Administration and finance are as inseparable as body and its shadow. Financial administration means the management of finances of state or of a public authority endowed with taxing and spending power. It concerns itself with the principles which guide the general administration of the government, and other governmental organisation for specific purpose. As a matter of fact, financial operation affects the very structure of the government, or of an organisation and the nature and scope of their policies. In the recent times, the importance of financial administration has increased due to various reasons such as inception of welfare state, requirements of democratic institutions and the influence of the tremendous advancement in the management techniques extending to the field of financial administration.

A sound financial management is vital to the success of any enterprise. A sound system of financial administration means unity of organisation, the more unified different departments of an organisation are, and the more centralised, the responsibility of the hierarchy of the officials, the more efficient the administration will be.
The primary concern of financial administration is the collection & spending of public revenue. Broadly speaking, financial administration has three objectives namely, fiscal policy, accountability and management. There are four processes of financial administration which can be classified as under:

(i) Collection of public revenue, the custody of public money thus collected, and affecting payments.

(ii) A proper co-ordination of public revenue and expenditure through a well considered plan.

(iii) Public borrowing and management of public debt.

(iv) The general management and control of financial affairs of State or Governmental units, particularly the management and control of the financial affairs of the public enterprises.

"The history of public enterprises, since independence, is replete with instances of lack of financial discipline, much of which, paradoxically, has resulted from excessive adherence to rules and procedures, and due to lack of experience and training to handle the job in hand. Many public enterprises continue to suffer the legacy of financial indiscretions and indiscipline in the early stages of their formation."

This invited the attention of authorities, of financial experts and of researchers to study the finances
of public sector enterprises. Though much have been done in this field, yet it had contributed a little, in improving the financial health of public sector enterprises in our country.

It is imperative to give a brief account of the structure and role of finance and accounts wings of HPSEB and HRTC, before discussing their financial management.

3.1. Role of Finance and Accounts Wing of HPSEB

The Finance and Accounts Wing of HPSEB has been assigned the functions of maintaining the accounts of the HPSEB including final accounts and exercising of internal check over the accounts maintained in its various units. Besides, exercising check over income and expenditure, this wing is also responsible for financial planning, forecasting and funds management, as well as reporting on receipts and disbursement. Member Finance is the administrative head of this wing, who represents this wing in the Board of Directors. On functional level, Chief Accounts Officer lead the team of Finance and Accounts Officers, and is assisted by Deputy Chief Accounts Officer, Deputy Financial Advisor and Deputy Chief Auditor. These Deputy Chief Officers of different sections are further assisted by a team of Accounts Officers, representing different subjects such as, pension, banking, finance, budget, loan and so on. In the field offices of HPSEB, the Finance and Accounts functions are controlled by the
Controlling and disbursing officers, who are assisted by the Accounts Officers, Accountants, Cashiers or upper division clerks, depending on the volume of work.

The comptroller and Auditor General of India (CAG), is the Statutory Auditor in the matters of finance and accounts. Finance and Accounts wing is also responsible to the State Legislative Assembly, for all matters concerning finance & accounts on behalf of the Board.

This wing has also been entrusted with the task of working out the income and expenditure statements of HPSEB, as a whole, and of units, sub units and projects of small and big nature for every year.

The 'Internal Audit Group' of this wing is assigned with the duties of carrying out audit of consumers accounts in the Sub-divisional Offices, conducting audit of works accounts in Divisional offices, carrying out the physical verification of materials in different stores of the HPSEB. There are dozens of Audit Parties which conduct the audit of revenue and expenses and point out the cases of under assessment, shortages, excesses and any departure made from the procedural and codal formalities by the different units.

Moreover, at the Head Quarters level, the Finance and Accounts Wing is solely responsible for preparing the
final accounts, balance sheets, and loss and profit accounts of HPSFP as a whole. This wing, also helps the administrative offices and the members of the board regarding any matter pertaining to finance and accounts. Besides this, the wing is also responsible for making contacts with the financial institutions and banks for raising loans and managing funds on behalf of the HPSEB.

3.2 Role of Finance and Accounts Wing of HRTC

As in HPSEB, there is a separate Finance and Accounts Wing in HRTC to carry out the finance and accounts functions of the Corporation. This wing is headed by a Chief Finance and Accounts Officer who is assisted by a number of Accounts Officers and Section Officers dealing with the Finance and Accounts in different matters such as, Pay and Fund, Internal Audit, Budget, Banking and so on. In the field offices of the corporation finance and accounts functions are carried out by the Accountant, Resident Auditors, Section Officers and Junior Auditors.

The Chief Finance and Accounts Officer of the Corporation plays an important and pivotal role in the financial and accounts matters of the Corporation. Right from regulating day to day accounts, he assists and advises the Chief executive that is the Managing Director, in financial and accounts matters. The chief Accounts Officer with the team of officers of the Accounts Wing of the
Corporation carries out various financial functions such as, rendering of financial advice, preparation of budget estimates, regulation of payments, maintenance of accounts, working out the profit and loss account, preparation of balance sheet, physical verification of cash and assets and conducting of internal audit.

The finance and accounts functions of the Corporation are divided into four sections namely:

(i) Banking and Budget,
(ii) Pay and Funds,
(iii) Internal Audit,
(iv) Commercial Accounts.

All these four sections are responsible for their respective functions and are integrated at the level of Accounts Officer and Deputy Controller Finance and Accounts at Head Quarters. So far as, the finances of field units of HRTC is concerned, the Divisional Managers and the Regional Managers are the controlling and Drawing and Disbursing Officers in respect of accounts of Division and Region respectively. They are assisted by the Deputy Controller and Section Officer in the matter of finances and accounts. These Deputy Controllers and Section Officers (Accounts) are responsible for maintaining the account of field offices of the Corporation and forward the same to the Head Office through their Controlling and Disbursing Officers for preparing the final abstract of the accounts of the
Corporation.

The Finance and Accounts Wing is responsible for checking the progress of revenue and expenditure of the Corporation. This wing has also been assigned the job of making necessary contact with the State Government and financial institutions for raising funds and arranging loans. The Chief Accounts Officer watches the progress of Capital receipts, expenditure, repayments of loans and liabilities of the Corporation.

3.3. Comparison

While making a comparison of the Finance and Accounts Wing of HPSEB with that of HRTC it has been found that the basic difference between the two is that the Finance and Accounts Wing of HPSEB is represented in the Board of Directors by the Member Finance, and whereas in HRTC, there is no provision of Member Finance in the board of directors. The post of Member Finance, in HPSEB, is generally held by an Indian Administrative Service (IAS) Officer of State Cadre. The role of the Member Finance in the Board of Directors is advisory, guiding and directing on the Finance and Accounts Wing of HPSEB. The Finance and Accounts Wing of HPSEB, from administrative point of view, is controlled by the Chairman through the Member Administration and Secretary HPSEB. From day to day management point of view, this wing is controlled and
supervised by the Chief Accounts Officer. In case of HRTC, this Wing is controlled by the Managing Director through General Manager. The Chief Finance and Accounts Officer is responsible for day to day management and supervision. He advises the Managing Director regarding the financial matters and the finance and accounts functions of HRTC are represented by the Managing Director in the Board of Directors.

So far as the scope, authority, status and overall role of the Finance and Accounts Wing of both these organisations is concerned, these are similar in nature.

3.4. Financial Decision Making

In the preceding section we discussed the structure, role and functions of Finance and Accounts Wings of both the Organisations under reference. Any action taken by an individual or by an organisation is the consequence of a decision. In administration, the decision making is the crux of all the administrative process. In Government departments, most of the decisions, are of the nature of programmed decision, because of the fact that most of the programmes and functions in the government are well defined and the decisions are made accordingly. In a business enterprise situation is different. An enterprise has to face many odds of uncertainty in the business world. Therefore, the
decision making becomes all the more important in such enterprises. Before taking up the financial decision making in Public Sector enterprises for discussion, it would be pertinent to make a mention of the concept of decision making.

