

INDEX

Section	Description	Page No
1	Glossary/Abbreviations	1-2
2	Introduction	3-6
3	Implementation entity & Roles	7-9
4	Budgeting	10-12
5	Fund Flow	13-14
6	Staffing	15-17
7	Accounting and Record Keeping	18-23
8	Financial Reporting	24
9	Internal Control Audit	25-35
10	External Audit	36-39
11	Disbursement Arrangement	40-41
12	Disclosure of Information	42

SECTION-1

GLOSSARY/ABBREVIATION

Gol:	Government of India.
Go J&K:	Government of Jammu and Kashmir.
WB:	World Bank.
JTFRP:	Jhelum &Tawi Flood Recovery Project.
MOU:	Memorandum of Understanding, which contains the terms and conditions between the Parties concerned for carrying out various activities of the project.
PAD:	Project Appraisal Document.
PSC:	Project Steering Committee.
PMU:	means the Project Management Unit set up by the Go J&K for assisting the Project Director in implementing the Jhelum Tawi Flood Recovery Project.
PIU:	means the Project Implementation Unit for implementing the project.
PD&MD:	Planning Development & Monitoring Department (Administrative Department for PMU)
CAG:	Comptroller Accountant General.
DEA:	Department of Economic Affairs.
CAAA:	Controller Aid, Accounts & Audit.
PFS:	means Project Financial Statements.

IUFR: Interim unaudited financial Report.

Accounting Year: Year or “Financial Year” refers to the financial year defined in the General Financial Rules, 2017.

Auditor: means a firm of qualified Chartered Accountants appointed by Project Management Unit (PMU); or any other auditors appointed by any other competent authority for auditing the project accounts; or C&AG of India for Statutory Audit though Comptroller Accountant General of J&K.

Bank: means a Bank in which a separate account is opened to operate the project funds.

Project: means the Jhelum Tawi Flood Recovery Project.

I&CD: Industries & Commerce Department.

SMC: means Srinagar Municipal Corporation.

PIP: means Project Implementation Plan, including action plans, procedures and criteria for implementation of the project.

Staff: means the financial personnel/professional or otherwise, engaged for management of project execution.

R&B: means Roads and Bridges.

MDR: means Major District Roads.

SECTION-2

INTRODUCTION

The state of Jammu and Kashmir witnessed unprecedented heavy rain fall from September 2-6, 2014, that caused one of the worst floods in the history of the state. The catchment area particularly low lying areas were flooded for more than two weeks. Some areas in urban Srinagar stayed flooded for 28 days. On request from Government of India in this urgent need of assistance a mission of World Bank visited affected areas to produce a multi-sectoral assessment report of the damages and needs. The Rapid Damage & Needs Assessment team (RDNA) estimated the total damages and loss caused by the floods at about INR 211975 million.

Based on the RDNA report the International Development Association agreed to make available to the Government of India an amount of USD 250 million as credit/financing on terms and conditions set forth in the financing agreement between Government of India and the IDA. Consequently the Jhelum and Tawi Flood Recovery Project (JTFRP) was negotiated on April 24, 2015 between Government of India and International Development Association. The J&K Cabinet in its meeting held on 19th August 2015 vide its Cabinet decision No:101/08/2015 approved the following:

- Availing of World Bank assistance by Relief & Rehabilitation Department, Go J&K, of USD 250 Million (Rs 1500 crore approximately) to be utilized for undertaking the activities as per the indicative.
- Entering into a subsidiary agreement with the Government of India.
- Constitution of Project Steering Committee for overall strategic guidance and monitoring of the project headed by the Chief Secretary and comprising of all involved line Departments, and additionally, the Department of Finance, Planning, Environment and Social Welfare.

- Hon'ble Chief Minister had also been authorized to effect necessary changes in the composition of the SC, if and as required, in light of the experience gained in the implementation of the project and in consultation with the DEA & the World Bank.
- The Subsidiary Agreement was signed between Ministry of Finance (Government of India) and State of Jammu and Kashmir on January 21, 2016.
- The expected date of completion JTFRP is June 30, 2020 (subject to any extension as applicable).
- The detailed description of the Project, along with various components, implementation and monitoring structure, fund flow, processes and systems to be followed have been given in the Project Appraisal Document (PAD).
- Date of effect of The Financing Agreement and the Project Agreement is April 19, 2016.

However, Vide Government Order No. 1535-GAD of 2018 dated 12-10-2018 the PMU for JTFRP has been integrated with J & K Economic and Reconstruction Agency (J&KERA) as a Project Unit with Planning Development and Monitoring Department (PD&MD) as the Administrative Department of the Integrated Unit.

