

<b>FINANCIAL BUDGET</b>
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**1 Purpose**

The purpose of this procedure is to define a system for planning and controls of activities relating to funds requirements for execution of Project and meeting the expenditure towards Establishment and Administrative expenses and also to meet the financial obligation towards Financial Institutions and Government. To ensure timely and cost-effective inflow and outflow of funds for efficient financial management in KSPH&IDCL.

**1.1 Application**

This procedure is applicable to cover all the financial activities involved in estimating the funds inflow and outflow in Head Office and Divisions.

**2.0 Responsibility**

Responsibility and Authority for various activities of financial management are described in procedure part.

**3.0 Terms and definitions**

1. **Budget** - Estimation of financial inflow and outflow of funds in KSPH&IDCL for all its activities.
2. **Board**- Board of Directors of KSPH&IDCL
3. **Verification** – Confirmation, through the provision of objective evidence, that specified requirements have been fulfilled.

**4.0 Procedures**

This procedure is to establish a systematic procedure for effective inflow and outflow of funds for the financial activities of the KSPH&IDCL. The procedure also ensures that financial aspects of KSPH&IDCL are done as envisaged and there are no deviations and all deviations are properly explained. In addition the procedure ensures that the management is updated with the financial progress made at periodical intervals.

This procedure covers all the processes of financial transactions. Wherever system procedures are established that provide detailed information about that process, relevant procedures have been referenced. In order to facilitate easy understanding of process sequence, project-management process is divided into convenient process.

Following abbreviations and terms are used in the table;

D	=	Document	R	=	Record
MD	=	Managing Director	ED	=	Executive Director
FA	=	Financial Advisor	CE	=	Chief Engineer
SE	=	Superintending Engineer	EE	=	Executive Engineer
DES	=	Designs	AS	=	Account Superintendent
Govt.	=	Government of Karnataka	Client	=	User department
CAO	=	Chief Accounts Officer	CA	=	Chartered Accountant



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		commission and also to fix the Annual Borrowing Limit for the new loans.		Govt. for Grants.
2	CE, SE And EEs (DIVISIONS)	<p>(a) <u>Activity Budget</u>: Preparing detailed work wise, projected work expenditure for the coming financial year in respect of on-going works and proposed works to be taken up in their respective divisions taking into account the Government sanctions for constructions.</p> <p>(b) <u>Capital Expenditure Budget</u>: Preparing a detailed account head wise projected capital expenditure for the next financial year based on activity budget of the divisions.</p> <p>All the above projections for the coming financial year shall be submitted to the Head Office in the first week of February every year.</p>	D	<p>Budget requisition format From divisions.</p> <p>F/6.01/02 F/6.01/03</p>
3	FA, CAO, CA and AS(budget)	<p>(b) <u>Expenditure Budget</u>: Preparing detailed account head wise projected establishment and administrative expenditure for the next financial year based on proposed activity budget of the divisions</p> <p>(c) <u>Income Budget</u>: Preparing a detailed account head wise projected income for the next financial year based on proposed activity budget of the divisions. And also estimate the income on account of fixed deposit with Banks and other revenue generation activities.</p>		F/6.01/04
4	FA.CAO,CA and AS(Budget)/AS(Funds)	<p>Prepare a consolidated corporate budget out flow of funds for the financial year by taking into consideration.</p> <p>a) All the budget estimates sent by the EEs b) Budgeted income and Expenditure at the Corporate level c) Budgeted outflow on account of capital expenditure at the corporate level d) Budgeted outflow on account of repayment of loan and interest payment to financial institutions and payment of Guarantee commission to Government. e) Funds outflow on account of expenditure provided and not paid during the previous</p>	D	

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		financial year.		
5	FA, (funds) CAO/As	<p>After arriving the total projected outflow of funds for the next financial year to identify the different source of inflow taking into account.</p> <p>a) The total amount of funds available with the KSPH&amp;IDCL at the beginning of the financial year.</p> <p>b) Expected inflow of funds from various Government Departments towards Deposit Contribution Works during the financial year.</p> <p>c) Expected loan drawal from the loan sanctioned and not drawn as at the beginning of the financial year.</p> <p>d) Expected new loan sanction by the Financial Institution for the proposed projects.</p> <p>e) Expected budgetary allocation made by the Government towards payment of interest and repayment of principal to financial institutions.</p> <p>f) Expected inflow on account of revenue generation activities.</p>	R	Format No-05 (R-Shafer)
6	FA	To present the Detailed note before the Board on the financial activities of the Corporation and take concurrence of the Board for the proposed annual financial budget.	R	Board Notes and Board Proceedings
7	EE (DIVISIONS)/As Budget	<u>Review of Budget Activities:</u> The EEs in the Divisions shall implement the projects as planned and also examine the work expenditure incurred at their divisions on quarterly basis and send a report to the FA/MD analysing the actual work expenditure against quarterly budgeted work expenditure.	R	Correspondence/ Quarterly performance Review Statement F/6.01/05.
8	FA,CAO/ As(funds)EE (division)	<p><u>I Monitoring of Funds inflow:</u> Funds inflow are monitored to ensure that all the commitments are met as envisaged and no funds are kept idle,</p> <p>Divisions have to submit monthly anticipated work expenditure to Head Office before tenth of every month.</p> <p><u>(a) Funds inflow from Deposit Work Constructions:</u> In case of projects under</p>	R	Funds file