In simple words, decision making is another name of problem solving. Unsolved problems and unrealised possibilities impel managers to make decision. Therefore, Chester Barnard has rightly said, "The fine art of executive decision consists in not deciding questions that are not known pertinent, in not deciding prematurely, in not making decisions that cannot be made effective, and in not making decisions that other should make."²

The ideal rational managers methodically define the problem, collect all the facts and informations, formulate alternatives, weigh them and select one. In practical operation of an organisation, the reality, however is different; actually managers operate some where in between. The limitations are such, as inadequate information and underchanging conditions with considerable uncertainty. For an ideal decision making Cees Van Dam has defined "decision" as "the selection of particular action or course of action at a particular point of time".³ This definition contains three characteristic elements:

(i) a decision implies action, either directly or in the future,

(ii) selection refers to the existence of alternative actions,
(iii) a decision is always taken at a certain point of time.

John Dewey referred decision making as, "What is the problem? What are the alternatives? Which alternatives is the best?"^4

Thus, the essence of decision making is choice. It is a multi-step process which culminates in the selection of one alternative over another. Whatever the nature of the decision may be, whether administrative or financial, it must have two or more alternatives for choice. Therefore, in nutshell, decision making is the selection of preferred course of action from two or more alternatives at a particular point of time.

In the present context, we are concerned with the financial decision making procedures in HPSEB and HRTC. Before discussing the decision making processes of these organisations, it is more important to know the general pattern of decision making in public sector enterprises.

Generally, the decision taken in the public sector enterprises, whether administrative or financial are of repeated nature. Cee Van Dam called it "strategy". He defined it as "a strategy is a rule or procedure or set of considerations that contribute in each particular situation to taking a purposeful decisions."^5

This definition contains the following elements:
(i) In a repetitive decision situations, decision might result from the application of explicit rules,

(ii) in more complex decision situations, used can be made of certain procedures which indicate both the criteria for evaluating alternative decision and consideration of the relevant situational constraints,

(iii) in extremely different situations, a strategy might consist of, only a set of considerations to be taken into account.

Therefore, the decision making in public sector enterprises, in a broad sense may be considered "as a design of strategy". The decision taken by the management on the commitment of funds to long run uses within the enterprise are more important for its success. Such decisions are among the most difficult ones to make. These decisions are critical because they deal with huge funds over long periods. Moreover, there are little chances of reversing them; once made and put into effect. In an organisation, many practical problems crop up in decision making, in one way or the other, with uncertain future events. Unlike the private sector enterprises, decision making in a public interprise is a plural activity, as it
involves many officials, right from lower division clerk to the Chief executive. The financial decision in public sector enterprises are influenced by many external and internal agencies like -- executive funds, the legislature discusses in the house, and audit scrutinises expenditure incurred by various enterprises. The financial decision making procedure in HPSEB and HRTC is discussed here under:

3.4.1 Financial Decision on Making in HPSEB

The policy decision regarding the operation of HPSEB is generally taken by the state Government. Since every activity, in an organisation, involves financial implication, therefore, the consideration of finances are important before taking up an activity. The major decisions, involving finances, are taken by the State Government in consultation with the Chairman of the Board. The Chairman is guided by the financial experts of the HPSEB regarding the implications of the finances involved. The Chairman represents the HPSEB in arriving at major policy and financial decisions for the operation of the organisation. Once the policy decisions are taken by the State Government, HPSEB management is asked to implement these decisions. In the science of management, choosing the one alternative out of a set of alternatives, is the
decision making situation. In that case, certain rules and procedures and laws already exist in the management of HPSEB. In that situation, we can not call it financial decision making, rather, it can be referred to as the strategy or application of strategies. It, however, does not mean that there comes no decision making situation in HPSEB regarding the finances. The financial decisions taken in HPSEB are actually pluralistic in nature, because a number of channels are involved in the process of decision making. All the decisions taken, especially concerning the financial matters are in writing, therefore, before taking any approval for incurring expenditure the sanction of appropriate authority is a prerequisite. Thus, the file moves from the lowest level of the organisation to the highest level of the authority competent to accord sanction, as laid down in the rules. So far as, the income and revenue is concerned, the rates and charges are determined by the State Government and HPSEB is left with the job of collecting the revenue. In that case there are either no or very little decision making opportunities left with the HPSEB in the area of revenue collection.

3.4.2 Financial Decision Making in HRTC

In HRTC the major policy decisions, like purchasing
new fleet and opening of new depots, are taken by the Board of directors and after that approval of the State Government is sought. In that case, the State Government accords its approval to the Corporation for raising funds from banks and other financial institutions. This way, the decisions taken, are of collective nature since both the corporation and the government are involved in the decision making process. The fare charges in respect of HRTC operation, are fixed by the State Government and the Corporation is left with the job of operation rather than deciding. The role played by the Corporation is advisory to the State Government in the field of technical matters, as far as, the passenger transport is concerned, the corporation is expected to run its operation most economically and efficiently.

From the above resume, it is abundantly clear that the State Government play a significant role in making financial decisions for both HPSEB and HRTC. This has not only affected the financial administration, but also the overall working and autonomy of these organisations. Therefore, it has been felt necessary to study the degree and impact of the influence made by the government on
financial decisions of these organisations which are discussed below:

**TABLE - 3.1**

**Government's Influence on Financial Decision**

<table>
<thead>
<tr>
<th></th>
<th>HPSEB</th>
<th>HRTC</th>
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</thead>
<tbody>
<tr>
<td>No. (%)</td>
<td>(N=26)</td>
<td>(N=24)</td>
</tr>
<tr>
<td>Always</td>
<td>8  31.0</td>
<td>18  75.0</td>
</tr>
<tr>
<td>Sometimes</td>
<td>17  65.0</td>
<td>6   25.0</td>
</tr>
<tr>
<td>Rarely</td>
<td>1   4.0</td>
<td>-</td>
</tr>
<tr>
<td>Never</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

A majority of 65 per cent respondents of HPSEB stated that the State Government sometimes influenced the financial decisions in respect of their organisation. At the same time, 31 per cent pointed out that the government always influenced these decisions. However, an insignificant number of respondents i.e. 4 per cent cited that the government rarely influenced these decisions. No respondent in HPSEB has opined that the Government never influenced these decisions. Thus, it can be said on the basis of opinions of respondents that the State Government frequently interfere in the financial decisions of HPSEB.
In the case of HRTC the situation is almost similar. In HRTC also a large number of respondents i.e. 75 per cent stated that the government always effected the financial decisions in respect of their organisation. A minority of 25 per cent respondents pointed out that government influenced these decisions only sometimes. None of the respondents were of the opinion that the government influenced the decisions rarely or never. From these opinions it is obvious that these decisions in respect of HRTC are mostly influenced by the State Government.