Under the project, the Expenditure has been grouped into components and sub components in line with the categories of eligible expenditures identified for the project. The following are the indicative broad components, in which the expenditure incurred is currently booked:

- **Component 1** – Reconstruction and strengthening of critical infrastructure, US\$60 million.
- **Component 2** – Reconstruction of roads and bridges, US\$80 million.
- **Component 3** – Restoration of urban flood management infrastructure, US\$50 million.

- **Component 4** – Restoration and strengthening of livelihoods, US\$15 million.
 - Subcomponent 4.1* – Restoration of physical and productive assets (US\$13 million).
 - Subcomponent 4.2* – Technical assistance for risk proofing non-farm livelihood (US\$2 million).
- **Component 5** – Strengthening disaster risk management capacity, US\$25 million.
 - Sub-component 5.1:* Capacity building for disaster management (US\$17 million).
 - Sub-component 5.2:* Technical support for risk reduction and response preparedness (US\$8 million).

- **Component 6** – Contingent Emergency Response, US\$0 million.

Following an adverse natural event that causes a major natural disaster, the PIE may request the Bank to re-allocate project funds to support response and reconstruction. This component could also be used to channel additional funds should they become available as a result of the emergency.

- **Component 7** – Implementation Support, US\$20 million.

This component would finance incremental operating costs of the Project, including the operation of the Project Management Unit (PMU) and Project Implementation Units (PIUs). In addition, the component will include consultancies required for the preparation and supervision of specific activities, trainings, exposure visits and knowledge exchange programs, Operational & Maintenance expenses, personnel and Administrative expenses Finance charges etc.

The guidelines issued by the World Bank for appraisals, approvals, funding and execution of the world bank assisted projects require the Project Implementing Agency to take a number of steps before the World Bank undertakes the Project appraisal. One of these steps relates to preparation of a Project Finance Manual. Accordingly, a project Financial Manual specific to the World Bank assisted JTFRP Project has been prepared. This FM(Financial Manual) has been prepared taking into consideration all the extant processes and procedures in force in the government of J & k , Gol particularly those provided in the

General Financial Rules 2017 (GFR) and guidelines issued by ministry of Finance, the book of financial powers J & K and guidelines issued by WB for use of World bank borrowers.

While due care has been taken to bring the provisions of this manual in conformity with the GFRs, Book of financial powers and guidelines and orders of Government of J& K and Gol relating to financial management, in case of any ambiguity regarding any provisions or content of this manual, the corresponding provisions in the rules, regulations, orders and guidelines of the Gol,Go J&K and guidelines of World Bank, as the case may be, will prevail over the provisions of this Manual.

Key Project Documents for reference:

In order to obtain comprehensive guidelines about other related procedures of the project, the following may also be referred to, if required:

- Project Appraisal Document (PAD) of the World Bank
- Finance Agreement between the Government of India, and the World Bank for the Project.
- Subsidiary Agreement between Ministry of Finance, Government of India, and Government of Jammu and Kashmir.

SECTION–3

IMPLEMENTATION ENTITY & ROLES

3.1 Implementing Entity:

The Project implementing entity is the Government of Jammu and Kashmir through Planning Development and Monitoring Department.

3.2 Institutional Arrangements:

3.2.1 Project Steering Committee: A Project Steering Committee (PSC) has been constituted vide G. Order No 20-R&R of 20156 dated: 08.12.2015 under the chairmanship of Chief Secretary Go J&K to provide;

- Overall strategic guidance and monitoring the Project.
- Oversight of the Implementation of Project activities.
- Coordination of inter Departmental clearances.
- Facilitation of any external clearance required for the Project.
- Carrying out of semiannual review of Project Progress Budgetary allocations and Project reports.

3.2.2 Project Management Unit PMU: The Project is monitored and managed through a Project management unit (PMU) headed by Chief executive Officer (CEO) who is the Project Director of the Project. The PMU in its role of assisting the Project Director is responsible for the following matters relating to financial management of the project:

- Plan and define timelines for the project in terms of work to be executed.
- Prepare annual estimates and budget for the Project.
- Ensure full knowledge and systematic application of the Project procedures and requirements for financial management,
- Provide guidelines for financial accounting, reporting and audit aspects.
- Guide/monitor and provide support on adherence to fiduciary guidelines and financial management arrangements by working in close coordination with the World Bank/MoS/CAAA.
- Provide support to the Financial Management/accounting staff of WB on issues related to Financial Management of the Project
- Implementing the activities under Component-V.
- Carrying out Procurement activities under other Components.

