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

No. F.DE.01 (002)/PSB/2023-24/7-11 Dated: 14/03/2024

Order

WHEREAS, **Kulachi Hansraj Model School, Ashok Vihar, Phase-III, New Delhi-110052, School ID-1411222** (hereinafter referred to as **"the School"**), run by the **DAV College Managing Committee** (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, 1973 (**hereinafter referred to as "DSEA, 1973"**) and the Delhi School Education Rules, 1973 (**hereinafter referred to as "DSER, 1973"**). The school is statutorily bound to comply with the provisions of the DSEA, 1973, DSER, 1973 and the 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 DSEA, 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 DSER, 1973.

AND WHEREAS, as per section 18(5) of the DSEA, 1973 read with sections 17(3), 24 (1) and rule 180 (3) of the above DSEA, 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) of the DSEA, 1973 and the rule 180 (3) of DSER, 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 Nos. F.DE.-15(40)/PSB/2023/1964-1972 dated 01.03.2023 and F.DE.-15(40)/PSB/2023/2685-2692 dated 27.03.2023 for the academic session 2023-24, directing all the private unaided recognized schools, running on the land allotted by DDA/other land-owning agencies on concessional rates or otherwise, with the condition to seek prior approval of DoE for increase in fee, to submit their proposals, if any, for prior sanction, for increase in fee for the academic session **2023-24**.

AND WHEREAS, in pursuance to orders dated 01.03.2023 and 27.03.2023 of the DOE, the school submitted its proposal for fee increase for the academic session **2023-24**. Accordingly, this order dispenses the proposal for fee increase submitted by the school for the academic session **2023-24**.

AND WHEREAS, in order to examine the proposals submitted by the schools for fee increase for justifiability or not, this Directorate 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 DSEA, 1973, DSER, 1973, and other orders/circulars issued from time to time by this Directorate.

AND WHEREAS, in the process of examination of fee increase proposal filed by the aforesaid School for the academic session 2023-24, necessary records and explanations were also called from the school through email. Further, the school was also provided an opportunity of being heard on **27th February 2024** 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 that hearing, the compliance of **order no.F.DE.15(1050)/PSB/2022/9624-9628 dated 28.11.2022 issued for the academic session 2022-23** was also discussed and the school submissions were taken on record.

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

A. Financial Suggestion for Improvements

1. Clause No. 2 of Public Notice dated 04.05.1997 states *"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 titled Delhi Abibhavak Mahasangh concluded states *"the tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society."* Also, Clause (vii) (c) of Order No. F.DE/15/Act/2K/243/KKK/883-1982 dated 10.02.2005 issued by this Directorate states *"Capital expenditure cannot constitute a component of the financial fee structure."*

   As per Clause 14 of Order No. F.DE. 115(56)/Act/2009/778 dated 11.02.2009 and Clause 7 of Order No. DE I 5/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 stated *"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 income generated from the investment made out of this fund, will be kept in a separately maintained Development Fund Account"*

   Based on the aforementioned-provisions, cost relating to land and construction of school building should be met by the society, being the property of the society and the school funds i.e., the fee collected from the students should not be used for such purpose.

   The DoE in the Order No.DE15(648)/PSB/2018/30703-707 dated 19.12.2018 issued to the school post evaluation of fee hike proposal for academic session 2017-18, noted that the school had incurred capital expenditure on construction of building amounting to INR 2,40,19,904. The aforesaid expenditure was incurred without complying with the provision of the Rule 177 of USER, 1973 and clause 14 of the order dated 11.02.2009.

   Also, the DoE in the Order No.DE15(661)/PSB/2022/4040-4044 dated 03.06.2022 issued to the school post evaluation of fee hike proposal for academic session 2019-20 noted that in addition to the amount incurred till FY 2016-17, the school had also incurred INR 55,06,982 in FY 2017-18 for development of infrastructure which is being capitalized under the head building.

While evaluating the fee increase proposal of FY 2017-18 and 2019-20, the school was directed to recover the aforesaid amount. The school was again directed vide order no.F.DE.15(1050)/ PSB/2022/9624-9628 dated 28.11.2022 issued for the academic session 2022-23 to recover the aforesaid amounts within 30 days from the date of issue of the order. However, this amount is still not recovered. In their compliance report dated 14.12.2022 the school has submitted that these expenses were of revenue nature and were capitalized on insistence of the statutory auditor. The submission of the school does not hold good as preparation of the accounts and the financial statements is the responsibility of the school's management. Moreover, as an afterthought post issue of directions to recover the amount, the school claiming these expenses as revenue expenditure. Moreover, the school has not restated its books of accounts showing this expenditure as revenue expenditure.