Thus, it is revealed that the maximum financial decisions in respect of both the organisations are influenced by the State Government. In view of this position, it became essential to study whether the government took into consideration the long term implications of these decisions. The respondents of these organisations, in this behalf, revealed their experience as under:

<table>
<thead>
<tr>
<th>TABLE - 3.2</th>
<th>Government's consideration of long term Financial Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HPSEB (N=26)</td>
</tr>
<tr>
<td></td>
<td>No. (%)</td>
</tr>
<tr>
<td>Always</td>
<td>13 50.0</td>
</tr>
<tr>
<td>Sometimes</td>
<td>12 46.0</td>
</tr>
<tr>
<td>Rarely</td>
<td>1 4.0</td>
</tr>
<tr>
<td>Never</td>
<td>- -</td>
</tr>
</tbody>
</table>
A substantial number of respondents of HPSEB i.e. 50 per cent pointed out that the government always considered the long term financial implication, before taking any decision in this respect regarding their organisation. Almost an equal number of respondents i.e. 46 per cent stated that the government sometimes gave such consideration. However, a negligible number of respondents i.e. 4 per cent expressed that government rarely gave such consideration. None of the respondents were of the opinion that government never gave such consideration. The overall position revealed that the government considered the long term financial implications before taking any decision in respect of HPSEB.

The experience told by the respondents of HRTC in this respect, was different to that of HPSEB. A higher number of respondents i.e. 46 per cent disclosed that the government rarely considered the long term financial implications while taking any decision about their organisation, and whereas, 29 per cent of them were of the opinion, that sometimes the Government gave such considerations. At the same time 25 per cent of respondents of the view that the government always kept in view such considerations. The opinions of the respondents reveals that the approach of the government regarding the long term financial implications of the decisions taken by it is casual in the case of HRTC.
The long term financial implications of the decision in respect of HPSEB and HRTC could have been known by the government only if the financial experts of the organisation had been consulted. Because, only the financial experts could have visualised the impact of these decisions on the financial health of their organisations.

**TABLE - 3.4**  
**Consultation of Financial Experts**

<table>
<thead>
<tr>
<th></th>
<th>HPSEB (N=26)</th>
<th>(%)</th>
<th>HRTC (N=24)</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Always</td>
<td>18</td>
<td>69.0</td>
<td>3</td>
<td>12.0</td>
</tr>
<tr>
<td>Sometimes</td>
<td>7</td>
<td>27.0</td>
<td>21</td>
<td>88.0</td>
</tr>
<tr>
<td>Rarely</td>
<td>1</td>
<td>4.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Never</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The table 3.4 illustrates that the overwhelming majority of 69 per cent respondents of HPSEB stated that financial experts of their organisation were always consulted by the government before taking any decision regarding HPSEB. However, 27 per cent of the respondents expressed the view that the financial experts were consulted, sometimes, only. A thin minority of 4 per cent were of the view that these financial experts were rarely consulted.

On the otherside, a large number of respondents of HRTC i.e. 88 per cent pointed out that, the financial experts
of their organisation, were consulted sometimes only by the government before taking any decision concerning long term financial implications about HRTC. A little percentage of respondent i.e. 12 per cent revealed that these experts were always consulted by the government.

The overall picture regarding the financial decision making reveals that the government has given due weightage to HPSEB and it definitely placed better and kept more or less autonomous as compared to HRTC, and whereas, the whole show in respect of HRTC is directed by the government and its basic character of corporate and commercial functioning is being adversely affected.

3.4.3 Comparison

While dealing with the process of financial decision making, both of these organisations, under reference, it appears that there was a little difference in this area between the two, since both these organisations are controlled, supervised, so much so, that the priorities of objectives were also fixed by the State Government. From expenditure point of view, we were concerned with the expenditure of "Capital Nature" and, so far as, revenue is concerned we were dealing with the "fare structure" and grants-in-aid received. It was observed that the grants-in-aid received by these organisations were accompanied with
the instructions regarding its utilisation. From the revenue point of view, the "fare structures" were also determined by the State Government. In that situation there remained a very little scope for the managements of both these organisations to take any financial decision of the nature of commercial enterprise.

Of course, in day to day management, the financial decisions were taken by the management, in which there appeared a little difference between the two and that too because of the difference in the nature of business that both these organisations carry out.

The financial decision in respect of HPSEB is sometimes influenced by the State Government whereas in the case of HRTC these are always influenced. Moreover, the financial experts of HPSEB are sometimes consulted by the State Government but in the case of HRTC they are rarely consulted.

3.5 Budgeting

Having examined the decision making, it can be inferred that no other activity of an organisation requires as much decision making as in budgeting. Many questions arise in decision making process. At the time of budgeting, for instance, the most effective way of performing some task, justification of activities and resources are needed
to do the job. All these problem areas must be solved before management can arrive at a perfectly balanced profit plan or a decision. Therefore, the study of budgeting procedure of an enterprise becomes all the more important.

In this section, we are going to give a brief account of conceptual framework of budgeting, followed by examination of budgetary processes in HPSEB and HRTC and thereafter we shall examine the possibilities and potential for incorporation of the modern budgeting techniques such as Zero-Base Budgeting and Performance Budgeting in these organisations.

No organisation can be expected to operate successfully without planning for the future course of action. The framing of budget and the compilation of forecasts are an integral part of effective planning. In this area, the accounts and finance sections play an important role. Moreover, modern management concepts place great emphasis on an orderly approach to the future. In the financial area, this is reflected in detailed plans with near and distant horizons, and in comprehensive budgetary controls.

Budget is a document which sets forth the general policies and programmes of the management for a year in financial terms. It is an important evaluation instrument, because it fixes in writing, concrete goals to be achieved during the year. It enables the organisation to exercise an
analytical and methodical control of business operation by means of comprehensive and predetermined financial estimates vis-a-vis physical targets in minute details. In this connection Mc Alpine says, "annual budget is the tip of iceberg that has to be supported by strategic planning in depth and by operational planning." 

Therefore, a budget is an organised statement of expected income and expenditure for a definite future period, made in order to give effect to policy, assist in controlling expenditure and providing criterion for judging performance during that period.

Lawrence M.Mathew is of the opinion that "a budget is both mechanism for profit planning and a technique of operating cost control." 

In simple words, budgeting is the highest form of accounting. It is accounting in terms of the future. It indicates a definite course of action and not merely reporting, which accounting does. It is an instrument used by a management in planning the future activities and a means, whereby management charts its course for a given period. It includes an estimate of sales, services, production and expenses that will be involved.

The main purpose of the budget is to formulate the executive policy of an organisation as to the future operation and to plan, in advance, to see that the resources
are most appropriately utilised, the expenditure remains well within the revenues and is effectively managed. This is ensured by prescribing in advance, definite limit of expenditure and laying down definite standards of the performance to be achieved in respect of each activity of the organisation, and by comparing the actual performance with that proscribed, so that the deviations from the budget grants are systematically disclosed to enable the management to take corrective measures. Every enterprise has a built-in desire to grow and the technique of budgeting promotes the growth objective by reducing the extent and frequencies in imbalances that occur in growth process.

Furthermore, in a scientifically managed and planned enterprise, as a rule and on an average, three types of budgets are prepared viz. Revenue Budget, Capital Budget and Cash Budget.

Once a clear organisational structure stands established, the budget procedure itself becomes more effective. The budgeting process becomes more than a means of establishing an overall financial target for the business, because once the budget is completed, each manager's part in it, is defined and accepted by him.

3.5.1 Budget Preparation in HPSEB

The Finance and Accounts Wing of HPSEB is assigned the job of preparing the budget under overall responsibility
of the Member (Finance). This wing is empowered to ask all the Heads of Departments and other authorities to furnish to it budget data, in such a form as it may prescribe, on which the budget is to be prepared. The Head of the Departments, in turn, depend on the field and other officers who collect revenue, incur expenditure or operate various heads of accounts.

3.5.2 Compilation of Estimates

The budget framed by the Finance and Accounts Wing is a compilation of the following estimates:

(i) the estimates of income,
(ii) the estimates of ordinary expenditure,
(iii) the list of the late sanctions,
(iv) the schedule of new expenditure,
(v) the list of major and minor works,
(vi) the statements of anticipated excesses and surrenders.

During the month of December, each year, the Secretary of the Board forwards to the Finance Department of the State Government through the administrative department, the loan requirement of HPSEB. The amount of the loan voted by the State Legislature, appears in the Government Budget under 'Loans to Local Funds', 'Private Parties', 'Loan to
Himachal Pradesh State Electricity Board. The amount of loan so appearing in the Government Budget is conveyed to Finance and Accounts Wing by the Secretary of the Board for incorporation in the budget.

The several estimates enumerated above have to pass through many hands in the course of their preparation and final incorporation. The estimates of income and ordinary expenditure have to be dealt with by collecting or disbursing officer, controlling officers, Heads of Departments and by the Finance and Accounts Wing before they are incorporated in the form of budget and presented to the Board of Directors for approval. The schedule of new expenditure and the list of major and minor works are prepared by the Heads of the Departments and after scrutiny by the Finance and Accounts Wing, are incorporated in the budget proposals with reference to the funds available and the comparative urgency of the proposals before these are presented to the Board of Directors for approval.

Keeping in view, the various stages, the whole process is worked out according to a time table, which is strictly observed. The budget proposals which do not carry prior approval of the Finance and Accounts Wing by the due date, can find no place in it.
3.5.3 Preparation of Departmental Budget Estimates

In order to obtain from the field offices concerned, the data on which the estimates of revenue and expenditure are based, the Finance and Accounts Wing arrange to supply to the Controlling and Disbursing Officers, by a date not later than the first of August of each year, the blank forms in which their estimates are to be prepared and submitted. Such forms contain various columns for collecting the following information:

(i) analysis for the previous year (preceding the current year),
(ii) actual Expenditure (for the last 6 months of the previous year and for the last 6 months of the current year),
(iii) budget estimates for the current year,
(iv) revised estimates for the current year,
(v) budget estimates for the next year.

The Controlling and Disbursing Officers fill in the forms, received from the Finance and Accounts Wing, according to the requirement of funds for expenditure, and then forward the same to their Controlling Officers accompanied by an explanatory memorandum. In compiling the estimates, figures are rounded off, under each item to the nearest hundreded
rupees. If the same officer is the controlling officer and Head of the Department, the proposals are sent in duplicate and in case, he is only the Controlling Officer, and not the Head of the Department then three copies of the proposals are sent. The Controlling Officer who is also the Disbursing Officer retains one copy of the proposal, for record in his office.

On receipt of the budget estimates from the Controlling Officers under his control, the Head of the Department would scrutinise them, and forward the same, through the Member concerned of the Board, to the Member (Finance) for incorporation in the budget of the HPSEB. The Heads of Departments prepare explanatory notes in support of their proposals, which inter-alia highlight the reasons for difference between the proposed figures for the next year, and the figures of revised budget estimates for the current year.

3.5.4 Consolidation of Budget Estimates

The budget estimates so prepared by the Controlling and Disbursing Officer are sent to the Head of the Department. The Head of the Department, after receiving the budget estimates from different units and sub-units, club them up under different heads and forwards them to the
Member concerned. The Member concerned sends the same to the Member (Finance). The Member (Finance) marks these proposals to the Finance and Accounts Wing for necessary action. This Wing finally puts all these estimates and proposals in their respective heads and consolidates the complete budget of HPSEB for necessary approval of Board of Directors.

3.5.5 Enactment of Budget

After the complete compilation and documentation of budget estimates, the Finance and Accounts Wing of HFSFB forwards the same to the Secretary of the Board for being caused to be placed before the Board of Directors for consideration and approval.

After obtaining the approval of the Board of Directors, the budget so approved is placed before the Himachal Pradesh State Electricity Consultative Council (HPSECC) constituted under the provision of section 16 of the Electricity (supply) Act, 1948, for its consideration. The comments made by the HPSECC are considered by the HPSEB, before submitting the budget proposals to the State Government.

Under section 61 of the Electricity (Supply) Act, 1948, in the month of February of each year the State Electricity Boards are required to submit a statement of the estimated capital and revenue receipts and expenditure of
the Board for the ensuing year to the State Government in the prescribed proforma. The said statement includes a statement of salaries of Members, Officers and Employees of the Board and such other particulars as may be prescribed.

Acting according to the said provision of the Electricity (Supply) Act, HPSEB also submits the budget so approved by the Board of Directors and discussed in the HPSECC, to the State Government, through the Administrative Department.

The State Government cause the same to be laid on the table of the House of State Legislature. The said statement is open to discussion but not subject to vote. The Board takes into consideration the comments made on the statement in the State Legislature.

3.5.6 Execution of the Budget

The budget so approved by the State Government and discussed in the State Legislature is ready for execution. HPSEB take into consideration the discussion and comments made in the House. The final document of the budget is circulated to different Heads of the Departments of HPSEB for their information and necessary action. This document is a legal instrument to the various authorities of the organisations to carry out their functions in accordance with the objectives laid down by the Board, of Directors. All the activities of the Board, are generally, covered in
the budget. Therefore, the budget is referred to as a controlling management instrument also. It imposes limits, especially on expenditure, at various levels of the authority. The progress of the activities in different areas are also judged through the budgetary provisions and budgetary targets. In a simplified term, the execution of the budget in HPSEB, is referred to as "Control and Watch of revenue" and "Control and Watch of expenditure" as follows:

3.5.7 Control and Watch of Revenue

The responsibility for watching the progress and control of revenue of HPSEB lies with the Controlling Officers, Controlling Officer and Heads of Departments. The Divisional Officer is responsible for the detailed assessment of revenues obtained from electrical works within his division, and it is his responsibility to maintain such record and accounts as prescribed in rules. Each Divisional Officer prepares an annual forecast about the revenue receipts likely to be realised during the year and convey the same to his Controlling Officer.

Generally, the Superintending Engineers (SE) in HPSEB are the Controlling Officers and they are responsible for the supervision and control of the assessment of revenue from sale of power or from other sources pertaining to their circle. In order to discharge their responsibility in the matter, they are required to obtain statements of revenue
receipts from each division and to review them with reference to the budgeted revenue receipts for the circle as a whole.

There is a provision of "excess and surrenders" in HPSEB, regarding finances. The sole purpose of this provision is to fix the revised estimates of expenditure of the year after examination of the actual expenditure. The Finance and Accounts Wing frame the preliminary revised estimates of the current year on the basis of which the ways and means of the current and the next financial year is determined. It is the job of the head of department to send to the Finance Wing, the statement of "excess and surrenders" not later than 20th. October of each year, which is regarded as final statement.

3.5.8 Control and Watch of Expenditure

The Heads of Departments are responsible for watching and controlling expenditure incurred against allotment communicated to them. The authority administrating a grant, and not the Finance and Accounts Wing, is ultimately responsible for keeping expenditure within the grant for this purpose. The Controlling Officer is responsible for taking necessary steps to prevent expenditure in excess of grant by exercising his delegated powers of reappropriation or by application of an extra grant under the prescribed rules, as soon as, the necessity for this course becomes
definitely clear.

Moreover, the disbursing officers are directly responsible for expenditure incurred against the grants allotted to them under each primary unit of appropriation. He keeps a close watch over the progress of expenditure and income.

3.6 Budget Preparation in HRTC

Like HPSEB, budget preparation process in HRTC also involves all the units and sections. The exercise of budget preparation is initiated by the Head quarters. The form in which the Head of the Offices are to send the budget estimates for the next year, and the revised estimates for the current year, is supplied by the Head Quarters alongwith the detailed instructions. The Heads of Departments, in turn, depend on the field offices for figures. The filed offices work out the figures and correctly exhibit them in the estimates, under major/minor/sub detailed heads. The Heads of Departments examine these figures before forwarding them to Finance and Accounts Wing. The budget estimates consist of seven parts and show actuals of the previous years, approved estimates for the current year and the proposed budget estimates for the next year. The seven parts of budget estimates are as follows:

(i) Capital Budget,
(ii) Revenue Budget,
(iii) Deposits and Various Funds,
(iv) Creditor's Deposits and other Misc. Creditors,
(v) Advances, Deposits, Grants, Stores, Debtor and other Accounts,
(vi) Investments,
(vii) Appropriation of Net Profits.

The budget is also accompanied with a summary of proposals, Cash Flow Statement, Statement showing the position of depreciation, reserve Fund, statement of Liabilities, projected profit and loss account, and explanation for variation in estimates of Revenue receipts and Revenue expenditure over the year.

Only the Revenue Budget estimates are compiled by the Units. So far as the Capital Budget is concerned the same is compiled at the Head Quarters by Banking and Budget Section itself, on the basis of information furnished by the concerned Branch Officers to the Head Quarter and the Heads of offices. The budget estimates thus compiled by the Banking and Budget Sections are forwarded to the Chief Finance and Accounts Officer of the Corporation, who examines the technicalities of budget estimates and ensures their accuracy and correctness. The Chief Finance and Accounts Officer also ensures the timely preparation of budget estimates. It is at the level of Chief Finance and Accounts Officer, where all the budget estimates are consolidated and
final draft prepared for the approval of the Board of Directors.

3.6.1 Enactment of Budget

The budget estimates, thus prepared are laid down before the Board of Directors in "Proforma for Budget Estimates". These budget proposals are presented to the Board of directors by the Managing Director of the Corporation. The observations made by the Board of Directors are carried out by the Management of the Corporation. The observation made in the Board of Directors, are generally, of policy decision nature. Then the budget proposals are forwarded to the State Government and Northern Railway. The budget proposal to the State Government is presented by the concerned Administrative Department. This exercise is only of ritualistic nature.

3.6.2 Execution of the Budget

After forwarding the budget proposals to the State Government, the responsibility of the Management of the Corporation stands completed. The approval of the Board of Directors is the final sanction for incurring expenditure and collection of revenue by the HRTC. The Chief Finance and Accounts Officer, through the different Heads of the Departments, convey the budgetary sanction to the different
units of the Corporation.

3.6.3 Control and Watch of Revenue

A watch over timely receipt of capital receipt at the Head Quarters is kept by the Chief Finance and Accounts Officer and the flow of the capital expenditure is regulated accordingly. The resources from which the receipts are anticipated are duly tapped in time, so that the funds are available for implementing the programmes, in accordance with the time schedule. As soon as, the budget is approved by the State Government, the allocation of grants to heads of branches concerned with capital expenditure is made. The Branch Head concerned keeps a watch over control of expenditure by maintaining register of capital expenditure item wise. Every expenditure requires sanction of the competent authority, in whom, the powers of incurring and sanctioning the expenditure is vested. This applies to the revenue expenditure also. A register, to record the progress of expenditure, vis-a-vis items on which expenditure is incurred, is maintained by each branch.

In case of revenue receipts, the amount of the total revenue receipts determined and the budgets are approved by the Corporation and the State Government. Figures in respect of each head are conveyd to each unit by the 15th. of April of each year, for ensuring that the amount provided for, is duly received. After the end of each month, the information
about the amount received under each minor head is supplied by each Head of the Office to the Head Quarters in a "Statement of Monthly Receipts".12

3.6.4 Control and Watch of Expenditure

Allocation of minor headwise revenue expenditure is made to each Head of the office by the 15th. of April, of each year, after the budget is approved and passed. Each Head of the Office maintains a record for the flow of expenditure. After the monthly accounts are closed, Statement of monthly Revenue Expenditure, in the prescribed form, minor headwise, is prepared by each Head of the Office by the 10th. of the following month and is forwarded to Head Quarters. At the Head Quarters a register of monthly "Revenue Expenditure" is maintained to watch that the outflow of expenditure is regular, and according to the budgetary provisions and in-flow of revenue receipts. Monthly revenue expenditure statements are accompanied with a "Statement of Monthly Kilometrical Coverage". The Head of the offices are also required to send the "Statement of Liabilities". At the Head Quarters an abstract indicating kilometrical coverage during the month, amount of expenditure and income is struck to know the working result of the Corporation as a whole.
A schedule is worked out for financial review of the position of income and expenditure to have an effective budgetary control.

Along with the revised estimates and proposed budget estimates for next year, each Head of the Office, sends "Statement of Excess and Surrenders/Short Realisation" to the Head Quarters. This statement is for the purpose of fixing revised estimates of receipts and expenditure and for indicating whether the excess and short realisation are likely to be over the grants sanctioned and revenue approved. Head Quarters make the adjustments to make a provision for additional funds through supplementary demands for grants, where necessary.

3.7 Zero Base Budgeting

Having described the budgeting systems of HPESB and HRTC we are now in a position to discuss the need for adopting new budgeting techniques by these organisations. Before examining the same it is felt important to give a brief account of these techniques.

Zero Base Budgeting (ZBB) first made its appearance at Texas Instruments in the United States of America, under the leadership of Peter A. Phyrr, who later crystallised his ideas in his book "Zero Base Budgeting". It is supposed to be a new way of preparing and annual budget.

The traditional or incremental budgeting takes a
certain level of expenses as a starting point, as we have noticed in the case of HPSEB and HRTC also, and focusses on the proposed increment above that level.

By contrast, if the word zero means anything, it signifies that the budgeting process starts at zero and that the organisation preparing the budget request, must justify every rupee that it requires.

In Peter A. Phyrr's words "Decision package is a document which indentified and describes a specific activity in such a manner that the management can evaluate it and rank it against other activities comparing for limited resources and device whether to approve or disapprove it."\(^{14}\)

Basically, ZBB is a planning procedure that requires the manager to start with the assumption that the base entry for all planning items is zero rupees.

Thus, ZBB has been reckoned as a modern management tool, for planning and controlling expenditures, but is not conceptually new because every organisation might have experienced this approach once in its life time. For example, when the organisation prepares its first budget, or when a reorganisation of an organisation calls for a budget revision, ZBB is a logical process combining many elements of good management. It recognises the fact that the budgeting process, in fact, is a management process.
ZBB requires voluminous documentation and a great deal of departmental time and energy. The Indian experience, in this context, as P.L. Joshi observes "it has restricted the feature or ZBB to seminars/conferences only, so far and yet to give a practical experience to the approach". 15

3.8 Performance Budgeting

The traditional budget is effective from the point of view of public accountability. But today a budget serves other objectives. The traditional budget is effective from the point of view of accountability of funds, being mainly conceived in financial terms, and that was the sole object of the budgetary system.

The most government organisations and Public Sector Enterprises continue to follow the traditional pattern of budgetary forms and procedures. The system of classification of expenditure adopted in the budgets do not link expenditure to the activities and end-results. The budgets are also not prepared in sufficient detail except serving as a base for obtaining funds, and an instrument of controlling expenditure levels. They do not serve other management needs.

The answer to the above mentioned problems has been found in the form of Performance Budgeting. A performance budget presents expenditure in terms of functions, programmes and activities, and thus stands out from the
traditional budget.

This concept is explained even more lucidly by Mayor's Committee on management survey which the city of New York appointed. It choose the phrase "programme budget" and wrote, "A programme budget tells in advance what activities the departments and the governments as a whole are authorised to carry forward, in terms of expenditures for a given year. It emphasizes the work to be done, not the number of clerks, pencils and papers to be used in doing the work..."16

Thus, the performance budget is a financial document, that seeks the implication and control of an organisation's programmes through budget allocation. This is done by presenting organisation's operations in terms of programmes, activities and functions.

There are four main steps of performance budgeting which are as follows:

(i) Establishing a functional classification of all the government or organisation's operation,

(ii) Developing a system of cost-accounting and financial management which may be in accordance with the functional classification,

(iii) Establishing quantitative norms and yard sticks of performance and unit costs,
(iv) Involving under each programme and activity, objective system of reporting and evaluation.

These budgeting techniques are generally utilised for attainment of defined objectives. The ultimate objectives of budgeting in public enterprises is the financial control. The use of budgeting, as an instrument of financial control, in respect of HPSEB and HRTC can be judged from the table 3.5 below:

**TABLE - 3.5.**

<table>
<thead>
<tr>
<th></th>
<th>HPSEB (N=26)</th>
<th>NRTC (N=24)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. (%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Always</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>88.0</td>
<td>96.0</td>
</tr>
<tr>
<td>Sometimes</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>12.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Rarely</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Never</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The majority of the respondents pointed out that the budgeting has always been used as an instrument of financial control in both the organisations, as 88 per cent respondents of HPSEB and 96 per cent of HRTC have pointed out. A small percentage i.e. 12 per cent of the respondents of HPSEB expressed the view that the
budgeting has sometimes been used as an instrument of financial control, whereas a negligible number of respondents of HRTC i.e. 4 per cent have pointed it out. Thus, it is clear that the budget has been used as an instrument of financial control by both the organisations in the absence of any other effective means of financial control.

Since the budget has been used as a major tool of financial control by both the organisations, thus the budgeting plays an important role in the financial administration. The budgeting system of an organisation can be said to be dynamic, if, it adopt the new budgeting techniques such as ZPP and performance budgeting. The budgeting system of HPSEB and HRTC is also not an exception to these techniques:

<table>
<thead>
<tr>
<th></th>
<th>HPSEB (N=26)</th>
<th>HRTC (N=24)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. (%)</td>
<td>No. (%)</td>
</tr>
<tr>
<td>Always</td>
<td>14 54.0</td>
<td>4 17.0</td>
</tr>
<tr>
<td>Sometimes</td>
<td>4 15.0</td>
<td>6 25.0</td>
</tr>
<tr>
<td>Rarely</td>
<td>3 12.0</td>
<td>14 58.0</td>
</tr>
<tr>
<td>Never</td>
<td>5 19.0</td>
<td>-</td>
</tr>
</tbody>
</table>
So far as the experience of the respondents of HPSEB regarding the application of modern budgeting techniques is concerned, a large number of respondents i.e. 54 per cent stated that these techniques are always used. There were 15 per cent respondents who told that these techniques are used sometimes. Moreover, 19 per cent of the respondents disclosed that modern budgeting techniques are never used. However, the 12 per cent of the respondents stated that the use of these techniques are rarely made.

It is obvious that the use of modern budgeting techniques in HPSEB is only made on the project sides, mostly at the time of project planning. The respondents who have not worked in projects have seen the use of these techniques sometimes or rarely.

In case of HRTC, 58 per cent of the respondents pointed out that the use of these techniques is made rarely. However 25 per cent of them came out with the version that HRTC sometimes made the use of modern budgeting techniques. A small number of respondents i.e. 17 per cent revealed that the use of these techniques is always made.

It can be mentioned here that the use of performance budgeting is made in HRTC, in the form of functions, activities and performance targets only.
Therefore, there appeared the difference in the opinion of the respondents regarding the use of modern budgeting techniques.

The opinion of the officials were also obtained regarding the adaptation of budgeting techniques, which they felt could be more effective in their respective organisation. Their opinions are illustrated as under:

<table>
<thead>
<tr>
<th>TABLE - 3.7</th>
<th>Effectiveness of Budgeting Techniques</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HPSEB (N=26)</td>
</tr>
<tr>
<td></td>
<td>No. (%)</td>
</tr>
<tr>
<td>Traditional Budgeting</td>
<td>2 8.0</td>
</tr>
<tr>
<td>Performance Budgeting</td>
<td>24 92.0</td>
</tr>
<tr>
<td>Zero-base Budgeting</td>
<td>- -</td>
</tr>
</tbody>
</table>

The table 3.7 shows that 92 per cent of the respondents of HPSEB expressed the view the performance Budgeting could be more effective in their organisation. However, an insignificant number of respondents i.e. 8 per cent favoured the traditional budgeting.
As regards HRTC there is a mixed response for both Performance Budgeting and Zero-Base Budgeting, by 50 per cent and 46 per cent respectively. At the same time a minority of 4 per cent of respondents have favoured the traditional budgeting.

It is evident that the officials of HRTC definitely experienced some flaws in the traditional budgeting, and have therefore opted for either of these two modern budgeting techniques, for the better financial management of the corporation.

It is obvious from the above resume that the budgeting has only been an instrument of financial control in both these organisations and the respondents favoured modern budgeting techniques, because of the fact that they have experienced some flaws in the traditional budgeting system which is at present prevalent in their organisations.

3.9 Comparison

While comparing the budgetary system of HPSEB with that of HRTC, it can be inferred that both these organisation have adopted the basic principles of financial accounting for collecting the budget estimates, such as classification of budget, estimates on the basis of Capital Budget, Revenue Budget and
Capital Expenditure, and Revenue Expenditure. Keeping in view, the different nature of the business, both these organisations carry, these approved the difference in the names of heads and sub-heads of budget Estimates. The procedure adopted for the collection of data for budget estimates, final statement is almost similar in both the organisation.

So far as the responsibility for making the final budget estimates, in both these organisations under reference is concerned, that lies with the Finance and Accounts Wings of the respective Organisation.

The point of difference in the budgetary system of the both, is that in the case of HPSEB the budget statement after the approval of the B.O.D. is submitted to the State Government and the State Government cause the statement to be laid on the table of the House of the State Legislature. The said statement is open to discussion but not subject to vote. The Board has to take into consideration any comments made on the statement in the State Legislature. Whereas, in case of HRTC the budget estimates are approved by the Board of Directors and, thereafter, sent to the State Government. These are not laid on the table of the House of the State Legislature for any discussion, like that of HPSEB.
3.10 Auditing

Auditing starts where accounting ends. Audit is a Latin word meaning "he hears". In general sense, audit is an examination and verification of records and evidences by an independent person or a body so as to form and express an opinion, whether, the records and other evidences present a true and fair view of whatever facts they are intended to reflect. In respect of accounts of an enterprise, audit may be regarded as a systematic examination of records, financial statements and other related operations, to determine adherence to the accepted accounting principles and management policies. In the process of carrying out the audit, the auditor ensures that the system and procedure are fool proof and the accounting has been carried on the basis of standard practices. The knowledge of accounting is a prerequisite to carry out an audit effectively. Auditing is an on-going activity rather than a static one-time check of the relationship between financial assertions and underlaying events. This is an on going process, which requires gathering and analysing of evidences as financial activity and events occur.

The significance of audit is more important in regard to public sector enterprise, since, it is an autonomous body in nature, financed by a large number of persons, by different financial institutions and by
different banks. The management and financiers (owners) are separated. In this case, accountability to the financiers, assumes greater importance. In general, there are five kinds of audit namely:

(i) Internal Audit.
(ii) Financial Audit.
(iii) Cost Audit.
(iv) Audit by the Comptroller and Auditor General of India.
(v) Tax Audit.

These five kinds of audit can be classified into two categories viz. Statutory Audit; Non Statutory Audit. The main features of auditing are to make a critical review of the system and procedure in an organisation and to make such tests and enquires, into the results, as well as, the operation of such systems and procedure, as the auditor may consider necessary to form an opinion. The audit system prevalent in HPSEB and HRTC is discussed as under:

3.10.1 Audit System in HPSEB

There is two tier system of auditing in the HPSEB--Internal Audit and Statutory Audit.

(i) Internal Audit

The Internal Audit consist of two types of
audit; one is works audit and the other is consumer audit. The works audit is conducted by internal works audit parties and they confine only to the audit relating to the works side, including the supplies made by the suppliers, with references to the delegated powers to the field units or their higher authorities. The works audit is carried out simultaneously, in respect of project works, construction works including lines, sub-stations and supplies made directly for the works, as well as, in respect of stores being maintained with all the field units.

In so far as, the consumer's audit is concerned, it is a large area for which perpetual and regular audit is needed. A number of Internal Audit Parties are conducting these audits at the sub-Divisional level, as the consumers accounts, are maintained at this level. The Internal Auditors conduct this audit and submit the reports through the Finance and Accounts Wing to the next higher authority i.e. in case of sub-Divisional Officers to the Executive Engineer and in the case of Executive Engineer to the Superintending Engineer and so on. The reply on the audit report is then obtained by the Finance and Accounts Wing in case of any doubt, but generally in
the case of commercial/internal Audit, the compliance of recoveries, as pointed out in the audit reports, are got made, and only then the paras are dropped. In case of any difference of opinion between the field authorities and the Finance and Accounts Wing, clarifications from Chief Engineer (Commercial) are obtained, as far as, commercial point of dispute is concerned.

(ii) Statutory Audit

It is conducted through the Resident Audit Officer, working under the control of Accountant General Himachal Pradesh. This audit group conducts audit of works, as well as, of commercial and consumer's accounts. The procedure for submitting the audit report by this audit group, is similar to that of internal audit group. The reply to these audit reports, is also furnished through the next higher authority, and in case some paras are considered to be very serious for which the reply is not received in time or the reply is not convincing, the Resident Audit Officer floats the para as advance para and its reply is then furnished by the head of department i.e. Chief Engineer to the Resident Audit Office, and if the reply is still not convincing, the para is floated as a draft para and its reply is then required to be
submitted to audit through the State Government. When the reply to the draft is still not found convincing or the reply is not received in time, the draft para finds its place in the report of Comptroller and Auditor General of India (CAG), which is, therefore, discussed in detail before the committee on Public undertaking CPU of State Legislative Assembly. The CPU can summon even the respective defaulting officer or the Management to report on the audit observations. The proceedings of the CPU are secret one. The final report on the findings of the CAG of India is then submitted in the Legislature by the Chairman of the CPU.

3.10.2 Audit System in HRTC

There is a three tier system of auditing in HRTC- Concurrent Internal Audit, Peripatetic Audit and Statutory Audit.

(i) Concurrent Internal Audit

To conduct the concurrent internal audit of the corporation, one senior Auditor and one Junior Auditor is deployed in each main unit and each sub-unit respectively. This provision is made to ensure the accuracy of income received, and expenditure incurred, by the different units of the Corporation.
The internal auditors deployed to different units ensure that they give necessary advice and help to the unit officers in respect of all financial and accounts matters also. The internal audit staff is responsible to apply the prescribed checks, necessary to effect economy and to guard against wasteful expenditure, adoption of fraudulent means and also to check mis-appropriation, short deposit and short realisation of corporation money. In order to achieve these objectives, all proposals of incurring expenditure are got scrutinised and cleared from the senior/junior auditor by the unit office. The internal audit staff is under the administrative control of General Manager, through the Chief Accounts Officer of the Corporation.

(ii) Peripatetic Audit

The peripatetic Audit party of HRTC, consisting of one Senior Auditor and two Junior Auditors, is headed by the Assistant Accounts Officer and is attached to the Head Quarters. It functions under the control of the Chief Accounts Officer and the tour programmes of this party to the different units of the Corporation are chalked out by him. It is entrusted with the functions of inspection and post audit of accounts and other financial transactions. The main function of this audit party is to detect
mistakes in accounts and procedures followed, and to suggest rectification, wherever necessary. The audit party carries out the test check on some of the items audited by the concurrent internal auditors. The head of this audit party is the Assistant Accounts Officer who compiles the audit reports and submit the same to the Chief Accounts Officer. The inspection and audit report, of Peripatetic Audit Party consists of three parts; Introductory, Observations and Minor Points. The minor points are settled on the spot and the major points of observation are sent to the defaulting officers or officials through the unit incharge and reply obtained on them. If the replies are not found satisfactory, the recoveries are effected from the defaulting Officers or Officials.

(iii) **Statutory Audit**

The Statutory Audit, in respect of HRTC accounts is conducted by the Accountant General of Himachal Pradesh. The Statutory Audit party from the office of Accountant General Himachal Pradesh conducts the audit of the overall financial transactions made in the Corporation. It reviews the audit paras made by the concurrent internal auditor and the peripatetic audit group, and their final settlements. The Statutory Audit is carried out both from cost audit
and works audit point of view. This audit party submits its report to the Management of the Corporation through its main office situated at Shimla. The reply to the paras are furnished by the Managing Director on behalf of the Corporation. If the reply is not found convincing the para is floated as a draft para and the reply is, then required to be submitted to audit through the State Government. If the reply through the State Government is not still found satisfactory the matter finds place in the report of Comptroller and Auditor General of India, is referred to the CPU.

After studying the system of auditing of both the Organisations, it is felt necessary to know its effectiveness. The opinion expressed by the officials of both the Organisations is tabulated below:

<table>
<thead>
<tr>
<th>TABLE - 3.8</th>
<th>Effectiveness of Present Auditing System</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HPSEB (N=26)</td>
</tr>
<tr>
<td></td>
<td>No.</td>
</tr>
<tr>
<td>Effective</td>
<td>11</td>
</tr>
<tr>
<td>Adequate</td>
<td>9</td>
</tr>
<tr>
<td>Inadequate</td>
<td>5</td>
</tr>
<tr>
<td>Ineffective</td>
<td>1</td>
</tr>
</tbody>
</table>
Regarding the effectiveness of prevailing audit system in HPSEB, 42 per cent of the respondents expressed the view that the prevalent system is effective. There were 35 per cent of the respondents who were of the opinion that the system is just adequate. Moreover, 19 per cent called it inadequate and 4 per cent described it as an ineffective system. Thus, the overall position can be stated as satisfactory but not good.

On the other side, the majority of the respondents of HRTC i.e. 58 per cent expressed the view that the present auditing system is inadequate in their organisation. However, 38 per cent called it adequate. The 4 per cent respondents were of the view that the auditing system is effective in HRTC.

It can be analysed from table 3.8 that auditing system in respect of HRTC is unsatisfactory and needs immediate reforms to strengthen the financial administration of the corporation.

3.10.3 Comparison

In comparison of the audit system of HPSEB with that of HRTC, it is found that the aim and objective of audit are the same in both these organisations. The difference in the system is only to the extent that HPSEB is having two tier audit system and HRTC is adopting the three tier system. Undoubtedly, the three tier system is definitely better for
a thorough checking and control. In so far as statutory Audit is concerned, it is regularly carried out by the Resident Audit Party from the office of Accountant General of Himachal Pradesh, in the case of HPSEB. But in the case of HRTC, the statutory audit carried by the aforesaid agency is of 'sample check' nature. The statutory audit in respect of HPSEB is thorough, as well as, cost audit and works audit. In case of HRTC, the major portion of the audit job, is carried out by the lower tier of the audit system i.e. concurrent internal audit party. The peripatetic audit and statutory audit are of 'test check' nature.

3.11 Social Audit

"All the organisations, small or large, public or private, voluntary or profit earning, have come to be viewed as instruments of society. Since, we are in the midst of a social and economic revolution, our job is to serve society through reliable and safe products of high quality, and are expected to care about--no pollution, no discrimination, no hazardous working conditions. Furthermore, some of our vast, economic power should be devoted to social programmes." 18

The public has an access to the corporation's or Board's annual reports, news releases and accounts statements. These reports are especially made public, to emphasize on financial informations. There is a little, or no content of social reporting on them. Before discussing
the social reporting by these organisations, it is important to make a mention of what social reporting is. In simple words, social reporting reflects the impact of an organisation's activities upon society. This embodies the performance of its economic functions and other actions taken to contribute to the quality of life.

The scope of social reporting extends beyond that of traditionally reported economic effects and achievements. An organisation may be said to be engaged in social reporting when it moves beyond its financial operations and begins to measure and evaluate its other effects on society. Social reporting is also known by some other names such as Socio-economic accounting, social accounting, social responsibility accounting and social audit. In the present study, we use the term 'Social Audit'.

The demand for social audit is two pronged internal and external. The internal demand is there because of the growing legal liabilities of directors. The directors get themselves fully informed about the negative effects of the organisation on society, since they know, that this is the situation where the criticism will be made and this is the stage where they have to defend themselves. The external demand for social auditing information is more diverse. The society, press and the Legislature are the more active parties demanding for the social auditing.

The social auditing provisions and their impact in
respect of HPSEB and HRTC can be discussed as follows:

3.11.1 Social Audit in HPSEB

The term 'social audit' has not drawn much attention in HPSEB. The management and the employees of the Board are less conversent to this term, its scope, provision, functions and its impact as well. However, the presence of social audit can be observed in, one or the other area, in the functioning of HPSEB. There is no special cell dealing with the social audit in the HPSEB. Keeping in view the nature of business and services, the HPSEB render to the society, there is, certainly lesser scope for social audit. Social audit regarding the hydel project construction can attract the attention, as it involves various types of activities. To study the impact of these hydel projects on society, the application of 'Social Cost Benefit Analysis' is more appropriate, rather than social audit. So far as HPSEB as a whole, in the consumer's services, is concerned, the social audit is of great importance. The application of social audit in respect of HPSEB can be applied to the following areas:

(i) Consumer service provided to the society,
(ii) Efficiency of service provided,
(iii) Working condition for the workers,
(iv) Safety measures adopted against electrical shock,
(v) Regularity in power supply,
(vi) Electrification of the houses of down trodden class,
(vii) Measures provided against electric short circuiting etc.

Almost all these functions as stated above are covered in one or the other form, in the management functions of HPSEB under various subjects. There is no special agency in the HPSEB dealing with these functions exclusively. The traces of these social audit areas can be found, at various levels of the organisation, depending upon the nature and importance of the matter. Circulars are sent by the Board Secretariat to the different field offices to implement, enforce and report back regarding steps taken by the field agencies against these measures. Often these circulars are circulated only after occurrence of some eventuality or appearance of some report in newspapers, or any other media. There is no regular review of social auditing, which can maintain continuity. Consumer's complaints against the services of HPSEB are entertained, generally, at the subdivisional level only. The consumer's demand for new electrification or sufficient voltage are ventilated through their public representative, knowing that the individual consumer is considered casually by HPSEB.
3.11.2 Social Audit in HRTC

HRTC is a smaller organisation as compared to HPSEB. However, there is much scope for social audit in it, because of the nature of the services, which the corporation renders to the society and the type of its functioning. Since HRTC is involved in passenger services, rather than the production of goods or generation of power etc. Therefore, the business it carries out, is more sensitive as compared to HPSEB. It functions in a delicate zone of passenger transport in a hilly state like Himachal Pradesh, therefore, its public accountability and social audit becomes all the more important from socio-economic and social security point of view. The area of social audit in respect of HRTC can be classified as follows:

(i) Safety measure adopted to minimise the rate of road accidents,
(ii) The quality of passenger transport service rendered,
(iii) Provision made for compensation in case of accident,
(iv) Efforts made to minimise the air and noise pollution by HRTC Vehicles, from public health point of view,
(v) Role played by the Corporation in the services of different sections of the society,
(vi) Reviewing the passenger's complaint against the passenger transport service rendered by HRTC.

Dispite the great need for social audit in HRTC, the Corporation has done very little in this field. Although, it has made various provisions for social audit against the aforesaid points, yet it has continued a few. There is no specific wing in HRTC which may deal with social audit exclusively. The different matters of social importance are dealt in different wings and at different levels. There is no provision in practice to integrate and review them. However, the Head quarters issue orders to different departments of the corporation and to field offices regarding these measures of social security and passenger's complaints. The Corporation has made a right step in the direction of passenger insurance by including the charges of insurance premium on fare tickets, thereby getting the passenger travelling in HRTC buses insured. From the social security point of view measures like minimising the rate of accidents pollution control are more important.

The Public Sector enterprises like HPSEB and HRTC are not only profit seeking, within the usually accepted meaning of the word 'profit', but they also seek other objectives, and it is, therefore, necessary to develop alternative means of measuring and evaluating the social securities in these
organisations. In this direction, there is a need for substantial body of knowledge and collection of techniques for social audit in the public sector as a whole.

Therefore, after discussing all the facts of financial administration, the study of periodical social audit has also been felt important.

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<tr>
<th>TABLE - 3.9 Conducting of Periodical Social Audit</th>
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<tbody>
<tr>
<td>HPSEB (N=26)</td>
</tr>
<tr>
<td>No. (%)</td>
</tr>
<tr>
<td>Always</td>
</tr>
<tr>
<td>Sometimes</td>
</tr>
<tr>
<td>Never</td>
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<td>Concept is not known</td>
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A high percentage of respondents of HPSEB i.e. 46 per cent revealed that periodical social audit is always carried out in their organisation. However 12 per cent stated that it is never carried out. Moreover, there is a team of 38 per cent respondents who were not conversant with the concept of social audit. At the same time, 4 per cent of the respondents pointed out that the social audit in HPSEB is carried out sometimes only.

On the other hand a majority of 75 per cent of the
respondents of HRTC disclosed that the periodical social audit is conducted sometimes. Moreover, 17 per cent of them stated that it is always conducted. At the same time 4 per cent of the respondents, which is negligible, stated that it was never conducted. Simultaneously 4 per cent, of them expressed their ignorance of the very concept of social audit.

In nutshell, it can be said that the periodical social audit was always carried out in HPSEB. Since the majority of this organisation do not come in direct dealing with the people, therefore, they remain hardly conversant with the concept of social audit. In case of HRTC, there is a high potential for social audit, because of its nature of services, which deals directly with the people. However, the results reveals that the social audit was casually conducted in HRTC, whereas it should be conducted regularly, keeping in view, the nature of services it renders to the society.

3.11.3 Comparison

While comparing the Social Audit provisions of HPSEB and HRTC, it can be inferred that HRTC is more prone to social audit, because of the nature of services it renders to the society. Although, the HRTC has initiated much, in this direction, yet it has continued a little. In HPSEB there is a little scope for social audit because of the
systematic nature of the business. The concept of social audit to both these organisation, is of great importance because both of these are the public utility public sector enterprises. It is important to make a mention here that the term itself is less popular in both these organisation and its scope is undefined.
REFERENCES


5. Cees Van Dam, op. cit., p., 75.


12. Ibid., p., 69.


14. Ibid.,