- Carrying out implementation of Component-VII.
- Coordinating Monitoring and evaluating the PIU's execution of other Project Components.
- Process claims/bills for payments out of project funds.
- Prepare consolidated Project Financial Monitoring Reports (e.g. IUFRs) and ensure timely submission of IUFRs to the World Bank/CAAA.
- Coordinate receipt of annual audit reports from the PIUs and audit report of the PMU.
- Prepare and submit Consolidated Audit Report to the World Bank on a timely basis,
- Ensure timely compliance of audit observations by PIUs' and coordinate timely response from all concerned on audit observations.
- Act as a support and reference point for all project-related financial management tasks.
- Impart comprehensive and subject specific training to project staff at various levels on Financial Management and manage those training programmes through preparation of training plan, including schedule of trainings/workshops/seminars/orientation and monitoring and implementation of the same.
- Monitor disclosure of financial management information.
- To coordinate the preparation of Annual Procurement plan for the Project.
- Anticipate month- wise fund requirements so that fund flow management could be done.
- Interest on deposits and other income like misc. receipts and income from sale of tender form are being transferred to Project.

3.2.3 Project Implementation Units: The Project is being implemented through the following Project implementing units (PIUs):

- I. PIU (R&B),
- II. PIU (SMC) and
- III. PIU I&CD

Note: 15 % of the Project cost (works) under component 1 and 2 are being executed through JKPCC Ltd. under Force Account by the PMU.

Role of PIUs':

The role of PIUs' in matters relating to financial management of the project is as:

- Ensure full knowledge and systematic application of the Project procedures and requirements for financial Management in their respective areas of operation.
- Processing and Scrutiny of Bills / Invoices for payments out of project funds.
- Prepare budget for the project at PIU level.
- Provide Monthly drawl/ expenditure statements duly verified from concerned quarters to PMU.
- Submit Audit Report of PIU to the PMU.
- To observe internal control and maintain project accounts for reporting.
- To ensure Financial Record keeping and documents management.
- Assist in External / Internal Audits of Projects.
- Ensure protection and security of financial assets (BG/FD/CDRs etc.)
- Any other matter related with project, as may be assigned by Project Management Unit officials.
- PIU shall ensure that proper system and controls exist to monitor and control any cost overruns.
- IU shall ensure that proper monitoring and reviews are in place o effect and result in cost saving mechanisms.
- Annual Procurement Plan for Project Implementation Unit.
- Anticipated month–wise fund requirements so that fund flow management could be done.

SECTION-4

BUDGETING

4.1 **Budgeting:** The Project will be budgeted as a separate line under the Annual Budget of Go J&K to receive funds from the Department of Economic Affairs, Ministry of Finance, Government of India.

4.2 **Funding Pattern:**

The expenditure on the project will be initially met by PMU from Budgetary Resources allocated by the Government of J&K in the form of Grants and extra Budgetary Resources as per need. The actual expenditure incurred will be reimbursed by the World Bank as per the terms and conditions contained in the loan agreement between the Government of India and the World Bank. The funds for the Project will flow through the treasury mode except for SMC wherein separate Bank Account will be maintained for handling Project related funds.

4.3 **Preparation of Budget:**

- Preparation of a proper budget shall play an important role in timely implementation of JTFRP. PIUs shall estimate requirements of the funds for specific tasks/ objectives of the Project to seek funds from the Govt. of J&K. Every effort should be made to ensure that the budget is consistent with the annual procurement plan/physical targets and the underlying costs have been evaluated and assessed by technical experts. The following classification shall be followed for Budgeting and Booking of expenditure under the Project through treasury.

DESCRIPTION OF CLASSIFICATION		
Description	Digits in Codes	Detailed Description
Demand No:	03	
Major Head:	4235	Capital Outlay on Social Security & Welfare
Sub Major Head:	1	Rehabilitation
Minor Head:	201	Other Rehabilitation Scheme

Group Head:	11	General
Sub Head:	1755	World Bank aided Scheme
Detailed Head:	115-	Works

- However, at PMU and respective PIUs' the expenditure shall be accounted for in the TALLY software under the following Descriptions;

Object Descriptions for Budgeting and accounting to be followed by PMU and PIUs for accounting in the TALLY software'			
Component Details	Implementing Agency	code	Description
Component I- "Reconstruction and strengthening of critical infrastructure"	1.PIU,PW(R&B) 2.Force Account 3.Procurements by PMU	001	Buildings
Component -II "Reconstruction of Roads & Bridges"	1.PIU,PW(R&B) 2.Force Account	002	Roads & Bridges
Component -III "Restoration of Urban Flood Management Infrastructure"	PIU (SMC)	003	Urban Flood Management Infrastructure (UFMI)
Component -IV "Restoration and strengthening of livelihoods"	PIU I&CD	004	Restoration of physical Assets (RPA)
		005	Risk Proofing Non Farm Livelihood
Component -V : "Strengthening Disaster Risk Management Capacity"	PMU	006	Capacity Building for DM
		007	Technical support for risk reduction and response preparedness
Component -VI "Contingent Emergency Response"	PMU	008	Contingent Emergency Response
Component -VII "Implementation Support"	PMU	009-	Salary, Government Contribution (NPS)
		010-	Office Expenses; (to meet the expenditure on account of OE, TE, Telephone, RRT, POL , Furniture & Furnishing, Hiring of Vehicles, Outsource of Up keeping, Hospitality & Sumptuary allowance)
		011-	Campus Seminars & Trainings
		012-	Medical Reimbursement
		013-	Office Equipment and Appliances
		014-	Consultancies