Accordingly, the school is directed to recover INR 2,95,26,886 (INR 2,40,19,904 plus INR 55,06,982) from the society and the same has been considered as funds available with the school with the direction to the school to recover this amount from society within 30 days from the date of issue of this order.

2. Clause 8 of Order No. DE 15/ Act/ Duggal.Com /203 /99 /23033-23980 dated 15.12.1999 states "*no amount whatsoever shall be transferred from the recognised unaided school fund of a school to the society or the trust or any other institution.*"

In Directorate's Order no.F.DE.15(1050)/PSB/2022/9624-9628 dated 28.11.2022 issued for the academic session 2022-23, it was noted that the total amount of INR 3,27,56,110 is recoverable from related parties/school in FY 2021-22 and the school was directed to recover this amount from the related parties/school.

On review of the audited financial statements of the school for FY 2022-23 including the Receipt and Payment Account, it is noted that no amount is received from the society. During the hearing the school submitted that the DAVCMC has deposited amounts with LIC directly against this recovery. The details of receipts, payments and adjustments during the year are as follows:

Particulars	Amount recoverable as per AFS as on 01.04.22 (INR)	Adjustment/ Paid during the year (INR)	Adjustment/ recovered during the year (INR)	Amount recoverable as per AFS as on 31.03.23 (INR)
Hansvatika Day Boarding School	93,05,490	20,72,983	93,34,990	20,43,483
Kulachi Hansraj Manovikas Kendra	2,34,50,620	14,86,950	2,36,94,020	12,43,550
Total	**3,27,56,110**	**35,59,933**	**3,30,29,010**	**32,87,033**

As per audited financial statements for FY 2022-23, amount of INR 32,87,033 is recoverable from the society and thus, the same is considered as funds available with the school with the direction to the school to recover this amount from the society and also submit the clarification /justification of adjustments entries within 30 days from the date of issue of this order.

3. Para 7.14 of AS-15 *"Employee Benefit"* issued by the Institute of Chartered Accountants of India (ICAI) states 'Plan Assets' as:

   a. assets held by a long-term employee benefit fund; and
   b. qualifying insurance policies."

Further, the para 57 of the AS-15 states *"an enterprise should determine the present value of defined benefit obligations and the fair value 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".*

Review of the audited financial statements of FY 2022-23, it has been noted that the school has reported provision of amounting INR 18,97,68,128 towards gratuity and INR 5,30,34,798 towards leave encashment. Further, as per the audited financial statement for the FY 2022-23, that the school has invested INR 10,43,80,026. On review of certificate of balance of fund issued by LIC, there are investments of INR 5,65,43,747 and INR 4,63,32,721 against gratuity and leave encashment respectively. As the investment with LIC qualifies as plan assets within the meaning of AS-15, therefore, amounts invested by the school with the LIC against gratuity and leave encashment are considered while deriving the fund position of the school with the direction to the school to deposit the remaining amount in the plan assets within 30 days from the date of issue of this order.

Further, the school has proposed INR 2,84,69,660 against retirement liabilities in the budget for FY 2023-24 and therefore, while the deriving the fund position the same is not considered.

4. The submissions of the school regarding payment of administrative charges @ 4% of basic pay (as per 6thCPC) of staff were taken on record and included in Directorate's order no F.DE-15/ACT-I/WPC-4109/PART/13/ 958 dated 13.10.2017. Further, while evaluating the fees hike proposal for academic session 2017-18, the school was directed for not incurring administrative charges beyond 2% of the basic salary.

However, while evaluating the fee hike proposal for academic session 2019-20, it was noted that the school had paid administrative charges to DAV CMC @ 18% on basic pay for FY 2017-18 and 7% of basic pay for 2018-19 respectively. Accordingly, the school was directed to recover the excess administrative charges paid to DAV CMC amounting INR 2,25,91,857 and which is still pending for recovery.

In Directorate's Order no.F.DE.15(1050)/PSB/2022/9624-9628 dated 28.11.2022 issued for the academic session 2022-23, it was noted that the school has recognized *"service charges @ 5% of basic pay"* payable to DAV CMC.

