the due process.

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

Further, direction no. 3 of the public notice dated 4 May 1997 published in the Times of India states "*No security/ deposit/ caution money be taken from the students at the time of admission and if at all it is considered necessary it should be taken once and at the nominal rate of INR 500 per student in any case and it should be returned to the students at the time of leaving the school along with the interest at the bank rate.*"
While evaluating the fee increase proposal the following has been noted with respect the caution money:

- 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.

During the personal hearing, the school explained that it has not opened separate bank account for deposit of the caution money and not refunding interest along with caution money to students at the time of leaving of the school. Therefore, the school is directed to ensure compliance of with the above requirements especially ensuring that caution money is refunded along with interest to the students. However, the closing balance of caution money of INR 11,83,00 reflecting in the audited financial statements of the school as on 31.03.2019 has been adjusted while deriving the fund position of the school.

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 2019-20 amounting to INR **23,00,91,938** out of which cash outflow in the FY 2019-20 is estimated to be INR **23,71,15,036.** This results in deficit of INR **70,23,098** for FY 2019-20 after all payments. The details are as follows:

Particulars	**Amount in INR**
Cash and Bank balances as on 31.03.19 as per audited financial statements of 2018-19	(1,03,72,486)
Investments as on 31.03.19 as per audited financial statements of 2018-19	2,40,77,632
Liquid Fund as on 31.03.2019	**1,37,05,146**

Particulars	Amount in INR
Add: Recovery from society against repayment of loan and interest thereon **(Refer Point No. 2 of Financial Observations)**	2,55,95,155
Add: Recovery from Society for addition to Building **(Refer Point No. 2 of Financial Observations)**	52,86,849
Add: Recovery for salaries paid to the Manager of the school **(as per Point No. 4 of Financial Observations)**	27,85,680
Add: Recovery for expenditure incurred for purchase of spare parts from Subhash Udyog **(as per Point No. 5 of Financial Observations)**	16,71,426
Add: Recovery of additional allowance paid to the Principal **(Refer Point No. 7 of Financial Observations)**	96,700
Add: Recovery against Cars purchased out of school funds **(as per Point No. 9 of Financial Observations)**	27,97,867
Add: Recovery from society for diversion of school's fund **(as per Point No. 10 of Financial Observations)**	50,00,000
Add: Fees for FY 2018-19 as per Audited Financial Statements **(Refer Note 1 below)**	18,94,93,371
Add: Other income for FY 2018-19 as per Audited Financial Statements **(Refer Note 1 below)**	19,64,640
Total Available funds for FY 2019-20	**24,83,96,834**
Less: FDR In the Name of DoE	3,71,289
Less: FDR In the Name of Chairman CBSE	3,71,289
Less: ATL Tinkering Fund **(Refer Note 6 below)**	12,00,000
Less: Refund/adjustment of excess fee collected by the school **(Refer Point No. 3 of Financial Observations)**	1,51,79,318
Less: Development Fund **(as per Point No. 8 of Financial Observations)**	-
Less: Caution Money as on 31.03.2019	11,83,000
Net Available funds for FY 2019-20	**23,00,91,938**
Less: Budgeted Expenditure **(Revenue Expenditure + Capital Expenditure - Depreciation) (Refer Note 2 to 6 below)**	23,71,15,036
Less: Arrears of salary to be paid to the staff as per VII pay commission **(Refer note 7 below)**	
Estimated Deficit	**70,23,098**

Notes:

1. Income earned by the school during the FY 2018-19 as per audited financial has been considered on the assumption that income accrue in the previous financial year at least accrue in FY 2019-20.

2. The School has proposed for 3 months' salary amounting to INR 3,00,00,000 in the budgeted which has not been considered because no investment has been earmarked against this reserve. To allow this expenditure, the school is required to make equal investment in the joint name of Dy. Director Education (District) and Manager, School.

3. The amount of INR 1,00,00,000 budgeted by the school has not been in the budgeted expenditure of the school while deriving the fund position of the school because the school has neither get the actuarial valuation of its liability for gratuity and leave encashment nor invested any amount in the plan assets within the meaning of AS-15 issued by ICAI.

4. Additionally, the amount proposed by the school INR 5,54,400 (INR 46,200*12) towards manager's salary has been excluded from the budgeted expenditure of the school.

5. Under the following heads of expenditure, the School has proposed in excessive as compared the actual expenditure incurred by the school during the FY 2018-19 for which the school has not provided any satisfactory explanation/ justification. Therefore, these expenditures have been restricted to 110% over the previous year considering the inflation rate.

Particulars	As per Audited Income & expenditure account for FY 2018-19	As per Budgeted Income & expenditure account for FY 2019-20	Net Increase	% Change	Amount disallowed in INR
In respect of vehicle owned by the school	18,79,795	1,09,44,000	90,64,205	482%	88,76,226
Horticulture and Gardening	1,43,800	16,50,000	15,06,200	1047%	14,91,820
Honorarium	1,71,946	9,90,000	8,18,054	476%	8,00,859
Teachers Annual Award	90,000	4,95,000	4,05,000	450%	3,96,000
Student Meal and Refreshments	72,36,731	93,50,000	21,13,269	29%	13,89,596
Repair & Maintenance	1,20,91,359	1,49,60,000	28,68,641	24%	16,59,505
Total	**2,16,13,631**	**3,83,89,000**	**1,67,75,369**		**1,46,14,006**

6. The school received INR 12,00,000 for Atal Tinkering fund for construction of lab which has been adjusted while deriving the fund position of the school.

7. The school has proposed budgeted salary expense of INR 14,70,00,000 in FY 2019-20 which is more than 17% of the actual salary expenditure incurred by the school during the FY 2018-19 and the same budgeted expense has been considered on the assumption that it includes the impact of 7th CPC. Further, school has proposed arrears of VII Pay salary amounting to INR 24,50,000 which has also been considered while calculating the fund position of the school.

ii. In view of the above examination, it is evident that the school do not have surplus fund to meet its budgeted expenses at the existing fee structure for the Academic Session 2019-20. 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 observations,

that funds are not available with the school to carry out its operations for the academic session 2019-20. Accordingly, the fee increase proposal of the school may be accepted.

AND WHEREAS, recommendation of the team of Chartered Accountants along with relevant materials were put before the Director of Education for consideration and who after considering all the material on the record, and after considering the provisions of section 17 (3), 18(5), 24(1) of the DSEA, 1973 read with Rules 172, 173, 175 and 177 of the DSER, 1973 has found that funds are not available with the school for meeting financial implication for the academic session 2019-20. Further, it is relevant to mention that Covid-19 pandemic has a widespread impact on the entire society as well as on general economy. Further it is also true to some extent that charging of any arrears on account of fee for several months form the parents is not advisable not only because of additional sudden burden fall upon the parents/students but also as per the 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 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 5% to be effective from 01 July 2022.

AND WHEREAS, the school funds have been used for payment of loan and interest thereon amounting INR 2,55,95,155 and for building amounting INR 52,86,849 in contravention of clause 2 of public notice dated 04.05.1997 and Rule 177 of DSER, 1973. School is also required to recover amount paid as allowance to Principal amounting INR 96,700 and salary paid to Manager amounting INR 27,85,680 in contravention of provisions of DSEA & R, 1973. The School funds have been used for purchase of Toyota Yaris for INR 16,86,926 and Maruti Ciaz VXI for INR 11,10,941 in contravention of Section 18(4) of DSEA, 1973 and Rule 177 of DSER, 1973. Moreover, it has been noted that school funds have been diverted by claiming against fake/ fabricated invoices of INR 16,71,426 and diverted fund of INR 50,00,000. Accordingly, school is directed to recover the aforesaid amounts totalling to INR 4,32,33,677 from the society within 30 days from the date of order and shall submit the copy of receipt along bank statement showing receipt of the amount at the time of evaluation of next fee proposal of the school.

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

Accordingly, it is hereby conveyed that the proposal of fee increase of **Ahlcon International School (School ID-1002365), Mayur Vihar, Phase- I, Delhi-110091** for the academic session 2019-20 is hereby accepted by the Director of Education and the school is hereby allowed to increase the fee by 5% with effect from 1 July 2022.

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

1. To increase the fee only by the prescribed percentage from the specified date.

2. To ensure payment of salary payment is made in accordance with the provision of Section 10(1) of the DSEA, 1973.

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

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

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

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

To
The Manager/ HoS
Ahlcon International School (School ID-1002365),
Mayur Vihar, Phase- I, Delhi-110091

No. F.DE.15 (~~791~~)/PSB/2022/5059-5063 Dated: 27/06/22

Copy to:

1. P.S. to Principal Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. DDE (East) ensure the compliance of the above order by the school management.
4. In-charge (I.T Cell) with the request to upload on the website of this Directorate.
5. Guard file.

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