

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

No. F.DE.15 (1501)/PSB/2023/ 6765 - 6769

Dated: 27/07/23

Order

WHEREAS, K.R. Mangalam World School, H-Block, Vikaspuri, New Delhi – 110018 (School Id: 1618208) (hereinafter referred to as “the School”), run by the All India Kataria Educational 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, the manager of every recognized school is required to file a full statement of fees every year before the ensuing academic session under section 17(3) of the DSEAR, 1973 with the Directorate. Such statement is required to indicate estimated income of the school to be derived from fees, estimated current operational expenses towards salaries and allowances payable to employees etc. in terms of rule 177(1) of the DSEAR, 1973.

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

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

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

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

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

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

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

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

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

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

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

AND WHEREAS, the Hon’ble High Court of Delhi vide its judgement dated 19.01.2016 in writ petition No. 4109/2013 in the matter of Justice for All versus Govt. of NCT of Delhi and Others, has reiterated

the aforesaid directions of the Hon'ble Supreme Court and has directed the DoE to ensure compliance of terms, if any, in the letter of allotment regarding the increase of the fee by recognized unaided schools to whom land has been allotted by DDA/ land owning agencies.

AND WHEREAS, accordingly, the DoE vide order No. F.DE.15 (40)/PSB/2019/4440-4412 dated 08.06.2022, directing all the private unaided recognized schools, running on the land allotted by DDA/other land-owning agencies on concessional rates or otherwise, with the condition to seek prior approval of DoE for increase in fee, to submit their proposals, if any, for prior sanction, for increase in fee for the academic session 2022-23.

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

AND WHEREAS, in order to examine the proposals submitted by the schools for fee increase for justifiability or not, the DoE has evaluated the fee increase proposals of the school carefully in accordance with the provisions of the DSEAR, 1973, and other Orders/ Circulars issued from time to time by the DoE.

AND WHEREAS, in the process of examination of fee increase proposal filed by the aforesaid School for the academic session 2022-23, necessary records and explanations were also called from the school through email. Further, the school was also provided an opportunity of being heard on 12th May 2023 to present its justifications/clarifications on fee increase proposal including audited financial statements and based on the discussion, school was further asked to submit necessary documents and clarification on various issues noted. In the aforesaid personal hearing, compliance of Order No. F.DE. 15/(591)/PSB/2022/3499-3503 dated 25.05.2022 issued for FY 2018-19 and Order No. F.DE. 15/(592)/PSB/2022/3494-3498 dated 25.05.2022 issued for FY 2019-20 were also discussed with the school and the school's submissions were taken on record.

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

A. Financial Suggestions for Improvement

1. Accounting Standard 15 - 'Employee Benefits' issued by the Institute of Chartered Accountants of India states "*Accounting for defined benefit plans is complex because actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses.*"

Further, according to para 7.14 of the Accounting Standard 15 "*Plan assets comprise:*

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

On review of audited financial statements for FY 2021-22, the school has reported the liability for retirement benefits in its audited financial statements towards gratuity and leave encashment as on 31.03.2022 are INR 2,54,78,933 and INR 7,12,056 respectively and the school has invested INR 2,20,62,394 only in LIC which classify as plan assets within the meaning of AS-15 'Employees Benefit'.

Similar observation was also noted in the Directorate's Order No. F.DE. 15/(591)/PSB/2022/3499-3503 dated 25.05.2022 issued for FY 2018-19 and Order No. F.DE. 15/(592)/PSB/2022/3494-3498 dated 25.05.2022 issued for FY 2019-20.

Accordingly, the amount invested by the school with LIC amounting to INR 2,20,62,394 has been considered while deriving the fund position of the school. Further, the school is directed to deposit the amount determined as per actuarial valuation with LIC so that the provision for gratuity and leave encashment stand equals the investment made in the plan assets.

2. The 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) of 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 financial fee structure*".

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”.

The Directorate in its Order No. F.DE. 15/(139)/PSB/2019/1897-1901 dated 22.02.2019 issued for FY 2017-18, Order No. F.DE. 15/(591)/PSB/2022/3499-3503 dated 25.05.2022 issued for FY 2018-19 and Order No. F.DE. 15/(592)/PSB/2022/3494-3498 dated 25.05.2022 issued for FY 2019-20, noted that the school has utilized the school funds for repayment of loan and interest thereon towards purchase of bus and car and as per the above orders, the school was directed to recover INR 1,54,61,976 (INR 44,92,726 as per the order dated 22.02.2019 and INR 1,09,69,250 as per the order dated 25.05.2022) from the society. However, the recovery from the society is still pending.