The aforesaid 5% is in excess of @ 2% administrative charges allowed to school as per the previous order. Thus, the school has not followed the direction mentioned in Order No. F.DE-15/ACT-I/WPC-4109/PART/13/ 959 dated 13.10.2017. The school further explained that it has only provided the above expenditure in the books of accounts and has not made any payment in this regard. Therefore, the excess liability provided by the school towards service charges payable to DAV CMC i.e., (5% of basic pay) need to be reversed.

During the hearing the school was asked to submit the detailed calculation of the administrative charges, details of amounts paid and payable from April 2017 to March 2023. However, instead of submitting the aforesaid details, the school has submitted ledgers of (1) Centre for Academic Excellence Expenses Payable, (2) Estate Management Service Charges Payable, (3) Financial Management Service Expenses Payable, (4) Organisation & Coordinations Service Expenses Payable, (5) Retainership & Legal Services Expenses Payable, and (6) Statutory Management Services Expenses Payable for the period 01 April 2017 to 31 March 2023 as sub-ledgers of Administrative Charges payable to DAVCMC showing details of liabilities booked by the school over the years and the payments made. The details of liabilities booked and the amounts paid to the society are as follows:

Particulars	Amount of liabilities booked (INR)	Amount paid (INR)
Centre for Academic Excellence Expenses Payable	2,06,87,923	81,89,891
Estate Management Service Charges Payable	1,03,43,957	33,28,358
Financial Management Service Expenses Payable	1,03,43,957	39,48,660
Organisation & Coordinations Service Expenses Payable	94,52,581	24,36,982
Retainership & Legal Services Expenses Payable	1,03,43,957	39,48,660
Statutory Management Services Expenses Payable	94,52,581	24,36,982
Total	**7,06,24,956**	**2,42,89,533**

However, as per Directorate's Order no.F.DE.15(1050)/PSB/2022/9624-9628 dated 28.11.2022 the school had paid INR 2,25,91,857 to DAV CMC. In the absence of calculation, no new addition is being made in the fund position. However, while deriving the fund position of the school INR 2,25,91,857 (based on previous order) has been added with the direction to the school to recover this amount from society and submit the calculations of administrative charges for the period FY 2017-18 to 2023-24 within 30 days from the date of issue of this order.

Non-compliance with the above direction would be reviewed seriously, and appropriate action against the school under Section 24(4) of the DSEA, 1973 will be taken without giving any further opportunity.

B. Other Suggestion for Improvements

1. 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, 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 DSEA&R,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 installments 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.

   Thus, the school has not complied with the direction issued vide order No. F. No.DE.15(114)/PSB/2021/2165-2174 dated 01.07.2021 and no.F.DE.15(1050)/PSB/2022/ 9624-9628 dated 28.11.2022.

   Accordingly, the school is again directed to adjust/refund the same against future dues from the students and submit the compliance report within 30 days from the date of issue of this order.

2. 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 subsection (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 filly 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 02.05.2016 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'* states *"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 a capitation fee, shall be punishable with a fine which may extend to ten times the capitation fee charged".*

Further, the Directorate of Education, vide 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, indicated the following types of fee that a recognised private unaided school can collect from the students/ parents:

a) Registration Fee
b) Admission Fee:
c) Caution Money
d) Tuition Fee
e) Annual Charges
f) Earmarked Levies
g) Development Fee

Based on the provisions mentioned above, charging of 'IT Fees, Pupil Fund', from the students is in the nature of capitation fee only. Additionally, if the school is charging unwarranted fee under different heads or introduce new head of fee other than the prescribed heads of fee and accumulates surplus fund out of it, it is also prima-facie considered to be a collection of capitation fee in other manner and form.

Accordingly, the collection of IT Fees, Pupil Fund indicates that the school is engaged in profiteering and commercialization of education. Similar observation noted in order no. F.DE.15(1050)/PSB/2022/9624-9628 dated 28.11.2022 issued for the academic session 2022-23. During hearing, the school has submitted that it has stopped the collection of pupil fund from students.

As per Section 27 of the DSEA, 1973, the manager of the school is responsible to look after the operation of the school smoothly and to ensure compliance with the provision of the DSEA&R, 1973 including the compliance of the High Court/Supreme Court and orders/circulars issued by the Directorate of Education from time to time in this regard. As the manager and principal have been bestowed with the power to ensure the school's proper functioning, including ensuring the admission process transparently are jointly as well as in their personal capacity be responsible for levy and collection of capitation fee and any another unauthorized fee collected by the school.