4.4 Budget calendar:

- The Budget Estimates for the ensuing year shall be prepared by the concerned PIUs' and forward it to PMU through respective Administrative Departments by 20th of October.

- The PMU after due scrutiny shall forward with their detailed recommendations consolidated Budget Estimates/ Revised Estimates to the Finance Department through Planning Development & Monitoring Department by 10th of November.

4.5 Project Financing:

a. Lending Instrument:

The lending instrument will be Investment Project financing, and the implementation period for the project is five years.

b. Project Cost and Financing

A summary of the financing per component, in addition to counterpart contributions, can be found in the table below.

Project Components	Total Cost (US\$ M)	IDA financing (US\$ M)	Executing agency/ PIU	Financing
Component 1: Reconstruction and strengthening of critical infrastructure	60	60	R & B JKPCC	100%
Component 2: Reconstruction of roads and bridges	80	80	R & B JKPCC	
Component 3: Restoration of urban flood management infrastructure	50	50	SMC	
Component 4: Restoration and strengthening of livelihoods	15	15	I & CD	
Subcomponent 4.1: Restoration of physical and productive assets	13	13		
Subcomponent 4.2: Technical assistance for risk proofing non-farm livelihood	2	2		
Component 5: Strengthening disaster risk management capacity	25	25	PMU	
Subcomponent 5.1: Capacity building for disaster management	17	17		
Subcomponent 5.2: Technical support for risk reduction and response preparedness	8	8		
Component 6: Contingency Emergency Response	0	0		
Component 7: Implementation Support	20	20	PMU	
Total	250.0	250.0		

Table1: Project Component Costs.