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	<p>Deposit Contribution Work follow up action with the User Department is done and the payments proposal against the work is entertained only on receipt of funds from the concerned user department. All the deposits received from the different users departments are accounted under a separate head of account in the Tally system. The expenditure incurred against each of the Deposit Works is monitored to ensure that the total expenditure (including ETP) incurred is within deposit amount received. The funds received and which are not required to be applied immediately for the works payments are parked with the nationalized Banks to derive interest income.</p> <p>(b) <u>Fund inflow for works against Loans:</u> In case of Works undertaken against financial assistance from Financial Institution the steps are:</p> <p>(i) On receipt of Government sanction for the Scheme, study the modalities of Scheme and arrive the amount of loan sanction to be obtained</p> <p>(ii) Place before the Board the proposed scheme of the Government and take administrative sanction of the Board for the proposed construction and also for the proposed borrowings to be made and also to approach the financial institution for the loan.</p> <p>(iii) On taking Board approval approach the Financial Institution for sanction of loan at market determined interest rate and negotiate the terms which are more appropriate to the concerned scheme proposed and take terms and condition for sanction from the Financial Institution.</p> <p>(iv) On obtaining the terms and conditions of sanction from the Financial Institution, approach the Government for approval of the terms and conditions sanctions and also to seeking Government Guarantee for the proposed Loan.</p> <p>(iv) On receipt of the Government order to</p>	<p>Fixed Deposited file.</p>
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		<p>take loan and sign the loan agreement with the Financial Institution and get the guaranteed deed to guarantee stand signed from Government.</p> <p>(v) Intimate the Financial Institution the manner and the mode of drawal of loan depending on the outflow of funds required by the KSPH&amp;IDCL after analysing the phase of activities of the KSPH&amp;IDCL and draw the loan accordingly.</p> <p>c) <u>Release of Grants from Government against budgetary grants:</u> This expense is allocated by the Government in its budget for meeting payment of interest and repayment of loan and towards guarantee commission to Government Administrative expenses. The KSPH&amp;IDCL shall submit its request to Government for release of the grants required for each quarter at the beginning of respective quarter. Follow up action is maintained to ensure that the funds are released well before the due date of payments to the financial institutions. The grants received will be paid to the respective Financial Institution and Government as per the commitment and balance is used for administrative expenses.</p>	
<p>FA/CAO/ACA/AS(BILLS)/AS(TALLY)/EE(DIVISIONS)</p> <p>AS (Funds)</p>	<p><u>II Monitoring of Funds outflow :</u></p> <p>(a) <u>Payment to Work Contracts:</u> Payment to work contracts are released after ensuring the payments are within and as per estimates Refer QSP No. 6.03. In addition to this in case of Deposit Contribution Works it is ensured that the payments (including ETP Charges) made are within the deposit amount received and request are made to the concerned user department in case the amount spent is more than the deposit received.</p> <p>(b) <u>Payment of Administrative Expenditure:</u> The total payment against establishment expenditure and administrative expenditure against each accounting head are reviewed periodically to ensure that the amount expended is within and as per the estimate.</p> <p>(c) <u>Payment for repayment of loan and</u></p>		

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		<p><u>interest expenditure:</u> The amount due to the various financial institutions against loans borrowed by KSPH&amp;IDCL is reviewed periodically to ensure that all the payments are made in time. As and when the loans are closed the necessary government guarantee issued for the security of loan is collected back and intimated to the Government</p> <p>(d) <u>Payment towards Capital Expenditure:</u> The expenditure towards capital expenditure is made only with the approval of, FA/ED/C&amp;MD and the approval as required by the Memorandum and Article of Association is obtained where ever required. Before payment it is ensured that payment is within and as per the budget estimates. In case of any variation necessary reallocation and approval of the competent authority is obtained.</p>		
9	FA	Consolidate the division's performance against budget estimate for each quarter and place a note before the Top management for their review. In case the budget needs to be revised consequent to actual performance take approval of the Board for the revision.	D	

**5.0 Records**

Sl. No	Name of the Record	Authorizing Personnel	Custodian of record	Retention Time
1	Activity Budget Request from Divisions	CAO	AS-Budget	8 years
2	Quarterly performance Review Statement	CAO	AS	8 years

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**6.0 Process measures**

Sl. No	Name of the process	Process Measure	Method & frequency	Responsibility
1	Correctness of Estimate	% of variance against	-	-

**7.0 Reference**

- a) ISO 9001: 2008 Clause Number 7.5.1
- b) Quality Manual Clause Number 7.5.1

**8.0 Associated Documents**

- a) Procedure for control of documents
- b) Procedure for control of records QSP 02

<b>Approved by : Managing Director</b>
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