Therefore, the school is again directed to not charge capitation as mentioned above with immediate effect and submit the compliance within 30 days from the date of issue of this order. Non-compliance with this direction would be reviewed seriously and a necessary action against the school will be initiated U/s 24(4) of the DSEA, 1973 by the department.

3. From a review of documents submitted by the school post personal hearing, 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.

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 hike proposal for subsequent years. This being a procedural finding, no financial impact is warranted on the fund position of the school.

4. 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, Income & Expenditure 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 recorded 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.

5. *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-UWPC-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. 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 hike proposal of the subsequent year. However, for the purposes of evaluation of fee hike proposal for the academic session 2023-24, the balance sheet and income and expenditure submitted by the school for FY 2020-21, 2021-22 and FY 2022-23 has been considered.

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

i. The total funds available with the school for **FY 2023-24** amounting to **INR 47,88,41,557** out of which estimated expenditures (i.e., outflow) for the **FY 2023-24** is to be **INR 40,85,50,575**. This results in net surplus amounting to **INR 7,02,90,982** for the **FY 2023-24** after making all payments. The details are as follows:

Particulars	**Amount (in Rs)**
Cash and Bank balances as on 31.03.23 as per Audited Financial Statements	12,966,983
Investments as on 31.03.23 as per Audited Financial Statements	205,802,622
Liquid Funds as on 31.03.2023	**218,769,605**
Add: Recovery from society for construction of school building **(Refer Financial Suggestion for Improvement No.1)**	29,526,886
Add: Amount Receivable from Intra Institution **(Refer Financial suggestion for Improvement No.2)**	3,287,033
Add: Recovery from the society towards excess administrative charge **(Refer Financial Suggestion for Improvement No.4)**	22,591,857
Add: Fees for FY 2022-23 as per Audited Financial Statements **(refer Note 1 below)**	369,543,486
Add: Other Income for FY 2022-23 as per Audited Financial Statements **(refer Note 1 below)**	17,744,543
Total Available Funds for FY 2023-24	**661,463,410**
Less: FDR in the joint name of Manager and CBSE/DOE **(refer Note 2 below)**	51,465,740
Less: FDR deposited with Hon'ble Delhi High Court in JADSC matter **(refer Note 2 below)**	12,862,463
Less: Development fund as per audited financial statements for FY 2022-23	11,630,239
Less: Depreciation Reserve Fund **(Refer Note 3 below)**	-
Less: Excess fee collected as per previous year (order no. F.DE.15(1050)/PSB/2022/9624-9628 dated 28.11.2022)	3,786,943
Less: Gratuity and leave encashment LIC as per Audited Financial statements of FY 2022-23 **(Refer Financial Suggestion for Improvement No. 3)**	102,876,468
Net Available Funds for FY 2023-24 (A)	**478,841,557**
Less: Budgeted expenses for the session 2023-24 **(Refer Note 4 below)**	408,550,575
Less: Salary arrears to the staff **(Refer Note 5 below)**	-
Total Estimated Expenditure for FY 2023-24 (B)	**408,550,575**
Net Surplus (A-B)	**70,290,982**

Note 1: All the fee and other income as per financial statements for the FY 2022-23 has been considered with the assumption that the amount received in FY 2022-23 will at least accrue during FY 2023-24.

Note 2: The detail of fixed deposits held by the school as per the audited financial statements for the FY 2022-23 is provided below:

Particulars	Amount (in INR)	Remarks
FDR in the joint name of the School Manager and Dy. Director of Education	5,00,00,000	Considered while calculating available funds of the school as they are maintained in compliance of directions of the Directorate/Hon'ble Court.
FDR in the joint name of the School Manager and Secretary, CBSE	14,65,740	
FDR with Hon'ble High Court of Delhi in the matter of JADSC	1,28,62,463	
Other Fixed Deposits	3,70,94,392	No deduction as available for utilisation
Total	**10,14,22,595**	

Note 3: 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 of any other head of fee for investments against depreciation reserve fund.

Further, Clause7 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 Modem School Vs Union of India & INR: 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 of INR 17,24,93,926 as reported by the school in the financial statements for the FY 2022-23 has not been considered while deriving the fund position of the school.