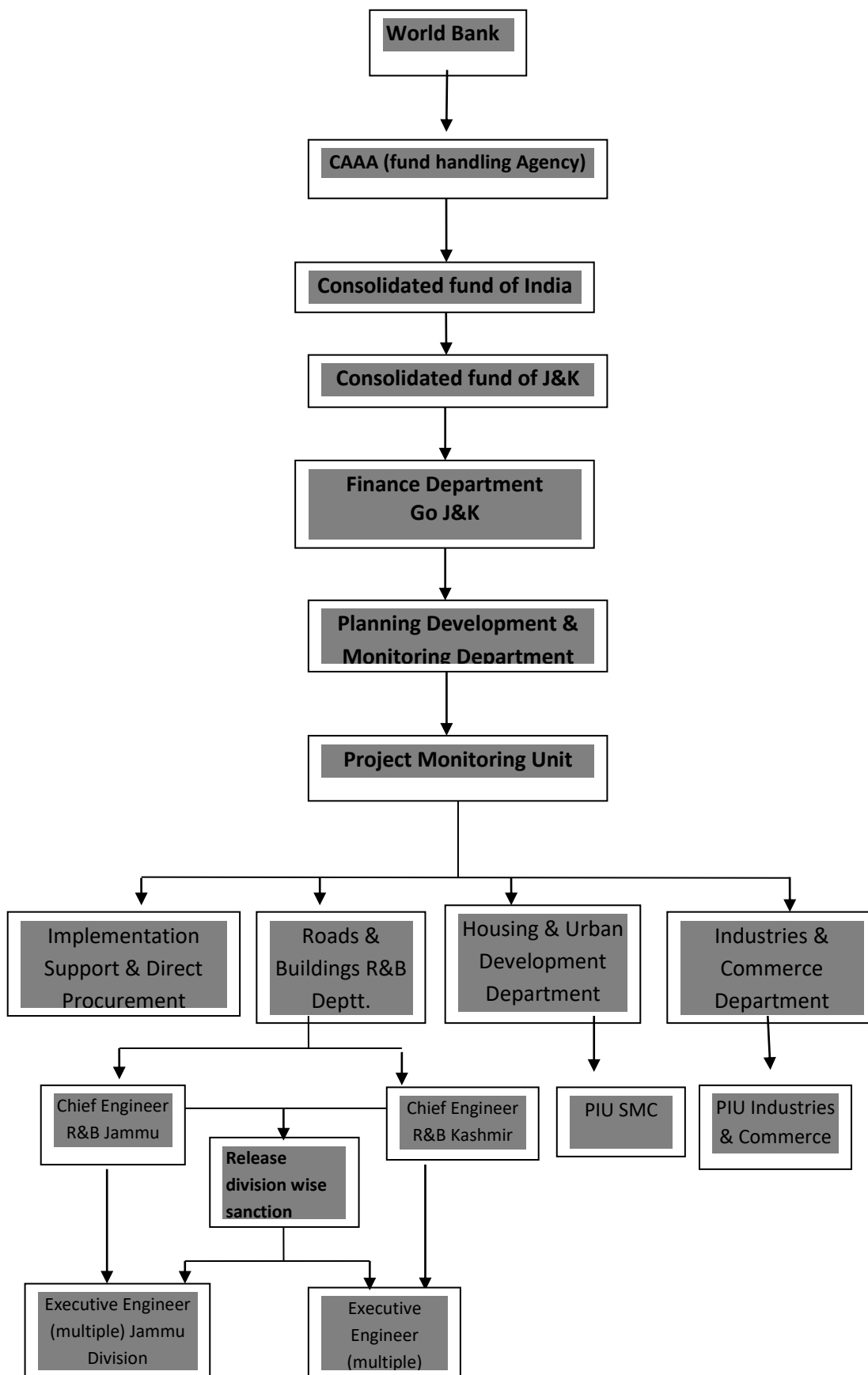
SECTION-5

FUND FLOW AND DISBURSEMENTS

5.1 Flow of Funds

- a) For PMU: The Project Financing is on reimbursement mode from World Bank through Department of Economic Affairs CAAA, Ministry of Finance, Gol (fund handling Agency) to Finance Department, GoJ&K. The Finance Department GoJ&K will release the funds to the PMU through Planning Development & Monitoring Department to be operated upon through treasury. The funds facilities, services and other resources required for the project as needed, will be provided by the GoJ&K.
- b) For PIU PW (R&B) and PIU I&C: Funds from PMU will flow to respective PIUs' by means of allocation, through their respective Administrative Departments as per requirements keeping in view the budgetary provisions projected during fiscal to avoid blockade of funds. Disbursements shall be made by the concerned PIUs' out of the allocations after observing all codal formalities/World Bank Procedures and guidelines/PAD through treasury route. For the drawl of funds from the treasury laid down Government procedures/ Rules /orders shall be strictly followed.
- c) For PIU SMC: Funds for the project will flow from PDMD-PMU to SMC through concerned line Department (as per requirement) i.e., Housing and Urban Development Department by means of advance drawl from treasury and its credit in a separate bank account of the PIU meant for the Project. From this separate bank account payments will be made to third party/contractors after observing all codal formalities/World Bank Procedures and guidelines/ PAD and Proper verification of the procurements by the field Engineering staff and by the approval of competent authority in the PIU.
- d) As funds from PMU will flow to SMC through line Department in a separate bank account maintained purposely for Project funds. The copy of the order releasing the funds from PMU will be marked to Commissioner Srinagar Municipal Corporation for information. As per the existing procedure in SMC, after vetting and check of the works by the Engineering staff and approval by the competent authority, Secretary SMC & chief accounts officer will be the signatory to the bank account.

Fund Flow Chart:



SECTION-6

STAFFING OF FINANCE WING AND TRAINING

6.1 Staffing:

Adequate number of finance professionals shall be provided for financial management of the project both at PMU and PIU levels, so as to ensure that the project work does not suffer.

The following are the positions of finance professionals in PMU and PIUs'.

Designation	Number of positions in PMU	Number of positions in each of the PIUs
Director Finance/Financial Advisor & CAO	01	00
Accounts Officer	00	01 (each)
Assistant Accounts Officer	01	0
Accountant	02	00
Accounts Assistants	01	01 (each)
Cashier	01	01 (each)

The Finance Cell will be responsible for establishment of agreed financial management arrangements, providing timely financial reports, facilitating smooth and timely flow of funds and providing overall guidance in respect of financial management issues, including monitoring of expenditures, audit and internal control.

6.2 The roles and responsibilities of the Finance Head at PMU are:

- a) Ensure that all financial management issues are dealt with as per Govt. of J&K and World Bank guidelines.