On review of audited financial statements for FY 2019-20 to 2021-22, the school has purchased bus of INR 22,75,000 by taking secured loan from Axis Bank. Further, during FY 2019-20 to 2021-22, the school has utilized INR 1,00,21,644 towards repayment of loan and INR 15,78,338 towards interest cost without complying with above-mentioned provisions. The details are as follows:

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	Total
Repayment of Loan	38,87,815	45,43,708	15,90,121	1,00,21,644
Interest Cost	8,50,888	4,56,842	2,70,608	15,78,338
Total	47,38,703	50,00,550	18,60,729	1,15,99,982

Accordingly, the school is directed to recover INR 2,70,61,958 (INR 1,54,61,976 as per previous order plus 1,15,99,982 during FY 2019-20 to 2021-22) from the society within 30 days from the date of issue of the order.

3. 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.

Further, 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 10.02.2005 issued by this Directorate states *"Capital expenditure cannot constitute a component of the financial fee structure."*

Accordingly, based on the above-mentioned provisions, the cost relating to land and building has to be met by the society being the property of the society and should be met out of the school funds.

It has been noted that the school incurred huge expenditures on repair and maintenance of Building. During FY 2020-21 to 2021-22, the school has booked expenditure of INR 5,69,90,708 in the name of Repairs and maintenance of Building and Garden & Ground.

On review of the ledger accounts and the supporting documents submitted by the school with respect to repair and maintenance expenses it is noted that the actual nature of these expenses were civil work and construction, etc. Below are the details of the expenditure incurred by the school on repair and maintenance:

Particulars	FY 2020-21	FY 2021-22
Class room repair	1,49,26,764	1,01,71,364
Door, Windows and toughened glass	45,75,120	35,59,464
Building roof repair	46,65,012	38,99,664
Back side of Building repair	52,99,941	-
Ground & Garden	-	45,70,753
Lift supply and installation	-	15,74,946
Boundary Wall	23,26,016	14,21,664
Total	3,17,92,853	2,51,97,855

On further review of the ledger account of Repair and Maintenance of Building submitted by the school, it was noted that all these expenses are for civil works. The school spent INR 5,69,90,708 for these capital nature civil works and has reported the same as revenue expenditure in its income and expenditure account.

The school has incurred capital expenditure in relation to building in contravention of aforesaid provisions. Thus, INR 5,69,90,708 has been added to the fund availability position of the school with direction to the school to recover the aforesaid amount from the society within 30 days from the date of issue of the order. Also, the school management is hereby directed to ensure correct reporting of the revenue expenditure and capital expenditure in its financial statements.

4. 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 out of this fund, will be kept in a separately maintained Development Fund Account."*

The Directorate in its Order No. F.DE. 15/(139)/PSB/2019/1897-1901 dated 22.02.2019 issued for FY 2017-18, Order No. F.DE. 15/(591)/PSB/2022/3499-3503 dated 25.05.2022 issued for FY 2018-19 and Order No. F.DE. 15/(592)/PSB/2022/3494-3498 dated 25.05.2022 issued for FY 2019-20, noted that the school has merged its fee structure into one single head called "Fees" so that the amount can be utilized

by the school freely. However, the school claimed that it has stopped the collection of development fee which is not correct as the total collection of the school has not affected. It appears that the school has merged the development fee, a capital receipt into the other fee of the school, which are of revenue nature receipts. The school has continued this practice till FY 2020-21.

On review of audited financial statements for FY 2021-22, it is noted that from FY 2021-22 onwards, the school has treated development fees as capital receipts. It is not explained the reasons of treating it as revenue receipts in earlier years and now as capital receipts. Even it is not clear what fee structure was there in earlier years and what new fee structure the school has adopted from FY 2021-22. In view of the above, the school is directed to explain the reasons for such practice of showing capital receipts as revenue receipts. Also, the school need to submit a detailed reconciliation of fee (head-wise) for the year 2019-20 to 2022-23 and it will be verified at the time of evaluation of fee proposal of next academic session.

5. 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"*. Also clause (vii) 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 financial fee structure"*.

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"*.

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."*

Moreover, the school fee should, in first instance, be utilized for meeting pay, allowances and other benefits admissible to the employees of the school and not for capital expenditure of car, principal amount of loan and interest thereon.

The Directorate in its Order No. F.DE. 15/(139)/PSB/2019/1897-1901 dated 22.02.2019 issued for FY 2017-18 noted that the school had utilized the school funds for purchase of a car for INR 13,26,308 during FY 2014-15 without complying with the above-mentioned provisions with the direction to the school to recover this amount from the society. However, the recovery from the society is still pending.

On review of audited financial statements for FY 2019-20 to 2021-22, it is noted that the school has spent funds on purchase of car during FY 2021-22. The school has incurred INR 11,77,558 for purchase of car without complying provisions of section 18 (4) read with Rule 177 of DSER, 1973.

Accordingly, INR 25,03,866 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 the order.

6. Clause 3 of the public notice dated 04.05.1997 published in the Times of India states *"No security/ deposit/ caution money be taken from the students at the time of admission and if at all it is considered necessary it should be taken once and at the nominal rate of INR 500 per student in any case and it should be returned to the students at the time of leaving the school along with the interest at the bank rate."*

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

The Directorate in its Order No. F.DE. 15/(591)/PSB/2022/3499-3503 dated 25.05.2022 issued for FY 2018-19 and Order No. F.DE. 15/(592)/PSB/2022/3494-3498 dated 25.05.2022 issued for FY 2019-20, directed the school to refund the security deposit to students immediately.

On review of the audited financial statements, it has been noted that the school has been collecting security deposit @ INR 15,000 from the user of transport facility and has been refunding only the principal amount of caution money to the students at the time of his/ her leaving from the school which is not in accordance with the above-mentioned provisions.

Therefore, the school is hereby directed to refund the security deposit to students immediately and submit the compliance report within 30 days from the date of issue of the order. Further, the school is directed to ensure the compliance with the clause 18 of the order dated 11.2.2009 and clause 3 of the Public Notice dated 04.05.1997. Further, the security deposit of INR 85,35,084 as on 31.03.2022 has been considered while deriving the fund position of the school.

7. 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*' 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. DE15/ 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:** Registration fee INR 25 per student prior to admission, shall be charged.
- b. **Admission Fee:** No admission fee of more than 200/- per student, at the time of the admission shall be charged. The admission fee shall not be charged again from any student who is once given admission as long as he remains on the rolls of the school. Further, Clause 4 of the Public notice dated 04.05.1997 states "*admission fee can be charged only at the nominal rate but not exceeding INR 200 in any case. It should not be made a regular practice. Once a student is admitted in the school, he should not be asked to pay admission fee again at middle or secondary or senior secondary stage*".
- c. **Caution Money:** No Caution Money/ Security Deposit of more than INR 500 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 he/she requests for a refund. Thus, it is not an income of the school, but a deposit/ liability which is to be refunded at the time of students leaving the school.
- d. **Tuition Fee:** It is required to be determined so as to cover the standard cost of the establishment including provisions for DA, bonus etc. and all terminal benefits, as also the expenditure of revenue nature concerning curricular activities. No fee shall be charged in excess of the amount so determined.
- e. **Annual Charges:** Annual charges are expected to cover all revenue expenditure not included in tuition fee and overhead and expenditure on playgrounds, sports equipment, cultural and other co-curricular activities as distinct from curricular activities of the school.
- f. **Earmarked Levies:** Earmarked levies are required to be charged from the user students only. Earmarked levies for the services rendered are to be charged on no profit no loss basis in respect of facilities provided to the user students involving additional expenditure in the provision of the same.
- g. **Development Fee:** It is to be treated as capital receipts and utilized towards purchase, upgradation and replacement of furniture, fixture and equipment.

The Directorate in its Order No. F.DE. 15/(591)/PSB/2022/3499-3503 dated 25.05.2022 issued for FY 2018-19 and Order No. F.DE. 15/(592)/PSB/2022/3494-3498 dated 25.05.2022 issued for FY 2019-20, directed the school not to charge capitation fee with immediate effect and recover the amount from the manager/ principal of the school along with the penalty of 10 times and refund/ adjust the same against the subsequent installment of fee. However, the school has not complied with the above direction.