Note 4: All budgeted expenditure of the school amounting **INR 46,89,80,923** as per the school submission has been considered except the following:

Heads	Amount Disallowed (INR)	Remarks
Retirement benefits	28,469,660	Refer financial suggestion for improvement no.3
Agency Charges	3,696,207	Restricted to 110% of expenditure incurred in FY 2021-22.
Uniform for class IV	459,080	
Electricity & Water Charges	992,338	
Printing & Stationery	1,241,591	
Insurance Expenses	101,218	
Miscellaneous Expenses	2,377,680	
Telephone / Fax Expenses	382,855	
Function & Co-Curricular Activities Expenses	982,743	
Repair & Maintenance - Building	3,087,436	
Repair & Maintenance - Electrical	673,335	
Repair & Maintenance - Furniture & Fixtures	2,266,205	
Transportation Expenses	9,700,000	Neither Income nor expense has been considered on the assumption that earmarked levies are collected on no profit no loss basis
Computer Education & Lab Expenses	1,000,000	
Infrastructure Development	5,000,000	Building is the responsibility of the

Heads	Amount Disallowed (INR)	Remarks
		society and thus, amount proposed for building cannot be considered.
Total	**60,430,348**	

Note 5: The school has submitted there are no arrears of 7th CPC.

ii. In view of the above examination, it is evident that the school have adequate funds for meeting all the operational expenditure for the academic session **2023-24**. 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 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 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 certain financial suggestions (appropriate financial impact has been taken on the fund position of the school) and certain procedural suggestions which were also noted (appropriate instruction against which have been given in this order) and that the sufficient funds are available with the school to carry out its operations for the academic session **2023-24**. Accordingly, the fee increase proposal of the school for academic session 2023-24 may be rejected.

AND WHEREAS, while evaluating the fee hike proposal, department considers that how much liquid funds would require the school for a particular session considering the budgeted expenditures for smooth operation without compromising with the quality of education. Thus, while deriving the fund position of the school all legitimate expenditures revenue as well as capital in accordance with the provisions DESA&R, 1973 and pronouncement of Courts judgment have been considered. Therefore, balance of the other current assets other and current liabilities has not been considered. Because it is clear that the current assets, loans and advances and current liabilities are cyclic in nature and the same have already been considered in the form of budgeted income and expenditure of the school in the earlier years. Thus, current assets, loans and advances and current liabilities will always reflect in the financial statements at the end of the financial year.

AND WHEREAS, it is noticed that the school has utilized INR 5,54,05,776 in contravention of the provisions of DSEA&R, 1973 and other orders issued by the departments from time to time. Therefore, the school is directed to recover the aforesaid amount from the society. 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 the DSEA, 1973 and the DSER, 1973 without providing any further opportunity of being heard.

AND WHEREAS, the act of the school of charging unwarranted free 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 and thus, school should ensure to charge fee only under the prescribed heads and utilized the fees collected for the defined purposes in accordance with the provisions of the DSEA, 1973 and the DSER, 1973.

AND WHEREAS, recommendation of the team of the Chartered Accountants along with relevant material were put before the Director of Education 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 who has found that the sufficient funds for meeting financial implication for the academic session **2023-24**. Therefore, the Director (Education) has rejected the proposal submitted by the school to increase the fee for the academic session **2023-24**.

Accordingly, it is hereby conveyed that the proposal for fee hike of **Kulachi Hansraj Model School, Ashok Vihar, Phase-III, New Delhi-110052 (School ID-1411222**) filed by the school in response to the order Nos. F.DE.-15(40)/PSB/2023/1964-1972 dated 01.03.2023 and F.DE.-15(40)/PSB/2023/2685-2692 dated 27.03.2023 for the academic session 2023-24, is rejected by the Director (Education) with the conclusion and suggestions.

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).

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

1. Not to increase any fee/charges during FY 2023-24. In case, the school has already charged increased feed during FY 2023-24, the school should make necessary adjustments from future fee/refund the amount of excess fee collected, if any, as per the convenience of the parents.

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

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.

Patil Pranjal Lahen Singh
Additional Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi

To
The Manager/HoS
Kulachi Hansraj Model School,
Ashok vihar, Phase-III, New Delhi-110052 (School ID-1411222)
No. F.DE.01 (002)/PSB/2023-24:7-11 Dated : 14/03/2024

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 (North West B) to ensure the compliance of the above order by the School Management.
4. In-charge (I.T Cell) with the request to upload on the website of this Directorate.
5. Guard file.

Patil Pranjal Lahen Singh
Additional Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi