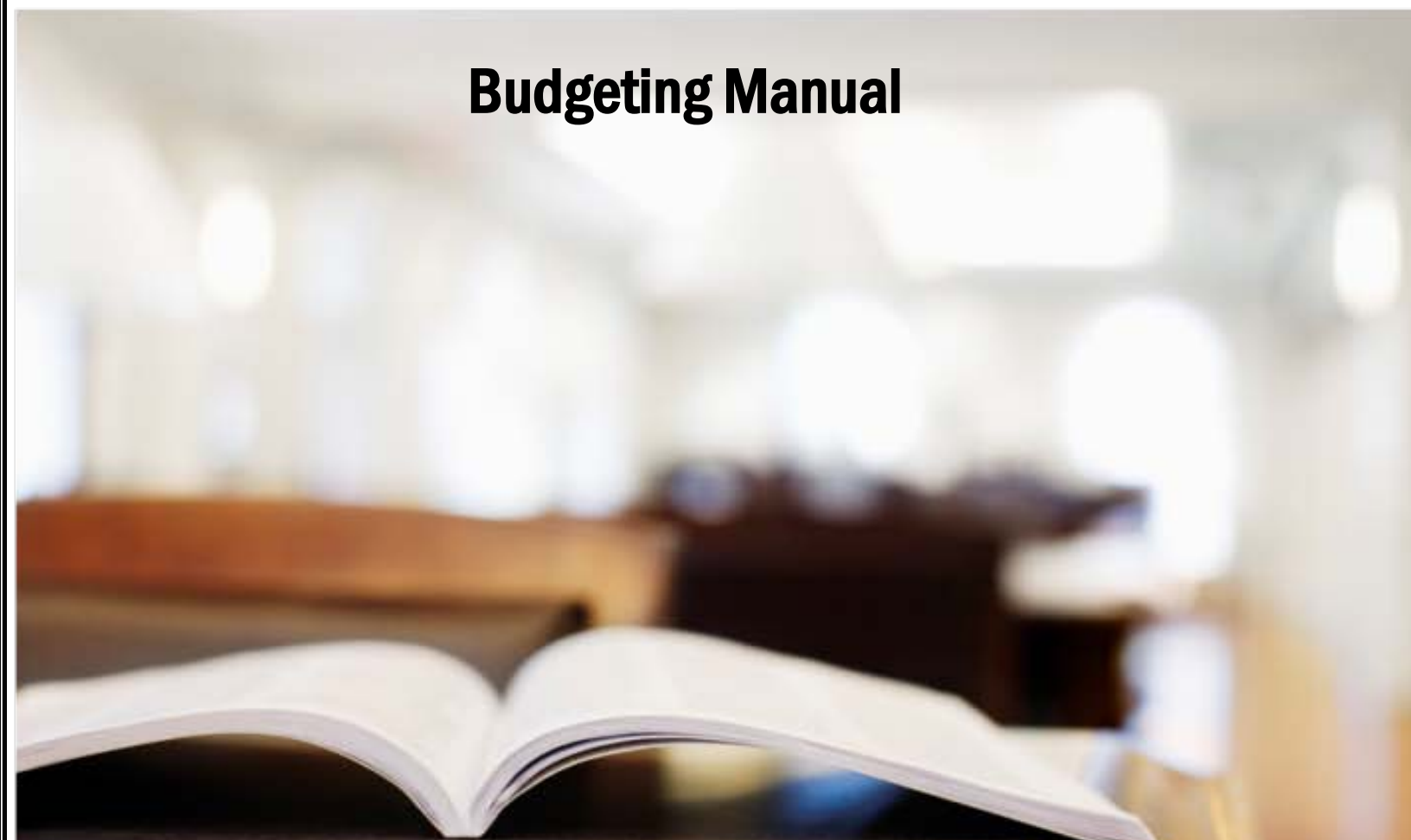




**Dakshin Haryana Bijli  
Vitran Nigam**



## **Budgeting Manual**



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## Abbreviations

<b>BC</b>	-	<b>Budget Committee</b>
<b>DHBVN</b>	-	<b>Dakshin Haryana Bijli Vitran Nigam</b>
<b>HOW</b>	-	<b>Head of Wings</b>
<b>SOP</b>	-	<b>Sale of Power</b>
<b>SB</b>	-	<b>Superintendent Budget</b>
<b>P&amp;D</b>	-	<b>Planning and Design team</b>
<b>UWABS</b>	-	<b>Unit Wise Annual Budget statement</b>

## 1. Introduction

This manual describes the policies, procedures, controls and responsibilities related to Budgeting Section of Dakshin Haryana Bijli Vitran Nigam (DHBVN).

The procedures detailed in this manual would serve as standard procedures to be followed at Dakshin Haryana Bijli Vitran Nigam. Any deviation from the procedures detailed in this manual would require the approval from the Controller of Finance.

## 2. Key Activities

The manual prescribes standard procedures for the following key activities:

1. Preparation of Annual Budget
2. Approval of Budget
3. Budget Monitoring
4. Revision of Annual Budget
5. Preparation of Resource Plan

## 3. Background

### **Preparation of Budget**

- Finance Wing prepares the budget after consultation with all the Head of Wings (HOW) who estimate the revenue and expenditure for the following financial year.

### **Preparation and Submission of Departmental Estimates**

- Head of Wings will collect the information from the field officers; collate the data and prepare an estimate of the expenditure to be incurred in the following financial year. The HOWs also submit the prior year's budget v/s actual figures to the finance wings.

### **Revenue estimates and receipts**

- Collect the revenue estimates from each of the operating divisions for the following financial year. Additionally capture the following from the divisions:
  - Revenue from the sale of power by category of consumption.
  - Estimated percentage of actual revenue realization over total revenue for the prior year. Here the existing sale of power (SOP) and the anticipated increase in demand in the next financial year is estimated as revenue for the next financial year.
  - And any other new source of revenue.
- Accurately frame the estimates of receipts, as the financing of the program of expenditure of the various departments depends on the forecast.

- Derive the revenue estimates from the following
  - Total connections (Category wise)
  - Anticipated demand (For Budget Year)
  - Tariff rate (Present Tariff Rate Category Wise).

#### **Estimates of Ordinary Expenditure**

- Consider items of expenditure that can be foreseen and are important for normal functioning of any department. Remove all expenditures which are redundant and no longer required. Remove all expenditure heads which have no expenditure in previous year budget utilization wherever possible. Make provisions for all items that can be foreseen; however restrict the amount of provision to the absolute minimum necessary.
- Finance wing: Seek justification of the foreseen expenditure and wherever the justification is not satisfactory eliminate the amount from the estimated figures.

#### **Estimates of New Expenditure (Project Expenditure)**

This section relates to the pipeline projects or anticipated projects of Planning and Design team (P&D) & MM Wing.

- Gather detailed information of all the projects and include in the project. In order to avoid revision in the budget, capture the data of the projects accurately.
- Highlight the timelines on which fund is required in the project so as to organize finances in a timely manner.
- Review the new expenditure in two stages:
  - First review by the P&D team & MM Wing, where only those expenditures are admitted, which are necessary and feasible.
  - Second review by the finance wing, where those items of new expenditure, which are not on priority compared to other projects, are excluded.

#### **Consolidation of estimates and submission of demands to budget committee**

- Budget Committee:
  - The Budget Committee is aimed to manage the financial budgeting of DHBVN. The budget committee could constitute Director- Operations, Director-Projects, Controller of Finance and any other senior professionals that DHBVN Management suggests as necessary. It will be responsible for:
    - Review and approval of the annual budget
    - Review the revision of budget, in case of any change in assumptions

- Review the actual vs the budgeted on a periodic basis
- The Budget Committee could meet at least once a quarter to deliver the above mentioned objectives.
- Finance Wing: Consolidate all departmental estimates and forward the same to the budget committee for its approval.
- Finance Wing: Review the estimates before sending to the budget committee. Review includes deleting/adding any overestimated/ underestimated expenses.

#### **Budget Monitoring and Reporting**

- P&D team and MM Wing shall monitor the budget for all procurements activities and CAPEX incurred on the distribution work on quarterly basis. Prepare a statement for monitoring the expenditure. Report any deviation from the given budget to the Budget Committee. Further, there should be proper co-ordination between P&D team and MM Wing for better CAPEX Planning.

#### **Budget Utilization Monitoring**

- P&D team & MM wing: Track all the expenses into utilization monitoring sheet, note the deviations and take explanations from the respective departments.

#### **Budget Revision:**

- At month end, each department analyzes the line wise allocated fund. In case for a specific line item, there is no additional fund requirement, the surplus is allocated to a different head where there is shortage of funds.

#### **Contingency Fund**

- Contingency fund is the fund allocated to be used in case of emergency situations as defined by the Budget Committee.
- In case of an emergency situation, the respective department head send a contingency fund usage request to the Budgeting & Planning wings.

#### **Unexpected Expenditure**

- In case of expenditure in excess of approved budgets or expenses, the same has to be ratified by the Budget Committee.

#### **Fund Flow Forecast**

- **Prepare a Fund Flow Statement (FFS) to assess the actual requirement and inflow of funds in forthcoming quarters.**

4. Process Narrative

4.1. Preparation of Annual Budget

Prepare budgets in accordance with the ‘DHBVN Budgeting Manual’ and ‘Financial Regulations’, if any (approved by the Nigam or issued by the regulating authority).

**Evidence-based Budgeting:** Prepare budget on the basis of actual experience in the last two years and the realistic estimates for the current year. Justify the budgeted costs on the basis of assumptions considered in the forecasting.

4.1.1. Provide Templates

S. No.	Description	Frequency	Responsibility	Approver	Forms and templates
<b>Provide Templates</b>					
1	Finalize budget codes and sub budget codes in consultation with senior accounts officer	Yearly	Superintendent Budget (SB)	Senior Accounts Officer	
2	Approve the budget codes	Yearly	Senior Accounts Officer	CGM Finance	
3	Prepare the Budget Input Templates (BIT) and send to the units with a copy marked to the Sr. Accounts officer by 15 <sup>th</sup> October.  Capture the following details in the BIT: <ul style="list-style-type: none"> <li>➤ Budget Code</li> <li>➤ Description of Budget Code</li> <li>➤ Sub Budget Code</li> <li>➤ Description of Sub Budget Code</li> </ul>	Yearly	Superintendent Budget	Senior Accounts Officer	
4	Senior Accounts Office prepare the budget calendar by defining the time lines for different activities involved in budget preparation in consultation with the CGM Finance	Yearly	Sr. Account Officer	CGM Finance	



4.1.2. Receipt & Review of information

S. No.	Description	Frequency	Responsibility	Approver	Forms and templates
<b>Receipt &amp; Review of information</b>					
1	Receive the completed BIT from units / sections latest by the 2nd week of November.	Yearly	Superintendent Budget	Senior Accounts Officer	
2	Review and check the following parameters in the BIT: <ul style="list-style-type: none"> <li>➤ % increase over previous period</li> <li>➤ Reasons for the variances</li> <li>➤ Impact due to projected activities</li> </ul>	Yearly	Superintendent Budget	Senior Accounts Officer	
3	On the basis of review in Step (2), the Superintendent Budget estimates the 'To Be' Budget allocated to the units in consultation with Senior Accounts Officer and prepares the 'Unit Wise Annual Budget statement' (UWABS).  Capture the following details in the UWABS <ul style="list-style-type: none"> <li>➤ 'To Be' Budget of units</li> <li>➤ Assumptions behind budget allocation</li> <li>➤ Reasons for allocation of budget</li> </ul>	Yearly	Superintendent Budget	Senior Accounts Officer	
4	Review the UWABS for the following parameters: <ul style="list-style-type: none"> <li>➤ Reason / Justification for change in Budget, if any</li> <li>➤ Companywide impact on overall Budget</li> <li>➤ Information received from A&amp;R, Commercial &amp; Planning department for projected activities for upcoming year</li> </ul>	Yearly	Senior Accounts Officer		
5	Post discussion and review, suggest changes required in the UWABS to the Superintendent Budget.	Yearly	Sr. Accounts Officer		
6	Incorporate the changes suggested by the Sr. Accounts Officer and document the reasons for the same	Yearly	Superintendent Budget	Senior Accounts Officer	

**4.1.3. Consolidation of Budget Template**

S. No.	Description	Frequency	Responsibility	Approver	Forms and templates
<b>Consolidation of Budget Template</b>					
1	Review the Consolidated Budget Template (CBT) along with annual budget.	Yearly	Sr. Accounts Officer	CGM Finance	
2	Send the CBT and the annual budget to the CGM Finance for review by first week of December.	Yearly	Sr. Accounts Officer	CGM Finance	

**4.2. Approval of Budget**

**4.2.1. Consolidation of Budget (Unit Wise)**

S. No.	Description	Frequency	Responsibility	Approver	Forms and templates
<b>Consolidation of Budget (Unit Wise)</b>					
1	Reviews the CBT and UWAB for the following: <ul style="list-style-type: none"> <li>➤ Total Budget for the next year</li> <li>➤ % change in Budget over previous year</li> <li>➤ Actual allowed by regulatory in previous year</li> <li>➤ Unit wise detailed break-up of figures</li> <li>➤ Reasons for major increase / decrease in Budgeted figures over previous period</li> <li>➤ Assumptions behind budgeted figures</li> </ul>	Yearly	Sr. Accounts Officer	CGM Finance	
2	Consolidate the budget estimate according to the ARR. Classify the total demand for funds as specified in ARR.	Yearly	Sr. Accounts Officer	CGM Finance	