Therefore, the school is again directed to not charge capitation fee as mentioned above with immediate effect and recover this amount from the manager/ principal of the school and refund/ adjust the same against the subsequent installment of fee by the students. The school is also directed to submit compliance



status with this direction within 30 days from the date of issue of the 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.

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

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"*.

The Directorate in its Order No. F.DE. 15/(591)/PSB/2022/3499-3503 dated 25.05.2022 issued for FY 2018-19 and Order No. F.DE. 15/(592)/PSB/2022/3494-3498 dated 25.05.2022 issued for FY 2019-20, directed the school to disclose related party transactions in its audited financial statements. On review of audited financial statements of the school, it is noted that the school has disclosed following related party transactions in its financial statements from FY 2021-22.

Name	Relation	Nature of payment	Amount
Sangeeta Gupta	Member/ Relative of Governing Body Member	Salary	10,50,677
Damini Gupta	Member/ Relative of Governing Body Member	Salary	9,33,936
Prashant Gupta	Member/ Relative of Governing Body Member	Salary	9,33,936
Jai Dev Gupta	Member/ Relative of Governing Body Member	Salary	10,50,677
Yash Dev Gupta	Member/ Relative of Governing Body Member	Salary	10,50,677
Neha Gupta	Member/ Relative of Governing Body Member	Salary	9,33,936
Rahul Gupta	Member/ Relative of Governing Body Member	Consultancy Fee	4,80,000
Rohit Gupta	Member/ Relative of Governing Body Member	Consultancy Fee	4,80,000
Total			69,13,839

As per the above table, the school has paid INR 69,13,839 as salary and consulting fee to related persons during FY 2021-22 which is not considered as utilised for educational purposes as per Section 18(4) of DSEA, 1973 and accordingly, INR 69,13,839 has been added to the funds available with the school with the direction to school to recover this amount from the society.

B. Other Suggestions for Improvement

1. Clause 19 of Order No. F.DE./15(56)/Act/2009/778 dated 11 Feb 2009 states *"The tuition fee shall be so determined as to cover the standard cost of establishment including provisions for DA, bonus, etc., and all terminal, benefits as also the expenditure of revenue nature concerning the curricular activities."*

Further clause 21 of the aforesaid order states *"No annual charges shall be levied unless they are determined by the Managing Committee to cover all revenue expenditure, not included in the tuition fee and 'overheads' and expenses on play-grounds, sports equipment, cultural and other co-curricular activities as distinct from the curricular activities of the school."*

Rule 176 - 'Collections for specific purposes to be spent for that purpose' of the DSER, 1973 states "Income derived from collections for specific purposes shall be spent only for such purpose."

Further, as per Clause 22 of Order No. F.DE./15(56)/ Act/2009/778 dated 11 Feb 2009 states "Earmarked levies will be calculated and collected on 'no-profit no loss' basis and spent only for the purpose for which they are being charged."

Sub-rule 3 of Rule 177 of DSER, 1973 states "Funds collected for specific purposes, like sports, co-curricular activities, subscriptions for excursions or subscriptions for magazines, and annual charges, by whatever name called, shall be spent solely for the exclusive benefit of the students of the concerned school and shall not be included in the savings referred to in sub-rule (2)." Further, Sub-rule 4 of the said rule states "The collections referred to in sub-rule (3) shall be administered in the same manner as the monies standing to the credit of the Pupils Fund as administered."

Also, earmarked levies collected from students are a form of restricted funds, which, according to Guidance Note on Accounting by Schools issued by the Institute of Chartered Accountants of India, are required to be credited to a separate fund account when the amount is received and reflected separately in the Balance Sheet.

Further, the aforementioned Guidance Note lays down the concept of fund-based accounting for restricted funds, whereby upon incurrence of expenditure, the same is charged to the Income and Expenditure Account ('Restricted Funds' column) and a corresponding amount is transferred from the concerned restricted fund account to the credit of the Income and Expenditure Account ('Restricted Funds' column).

On review of audited financial statements for FY 2019-20 to 2021-22, it has been noted that the school charges earmarked levies in the form of Transport Fee and the school is not maintaining separate fund accounts for these earmarked levies but has been generating surplus, which has been utilised for meeting other expenses of the school or has been incurring losses (deficit), which has been met from other fees/income. Based on the information provided by the school the surplus/ deficit generated by the school is provided below:

Particulars	Transport Fees
For the year 2019-20	
Fee Collected during the year (A)	3,10,92,050
Expenses during the year (B)	2,97,70,704
Difference for the year (A-B)	13,21,346
For the year 2020-21	
Fee Collected during the year (A)	1,15,080
Expenses during the year (B)	52,80,087
Difference for the year (A-B)	-51,65,007
For the year 2021-22	
Fee Collected during the year (A)	-
Expenses during the year (B)	88,42,292
Difference for the year (A-B)	-88,42,292

Similar observations were also noted in Directorate's Order No. F.DE. 15/(139)/PSB/2019/ 1897-1901 dated 22.02.2019 issued for FY 2017-18, Order No. F.DE. 15/(591)/PSB/2022/3499-3503 dated 25.05.2022 issued for FY 2018-19 and Order No. F.DE. 15/(592)/PSB/2022/3494-3498 dated 25.05.2022 issued for FY 2019-20.

Accordingly, the school is hereby directed to maintain separate fund account depicting clearly the amount collected, amount utilised and balance amount for each earmarked levy collected from students. Further, the school should evaluate costs incurred against each earmarked levy and propose the revised

fee structure for earmarked levies during subsequent proposal for enhancement of fee ensuring that the proposed levies are calculated on no-profit no-loss basis and not to include fee collected from all students as earmarked levies.

2. The Directorate's Order No. F.DE. 15/(139)/PSB/2019/1897-1901 dated 22.02.2019 issued for FY 2017-18, Order No. F.DE. 15/(591)/PSB/2022/3499-3503 dated 25.05.2022 issued for FY 2018-19 and Order No. F.DE. 15/(592)/PSB/2022/3494-3498 dated 25.05.2022 issued for FY 2019-20, noted that the school is not maintaining fixed asset register (FAR). The school should 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.

However, the school has not complied with the above directions. Hence, the school is again directed to comply with the directions given by updating the FAR with relevant details mentioned above in accordance with the process for periodic physical verification of assets and document the results of physical verification of assets. The same shall be verified at the time of evaluation of fee hike proposal for subsequent year.

3. The Directorate in its Order No. F.DE. 15/(591)/PSB/2022/3499-3503 dated 25.05.2022 issued for FY 2018-19 and Order No. F.DE. 15/(592)/PSB/2022/3494-3498 dated 25.05.2022 issued for FY 2019-20, noted that the school has been incurring on an average INR 1.5 Crores for housekeeping charges which appears to be on higher side considering the size of the school and nature of expenses and the school was directed to submit detailed breakup of this expenditure, relevant invoices and ledger accounts.

However, the school has not complied with the above direction. Therefore, the school is again directed to ensure reasonability of this expenditure and submit the compliance status within 30 days from the date of issue of the order by attaching the detailed breakup of this expenditure, relevant invoices and ledger accounts.

4. The Directorate in its Order No. F.DE. 15/(591)/PSB/2022/3499-3503 dated 25.05.2022 issued for FY 2018-19 and Order No. F.DE. 15/(592)/PSB/2022/3494-3498 dated 25.05.2022 issued for FY 2019-20, noted that the school was not complying with the DOE Order No. F.DE.15/Act-I/08155/2013/5506-5518 dated 04.06.2012 and condition mentioned at S. No. 18 in the land allotment letter which provides for 25% reservation to children belonging to EWS category.

As per school's submission, the details of EWS students and total number of students are as follows:

Particulars	FY 2019-20	FY 2020-21	FY 2021-22
Total Students	2630	2720	2701
EWS Students	307	331	374
% of EWS students	12%	12%	14%

As per table above, it can be noted that the school has not been complying with the directions of the Directorate and conditions of land allotment letter. Therefore, the concerned DDE (District) is requested to look into this matter and ensure compliance with the above directions.

5. As per Section 18(5) of the DSEA, 1973, the management 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.

Further, Rule 180 of DSER, 1973 states " (1) every unaided recognised private schools shall submit the returns and documents in accordance with Appendix-1, (2) Every return or documents referred to in sub-rule (1), shall be submitted to the Director by the 31 July of each year.(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 any officers authorised by the Comptroller and Auditor General of India"

①

And Section 24 (2) of DSA. 1973 states "The Director may arrange special inspection of any school on such aspects of its working as may, from time to time, be considered necessary by him".

Whereas Appendix-II to Rule 180 specifies that "final accounts i.e. receipts, and payment account, income and expenditure and balance sheet of the preceding year should be duly audited by Chartered Accountant.

And it has been noticed that Financial Documents/ Certificates Attested by third persons misrepresenting themselves as CA Members are misleading the Authorities and Stakeholders. ICAI is also receiving several complaints of signatures of CAs being forged by non-CAs.

To curb such malpractices, the Professional Development Committee of ICAI has come out with an innovative concept of UDIN i.e. Unique Document Identification Number which is being implemented in a phased manner. It will secure the certificates attested/certified by practicing CAs. This will also enable the Regulators/Banks/Third parties to check the authenticity of the documents.

Accordingly, the Council in the 379th meeting of ICAI held on 17.12.18 and 18.12.2018, made it mandatory for all practicing members to obtain 18 digits UDIN before issuing any audits reports/ certification, etc. in the following manner:

- All Certification done by Practising CAs w.e.f. 01.02.2019.
- All GST & Tax Audit Reports w.e.f. 01.04.2019.
- All other attest functions w.e.f. 01.07.2019.

The Directorate in its Order No. F.DE. 15/(591)/PSB/2022/3499-3503 dated 25.05.2022 issued for FY 2018-19 and Order No. F.DE. 15/(592)/PSB/2022/3494-3498 dated 25.05.2022 issued for FY 2019-20, instructed the school to ensure compliance.

However, on examination of the financial statements submitted by the school for FY 2019-20 to 2021-22, it is noted that the requirement of mentioning UDIN on audited financial statements have been duly complied with.

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

- i. The total funds available for the FY 2022-23 amounting to INR 36,41,62,198 out of which cash outflow in the FY 2022-23 is estimated to be INR 37,89,64,904. This results in deficit of INR 1,48,02,706 for FY 2022-23 after all payments. The details are as follows:

Particulars	Amount (in INR)
Cash and Bank balances as on 31.03.22 as per Audited Financial Statements	14,12,266
Investments as on 31.03.22 as per Audited Financial Statements	2,27,40,469
Liquid Funds as on 31.03.2022	2,41,52,735
Add: Recovery from the society on account of purchase of car [Refer Financial Suggestion No. 5]	25,03,866
Add: Amount recoverable from society towards purchase of buses and car [Refer Financial Suggestion No. 2]	2,70,61,958
Add: Recovery from society of expenditure of capital nature incurred by the school [Refer Financial Suggestion No. 3]	5,69,90,708
Add: Recovery from society of expenditure of capital nature incurred by the school [Refer Financial Suggestion No. 8]	69,13,839
Add: Fees for FY 2021-22 as per Audited Financial Statements (Refer Note 2 Below)	26,83,98,231
Add: Other Income for FY 2021-22 as per Audited Financial Statements (Refer Note 2 Below)	7,22,908
Add: Additional Income of Annual Charges and Development Fund (Refer Note 4 Below)	3,73,52,708
Add: Additional Fees due to increase in fee @15% from 01.07.2022 (Refer Note 5 Below)	2,80,14,531

Particulars	Amount (in INR)
Less: Arrears of Annual Charges and Development Fee of FY 2020-21 collected in FY 2021-22 (Refer Note 3 Below)	5,66,73,734
Total Available Funds for FY 2022-23	39,54,37,751
Less: LIC against Gratuity and Leave encashment [Refer Financial Suggestion No. 1]	2,20,62,394
Less: FDR in the joint name of Manager & Dy Director Education as on 31.03.2022 (Refer Note 1 Below)	6,78,075
Less: Security Deposit refundable to users of Transport facility [Refer Financial Suggestion No. 6]	85,35,084
Net Available Funds for FY 2022-23 (A)	36,41,62,198
Less: Budgeted expenses for the session 2022-23 (Refer Note 6 and 7 Below)	37,89,64,904
Total Estimated Expenditure for FY 2022-23 (B)	37,89,64,904
Net Deficit (A-B)	1,48,02,706

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

Particulars	Amount (in INR)	Remarks
FDR in the joint name of Manager and Dy Director Education	6,78,075	Deducted while calculating available funds of the school.
Total	6,78,075	

Note 2: All the fee and other income as per audited financial statements for the FY 2021-22 has been considered with the assumption that the amount received in FY 2021-22 will at least accrue during FY 2022-23.