- b) To implement the provisions of the Financial Management Manual.
- c) Advising the Project Director and end-implementing agencies on financial matters relating to the project.
- d) Make periodic visits to field offices for advising, solving problems and monitoring.
- e) Calling for budgetary requirements of PIUs under the project and consolidating the annual budget for Project.
- f) Facilitating smooth and timely flow of funds to all PIUs.
- g) Processing of invoices and payments for the PMU.
- h) Consolidating the accounts of the Project by collecting information from PIUs’;
- i) Generating periodic financial reports including Interim (Unaudited) Financial Reports for submission to the Government, CAAA and World Bank.
- j) Preparation of annual Project Financial Statements in line with consistently applied accounting policies in the manner provided in the Project Financial Management Manual.
- k) Ensuring compliance with all statutory and tax laws, i.e. filing of returns, obtaining tax exemption certificates, deduction and deposit of TDS and service tax etc.
- l) Ensuring proper internal controls in the processing of payments, verifying monthly bank reconciliations of separate bank accounts maintained by PIUs’ for the project.
- m) Appointment of Internal Auditor for the project, approving internal audit plan and reviewing the results of internal audit for PIUs’.
- n) Ensuring timely audit of the Project including audit of the Project Financial Statements; attend to audit reports and ensure timely and effective resolution of audit observations;
- o) Liaise and coordinate with the bankers, consultants, end-implementing agencies, other staff etc. for the effective implementation of the Project.
- p) Support training to staff on financial management and
- q) Any other work assigned by the Project Director from time to time.

- r) Quarterly meetings of the Finance Heads of the PIUs' with the PMU regarding financial management of the Project and issues.

6.3 The role of the finance manager at the PIU will be as follows:

- a) Preparing the budget estimates for submission to PMU and monitor the use of funds according to the approved budget.
- b) Managing bank account of PIU (wherever separate bank account is opened for the Project) and ensure timely flow of funds.
- c) Complying with the various procedures and guidelines laid down for administering the financial management system for JTFRP.
- d) Ensuring proper maintenance of accounting records for the expenditure incurred under JTFRP at the PIU.
- e) Providing timely (monthly) financial reports by 5th of proceeding month to the PMU of the monthly expenditure incurred.
- f) Ensuring timely conduct of internal audit and statutory audit of accounts.
- g) Reviewing the financial progress of the Project and analyzing for any delay in budgeted activities.

6.4 Training:

The Finance & Accounts professionals of the project will be deputed for training on the Financial Management systems and procedures conducted from time to time at various places in the country on need basis by the World Bank. The training on the use of accounting software shall also be given with the help of software developer.

SECTION-7

ACCOUNTING

7.1 Accounting system

The line departments (PIUs) as well as the PMU will use the AG accounting system for the project expenditure. However the expenditure shall be simultaneously maintained by the PMU as per defined object descriptions in TALLY. Besides, SMC will use TALLY by opening separate company under the TALLY soft ware for the expenditure related to the Project.

Entity	Type of Accounting
PMU and line Departments	AG System of Accounting/ TALLY
SMC	TALLY

7.2 Accounting Policies

- a) Accounting for project expenditures will be maintained on cash basis of accounting and separate books of accounts will be maintained for the project
- b) All payments shall be charged off to relevant expense account head at the time of making the payments except advance payments. Advance payments shall be charged off to the relevant heads of accounts on adjustment.
- c) The assets created out of project funds shall be accounted at acquisition cost including taxes, duties, freight and other incidental expenses relating to acquisition.
- d) No depreciation shall be provided on Fixed Assets acquired under the Project.

7.3 Method of Accounting and book keeping

Accounting for project expenditures will be maintained on cash basis of accounting and separate books of accounts will be maintained for the project. Separate books of accounts and records shall be required to maintain by each PIU. The line departments shall also have to maintain separate books of accounts and records of flow of funds under this project.

At SMC:

- Separate groups/ ledgers heads with respect to the project shall have to be created.
- Entire expenditure incurred under the Project has to be accounted for under separate Detailed Head
- Details of contract wise payments to be maintained.
- Clear and approved documentation has to be maintained with respect to all expenditure.

7.4 Book Keeping and Records

- Each of the PIUs shall maintain standard books of accounts – Master Cash Book, Cash Book, Ledger, Cheque Issue Register, Fixed asset register etc. Master Cash Book shall be a summary of all the payments made by the PIU.
- Support Vouchers shall be prepared for record of each transaction.
- PIU will pay particular attention to maintenance of Works and Contractors' registers
- Cash Book shall be closed monthly and attested by the Finance Head of the PIU.
- In addition, bank reconciliation statements would be prepared by the PMU and the PIUs on a monthly basis and approved by the Finance Heads at the respective PIUs.
- Fixed Asset Register: The PIUs, including the line departments shall maintain a separate Fixed Asset Register to record the assets acquired and created by them respectively out of the Project Funds.

- Individual asset-wise entries will be recorded in the Fixed Asset Register.
- An identification number would be assigned and painted prominently on each of the assets created for easy identification the assets.
- Each PIU shall ensure that assets created out of the Project Funds are being utilized for project purposes only. There will be an annual physical verification of fixed assets by the finance wing of the PIU.