S. No.	Description	Frequency	Responsibility	Approver	Forms and templates
3	<p>Compare the ARR with the budget document. Perform comparative analysis if the fund requirement according to budget document is</p> <ul style="list-style-type: none"> <li>➤ <i>Less than the ARR figures</i>, in this case, the budget is finalized according to budget document.</li> <li>➤ <i>More than ARR figures</i>, in this case, the budget is finalized after moderation meeting with all HODs.</li> </ul>	Yearly	Sr. Accounts Officer	CGM Finance	

#### 4.2.2. Budget Moderation

S. No.	Description	Frequency	Responsibility	Approver	Forms and templates
<b>Budget Moderation</b>					
1	<p><b><u>In case budget estimate is more than ARR filed with HERC</u></b></p> <ul style="list-style-type: none"> <li>➤ Hold a meeting with all HODs and analyse the budget estimates.</li> </ul>	Yearly	CGM Finance	Controller of Finance	
2	<p>Segregate the items in the budget into two categories</p> <ul style="list-style-type: none"> <li>➤ Priority</li> <li>➤ Non Priority</li> </ul> <p><i>Note: Provide justification for both priority and non-priority items.</i></p>	Yearly	CGM Finance	Controller of Finance	
3	<p>Take actions to restrict the budget amounts to match the ARR amounts.</p> <p><i>Note: First pass the priority items in the budget and if there is any scope left then consider the non-priority items.</i></p>	Yearly	CGM Finance	Controller of Finance	
4	Send the moderated budget to BOD by 15 <sup>th</sup> December.	Yearly	CGM Finance	Controller of Finance	

#### 4.2.3. Budget Finalization

S. No.	Description	Frequency	Responsibility	Approver	Forms and templates
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S. No.	Description	Frequency	Responsibility	Approver	Forms and templates
<b>Budget Finalization</b>					
1	Present the Budget to the Budget Committee (BC) for review and approval.	Yearly	Controller of Finance	Budget Committee	
2	Budget Committee (BC) shall discuss and approve the budget. Post their approval they present it to the MD for review.	Yearly	Budget Committee & Controller of Finance	Managing Director	
3	Review the final budget and submit it to Board of Directors (BOD) for final approval.	Yearly	Managing Director	BOD	
4	Controller of Finance presents the Budget to BOD for review and approval of the final Budget for the next financial year	Yearly	Managing Director	BOD	
5	BOD reviews and approves the final Budget for the next financial year.	Yearly	Board of Directors		
6	Circulate the final budget to all units after approval.	Yearly	CGM - Finance		

#### 4.3. Budget Monitoring

This section explains the steps for continuous monitoring and quarterly monitoring of the budget. In case the actual expenditure exceeds the budget, adequate justification along with the supporting's should be provided.

##### 4.3.1. Continuous Monitoring

Continuous monitoring of actual vs. budget is performed by the banking section before releasing any payment.

S. No.	Description	Frequency	Responsibility	Approver	Forms and templates
<b>Continuous Monitoring</b>					
1	In case of non-availability of budget, the banking section will not release funds.	Ongoing	Account Officer (Banking Section)	Senior Accounts Officer	

S. No.	Description	Frequency	Responsibility	Approver	Forms and templates
2	Prepare revised budget sheet along with the next year budget on an annual basis.	Ongoing	Sr. Accounts Officer	CGM Finance	

**4.3.2. Quarterly Monitoring**

Continuous monitoring of actual vs. budget is performed by the banking section before releasing any payment.

S. No.	Description	Frequency	Responsibility	Approver	Forms and templates
<b>Quarterly Monitoring</b>					
1	<p>Send the Budget Monitoring Report (BMR) to Superintendent Budget. Include the following information in the budget monitoring report:</p> <ul style="list-style-type: none"> <li>➤ Year to quarter Approved Budget for the Unit</li> <li>➤ Year to quarter Expenses incurred against the same</li> <li>➤ Variance in Actual expense against Budgeted expenditure</li> <li>➤ % Variance of Actual expense against Budget</li> <li>➤ Reasons for variance, if variance more than specified limit of 10%.</li> </ul>	Quarterly	Units		
2	Verify the budget data on the basis of monthly budget vs. actual expenditure as per the trial balance circulated to units.	Quarterly	Superintendent Budget		
3	Verify the actual data from trial Balance about the limits utilized by the units.	Quarterly	AO Banking		
4	<p>Review the variance between the budget vs. actual for each budget code and sub budget code. Check the following during review</p> <ul style="list-style-type: none"> <li>➤ Variance of actual expenses over budget</li> <li>➤ % Variance over budget</li> <li>➤ Reasons for variance, if % variance is more than specified limit of 10%</li> </ul>	Quarterly	Superintendent Budget		

S. No.	Description	Frequency	Responsibility	Approver	Forms and templates
5	Document the reasons noted during discussions with respective units for variance above 10%.  In case additional reasons are noticed, the same are documented in the column 'Reasons documented during review by Budget section'.	Quarterly	Sr. Account Officer & Superintendent Budget		
6	Review the BMR and present to Budget Committee.	Quarterly	CGM Finance		
7	Review the BMR by exceptions on quarterly basis.	Quarterly	Budget Committee		
8	Present the quarterly BMR by exceptions at unit wise budget code level to MD. The MD reviews the same every quarter.	Quarterly	Budget Committee	Managing Director	
9	Present the monitoring report to BOD for approval.	Half yearly	Managing Director	BOD	
10	Review and authorize the BMR by exceptions.		BOD		

4.4. Revision of Annual Budget

4.4.1. Basis of Changes in Budget

S. No.	Description	Frequency	Responsibility	Approver	Forms and templates
<b>Basis of Changes in Budget</b>					
1	ARR is finalized by March 31, before the start of the next financial year. However, there are cases when the ARR is finalized after the next financial year begins. In this case, revise the budget according to the ARR requirement.	On occurrence of event	Senior Accounts Officer	Controller of Finance	
2	Every year the Planning Commission rolls out requirement/guidelines for resource plan for next financial year from every public utility in order to make a consolidated plan for the whole country.	Yearly	DGM, Finance & Budget	Controller of Finance	
3	The performa is given by the Planning Commission to be filled by the utility. Due date is also mentioned in the guidelines for filing the resource plan to Planning Commission.	Yearly	DGM, Finance & Budget	Controller of Finance	
4	Revise the annual budget in case there are any changes in the assumption.	On occurrence of event	Senior Accounts Officer	Controller of Finance	

4.4.2. Change in Annual Budget

S. No.	Description	Frequency	Responsibility	Approver	Forms and templates
<b>Change in Annual Budget</b>					
1	Review the assumptions based in the budgeting activity of each budget code to identify changes in those assumptions.  <i>Note: This activity is done simultaneously with the preparation of new budget</i>	On occurrence of event	Superintendent Budget		

S. No.	Description	Frequency	Responsibility	Approver	Forms and templates
2	Discuss changes in assumptions or any foreseen/unbudgeted expenses not included in the budget earlier with the Senior Accounts Officer.	On occurrence of event	Superintendent	Senior Accounts Officer	
3	Review the basis for change in the earlier assumptions and the reason for non-inclusion of the expense in the initial budget in consultation with CGM Finance.	On occurrence of event	Senior Accounts Officer	CGM Finance	
4	Conduct a brief discussion with the units to discuss the changes required.	On occurrence of event	Sr. Accounts Officer		
5	Formulate the revised budget. Document the reasons for changes in the revised documents.	On occurrence of event	Senior Accounts Officer	CGM Finance	
6	Review the revised budget.	On occurrence of event	Sr. Account Officer	CGM Finance	
7	Post approval; revise the quarterly budget using the format specified for Monthly Budget template (Budget Revision Request).	On occurrence of event	Sr. Accounts Officer		

#### 4.5. Preparation of Resource Plan

This section explains about the creation of Resource Plan to be submitted annually to the Planning Commission.

##### 4.5.1. Collate requirements for Resource Plan

S. No.	Description	Frequency	Responsibility	Approver	Forms and templates
<b>Collate requirements for Resource Plan</b>					
1	Collate information required for resource plan according to the performas.	Yearly	DGM, Finance & Budget	CGM, Finance	
2	Take the ARR as base for the estimates.	Yearly	DGM, Finance & Budget	CGM Finance	
3	One of the major expense components is the 'Power Procurement Cost'.	Yearly	DGM, Finance & Budget	CGM, Finance	
4	Keep the base of the estimate same for ARR and Resource Plan. After the ARR is prepared, the common items in the performa of ARR can be used for the resource plan.	Yearly	DGM, Finance & Budget	CGM, Finance	



S. No.	Description	Frequency	Responsibility	Approver	Forms and templates
5	Align the ARR and the resource plan. In case of any deviation in resource plan, document the deviations with reasons.	Yearly	CGM, Finance	Controller of Finance	
6	File the completed resource plan with the planning commission on or before the due date.	Yearly	CGM, Finance	Controller of Finance	