Note 3: The Arrears of Annual Charges and Development Charges of FY 2020-21 collected in FY 2021-22 as per the school's submission are as under:

Fee heads	Arrears of FY 2020-21 collected in FY 2021-22
Annual Charges	3,83,38,114
Development Fee	1,83,35,620
Total	5,66,73,734

Note 4: The Department vide its Order No.F.No.PS/DE/2020/55 dated 18.04.2020 and Order No.F.No.PS/DE/2020/3224-3231 dated 28.08.2020 had issued guidelines regarding the chargeability of fees during the pandemic COVID 2019. The department in both the above-mentioned orders directed to the management of all the private schools not to collect any fee except the tuition fee irrespective of the fact whether running on the private land or government land allotted by DDA/other land-owning agencies and not to increase any fee in FY 2020-21 till further direction.

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

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

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

Particulars	Income as per Audited Income & Expenditure Account for the FY 2021-22	Income Considered while deriving the fund position for the FY 2022-23	Remarks
Tuition fee	15,53,27,529	18,27,38,269	As per details provided by the school, Tuition Fee, Annual Charges and Development Charges collected in FY 2021-22 at the rate of 85% and thus, difference amount of INR 3,73,52,708 has been considered.
Annual Charges	3,81,10,877	4,48,36,326	
Development Charges	1,82,26,941	2,14,43,460	
Total	21,16,65,347	24,90,18,055	

Note 5: The school was allowed to increase fee 2% vide F.DE. 15/(591)/PSB/2022/3499-3503 dated 25.05.2022 issued for FY 2018-19 and 13% vide Order No. F.DE. 15/(592)/PSB/2022/ 3494-3498 dated 25.05.2022 issued for FY 2019-20 from 1st July, 2022. School has submitted that it has increased the fee @15% from 1st July 2022. Accordingly, additional income on account of fee increase will also accrue to the school in FY 2022-23 and thus, following amount has been considered as funds available with the school:

Fee heads	Actual receipt in FY 2021-22	Grossed Up	Total Estimated Fee	Increased fee (with fee increase @15% for 9 months)
Tuition fees	15,53,27,529	2,74,10,740	18,27,38,269	20,32,96,325
Annual Charges	3,81,10,877	67,25,449	4,48,36,326	4,98,80,413
Development Fee	1,82,26,941	32,16,519	2,14,43,460	2,38,55,849
Total	21,16,65,347	3,73,52,708	24,90,18,055	27,70,32,587
Impact of fee increase				2,80,14,531

Note 6: All budgeted expenditure proposed by the school amounting to INR 48,34,85,432 has been considered while deriving the fund position of the school except the following:

Head of Expenditure	2022-23 (in INR)	Amount disallowed (in INR)	Remarks
Salary - Teaching and Non-teaching staff	16,72,89,600	4,52,63,432	Restricted to 130% of expenditure incurred in FY 2021-22.
Salary Provision	1,39,40,800	1,39,40,800	Already considered in previous orders
Gratuity	53,58,900	53,58,900	Refer Financial Suggestion No. 3
Housekeeping Charges	1,74,97,500	1,00,13,245	Restricted to 110% of expenditure incurred in FY 2021-22.
Transport expenses	2,70,00,000	2,70,00,000	Neither Income nor expense has been considered on the assumption that earmarked levies are collected on no profit no loss basis

Head of Expenditure	2022-23 (in INR)	Amount disallowed (in INR)	Remarks
Capital Expenditure	2,68,00,000	29,44,151	Restricted to development fee expected to be received in FY 2022-23
Total	25,78,86,800	10,45,20,528	

Note 7: In accordance with Section 10(1) of Delhi School Education Act 1973, scales of pay and allowance, medical facilities, pension gratuity, provident fund, and other prescribed benefits of the employees of a recognized private school shall not be less than those of the employees of the corresponding status in schools run by the appropriate authority.

Further, Directorate of Education has adopted the Central Civil Serviced (Revised Pay) Rules, 2016 vide Circular No 30-3(17)/(12)/VII pay Comm./2016/11006-11016 dated 19.08.2016 and No. 30-3 (17)/(12)/VII pay Comm./Coord./2016/12659-12689 dated 14.10.2016 for employees of Government Schools.