7.5 Accounting Centers:

The main accounting centers are:

- a. Accounts & Finance Branch of PMU at Jammu/Srinagar
- b. PIUs at various project sites

7.6 Method of Accounting/Accounting Policies/Basis of Accounting System:

- i. The Accounts & Finance Wing of PMU &PIU would adopt Double Entry System of book keeping on mercantile basis.
- ii. All payments will be charged off to relevant project activity account head at the time of making the payments, except advance payment.
- iii. Advance payments will be charged off to the relevant project activity account head on adjustment.
- iv. Assets created out of project will be accounted at cost.
- v. Materials purchased for project activities will be charged off to the relevant project expenditure head.
- vi. Release of funds to PIU will be accounted for as transfer of fund in the books of accounts and treated as expenditure only after release of payment against bills.
- vii. Advance of funds to staff to meet contingent expenditure/to suppliers will be accounted for as advance in the books of accounts and treated as expenditure only upon submission of expenditure supported with bills.
- viii. PMU/ PIUs will ensure compliance of prevailing Govt. of India, Go J&K accounting standards/ IFRS and guidelines of ICAI as amended from time to time.

ix. Ledger Heads/ Groups once defined will be used as final. Any deviations from the same will require prior approval of Project Director, PMU.

7.7 Project Accounting & Standard Books of accounts to be maintained:

To ensure a transparent and accurate accounting system, Separate books of accounts and record of fund flow for the project funds will be maintained by each PIUs and PMU. Each of these management structures will maintain standard Books of Account as:

- Cash Book,
- Bank Book,
- Assets Register,
- Bid opening Register,
- Payment Control Register,
- Journal,
- Ledgers,
- Mobilization advance register,
- Bank guaranty/Bid security/EMD register,
- Petty cash Book
- Any other.

Chart of Accounts: Separate accounts shall be maintained by the PMU and all the PIUs' under the specified object descriptions as mentioned in Section 4.3 above.

As the said chart of accounts comprehensively covers all the Object descriptions that would be required to account for transactions under the separate components of the project, it is expected that no additional accounts will be required to be opened. However, in case additional accounts are required to be opened, the same may be done by Accounts & Finance Branch of PIU with the prior approval of PMU, in order to ensure uniformity across the project.

7.8 COMMON ACCOUNTING ENTRIES FOR PMU & PIUs :

(i) Expenditure under the project

Debit [Respective Project Activity Head] A/c

Credit To Bank A/c

Explanation: All the expenditure incurred under the project shall be debited to respective project activity head as detailed in the chart of accounts.

(ii) Advances for goods

Debit [Advances for goods – supplier’s name] A/c

Credit To Bank A/c

Explanation: Payment made as advance of goods.

(iii) Advances for services

Debit [Advances for services –service provider’s name] A/c

Credit To Bank A/c

Explanation: Payment made as advance for the services.

(iv) Advances for works

Debit [Advances for works –package/contractor’s name] A/c

Credit To Bank A/c

Explanation: Payment made as advance for the works.

(v) Advances to staff

Debit [Advances to staff – staff’s name] A/c

Credit To Bank A/c

Explanation: Amount of advance paid to the staff for incurring expenditure under the project.

(vi) Adjustment of advances for goods / services / staff

Debit [Respective Project Activity Head] A/c

Credit To [Respective Advance Account] A/c

Explanation: Amount of advance for goods/services/staff adjusted against receipt of goods/service or expenditure reported by staff vide statements of expenditure and invoices/bills.

(vii) Regular payment of work / adjustment of advances

Debit [Respective Project Activity Head] A/c

Credit To Bank A/c

To Security Deposit A/c

To [Respective Tax Deducted Account]

To [Advances for works –package/contractor’s name] A/c

Explanation: Entry made for payment to the contractor (net after deduction of taxes /retention money/security deposit) and part/full adjustment of advances given earlier.

(viii) **Regarding Revenue receipts**

Debit	Bank A/c
Credit	To Respective Revenue Receipts A/c

• **ACCOUNTING ENTRIES ONLY FOR PMU :**

(i) **Receipt of grant by PMU from MoS**

Debit	Bank A/c
Credit	To Grant received from MoS

Explanation: The amount of grant received by PMU from MoS for expenditure to be incurred by PMU in the project.

(ii) **Release of grant by PMU to PIUs**

Debit	[Respective PIU] A/c
Credit	Bank A/c (Fund Transfer to PIUs)

Explanation: This entry is to be passed whenever PMU releases funds to the PIU

• **ACCOUNTING ENTRIES ONLY FOR PIU:**

(i) **Receipt of funds from PMU**

Debit	Bank A/c
Credit	To Fund received from PMU

Explanation: The amount of grant received from PMU for PIU

SECTION-8

FINANCIAL REPORTING

8.1 Financial reporting System:

Interim Unaudited Financial Report (IUF Rs):

PMU will submit consolidated Interim Unaudited Financial Report on a quarterly basis to World Bank/CAAA which will include PIU wise, component – wise details for the previous quarter, year to-date and project to-date and forecast for the next six months.