Further, in exercise of the powers conferred under clause (xviii) of Rule 50 of the Delhi School Education Rules, 1973, vide Competent Authority order No DE.15 (318)/PDB/2016/18117, dated 25.08.2017, the managing committees of all Private unaided Recognized Schools have already been directed to implement central Civil Services (Revised Pay) Rule, 2016 in respect of the regular employees of the corresponding status with effect from 01.01.2016 (for the purpose of pay fixation and arrears). Further, guidelines/detailed instructions for implementation of 7th CPC recommendations in Private Un-aided Recognized Schools of Delhi has been issued vide DOE order dated 17.10.2017.

As per school's reply during hearing, it was held that the school has implemented 7th CPC recommendations w.e.f. 01.01.2022. Further, salary arrears amounting to INR 4,45,80,262 has already been allowed in the Directorate's Order No. F.DE. 15/(591)/PSB/2022/3499-3503 dated 25.05.2022 issued for FY 2018-19 and Order No. F.DE. 15/(592)/PSB/2022/3494-3498 dated 25.05.2022 issued for FY 2019-20. Also, salary arrears for the period 01.04.2019 to 31.03.2023 proposed in the budget for FY 2022-23 amounting to INR 7,39,15,132 has been considered while evaluating the funds availability position of the school.

- ii. In view of the above examination, it is evident that the school does not have adequate funds for meeting all the operational expenditure for the academic session 2022-23. 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 the provisions of DSEA, 1973, DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, the proposal of the school for the session 2022-23 have been evaluated and certain financial suggestions have been identified (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 the order) that the sufficient funds are not available with the school to carry out its operations for the academic session 2022-23.

AND WHEREAS, it is noticed that the school has incurred INR 9,34,70,371 in contravention of Rule 177 and other 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 society/ management. The receipts along with copy of bank statements showing receipt of the above-mentioned amount should be submitted with DoE, in compliance of the same, within 30 days from the date of issue of the order. Non-compliance with this direction shall be viewed seriously as per the provision of DSEA&R, 1973 without providing any further opportunity of being heard.

AND WHEREAS, considering the financial situation and existing deficiencies and keeping in view that salary and other employee's benefits can be paid to the teachers and staff smoothly, the fee hike is allowed to the

school with the suggestions for improvement. Further, school is hereby directed that the additional income received on account of increase fee should be utilized at first instance only for payment of salary and salary arrears and submit the compliance report within 30 days from the date of issue of the order.

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

AND WHEREAS, the fee proposal of the school 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 sufficient funds are not available with the school for meeting financial implication for the academic session 2022-23. 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 April 2023.

AND WHEREAS, the act of the school of charging unwarranted fee or any other amount/fee under head other than the prescribed head of fee and accumulation of surplus fund thereof tantamount to profiteering and commercialization of education as well as charging of capitation fee in other form.

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 the order to the D.D.E (PSB).


Accordingly, it is hereby conveyed that the proposal for fee hike of **K.R. Mangalam World School, H-Block, Vikaspuri, New Delhi – 110018 (School Id: 1618208)** filed by the school in response to the Order No. F.DE.-15(40)/PSB/2019/4440-4412 dated 08.06.2022 for the academic session 2022-23, is accepted by the Director (Education) with the above conclusion and suggestions and the school is allowed to increase the fee by 5% for session 2022-23 to be effective from 01.04.2023.

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

1. To increase the fee by 5% from the specified date i.e. 01.04.2023.
2. To ensure payment of salary is made in accordance with the provision of Section 10(1) of the DSEA, 1973. Further, the scarcity of funds cannot be the reason for non-payment of salary and other benefits admissible to the teachers/ staffs in accordance with section 10 (1) of the DSEA, 1973. Therefore, the Society running the school must ensure payment to teachers/ staffs accordingly.
3. To utilize the fee collected from students in accordance with the provisions of Rule 177 of the DSER, 1973 and orders and directions issued by this Directorate from time to time.

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

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


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

To
The Manager/ HoS
K.R. Mangalam World School,
H-Block, Vikaspuri,
New Delhi – 110018 (School Id: 1618208)

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

Nandini

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