- ***Financial Report of PIU:*** The PIUs' will prepare monthly drawl/expenditure statement, which will be signed by the head of the respective Unit and send it to PMU ***by 5th of proceeding month.***

- ***IUFR of PMU:*** PMU will prepare consolidated quarterly Interim Unaudited Financial Report based on the actual expenditure of PMU and PIUs', which will be signed by the Director Finance/Financial Advisor/CAO of PMU. [Annex- I – Formats of Interim Unaudited Financial Reports (IUF Rs)]

- The consolidated IUFR will be send to CAAA and World Bank within ***45 days of completion of each quarter.***

SECTION-9

INTERNAL CONTROLS

INTERNAL CONTROL: Internal control mechanism for the Project is aimed at achieving the following general objectives;

- Promoting orderly, economical, efficient, and effective operations and quality products and services consistent with the organization's mission.
- Safeguarding resources against loss due to waste, abuse, mismanagement, errors, fraud and other irregularities.
- Adhering to laws, regulations and management directives.
- Developing and maintaining reliable financial and management data and fairly disclosing that data in timely reports.
- Accountability is a collective/responsibility of all staff in the PMU and does not rest solely with the Project Director. The maintenance of accounts of the project should be governed by the principle that no expenditure is incurred by the PMU/ PIUs which is repugnant to the objectives of the Project and every item of expenditure is incurred in accordance with the procedures prescribed by the Govt. of India and also the World Bank.

9.1 Record Keeping

A record of all project financial transactions shall be maintained with:

- Appropriate vouchers (receipt vouchers, cash/bank payment vouchers and journal vouchers) and supporting documentation for the transactions.
- These supporting documents should be cross-referenced so as to link them to each item of expenditure with budget heads, project components, expenditure categories (summary and detailed) .
- Approval obtained from the Project Director/competent authority as per delegation of powers for meeting the expenditure.

- Serial control over the vouchers must be maintained.
- Books of accounts together with supporting documents and project management reports should be maintained.
- The internal control structure and all transactions and significant events are to be clearly documented, and the documentation is to be readily available for examination.
- Documentation of transactions or significant events should be complete and accurate and should enable each transaction or event (and related information) to be traced from its inception, while it is in process, to after it is completed.
- Proper classification of transactions and events should be recorded as per the specified account heads to ensure that reliable information is available at any time.
- Transactions and significant events are to be authorized and executed only by persons acting within the scope of their authority.
- All the accounts at PMU and PIUs' shall be maintained in TALLY software as per the Object Descriptions specified under Section 4.3.

9.2 Controls over access to resource and records:-

- Access to resources and records should be limited to authorized individuals who are accountable for the custody and/or use of the resources.
- Accountability for custody should be evidenced by the existence of receipts, inventories, or other records assigning custody and recording the transfer of custody.
- Restricting access to resources will reduce the risk of unauthorized use or loss to government and will help in achieving management directives.

9.3 Monitoring Controls:-

- Executives are to continually monitor their operations and take prompt, responsive action on all findings of irregular, uneconomical, inefficient, and ineffective operations.

- Monitoring operations ensures that internal controls are achieving the desired results. Monitoring includes addressing audit findings and recommendations reported by their internal and external auditors to determine what corrective actions are needed.

9.4 Separation of Duties:-

- Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions and events should be separated among individuals.
- To reduce the risk of error, waste, or wrongful acts and the risk of not detecting such problems, no individual or section should control all key stages of a transaction or event. Rather, duties and responsibilities should be assigned systematically to a number of individuals to ensure that effective checks and balances exist.
- Key duties include authorizing and recording transactions, issuing and receiving assets, making payments, and reviewing or auditing transactions.

9.5 Supervision:-

- Competent supervision is to be provided to ensure that internal control objectives are achieved.
- Supervisors are to review and approve, as appropriate, the assigned work of their employees. They must also provide their employees with the necessary guidance and training to help ensure that errors, waste, and wrongful acts are minimized and that specific management directives are understood and achieved.
- Access to resources and records is to be limited to authorized individuals who are accountable for their custody or use. To ensure accountability, the resources are to be periodically compared with the recorded amounts to determine whether the two are comparable. The asset's vulnerability should determine the frequency of the comparison.
- Restricting access to resources reduces the risk of unauthorized use or loss to the Government and helps achieve management directives. The degree of restriction

depends on the vulnerability of the resource and the perceived risk of loss, both of which should be periodically assessed.

9.6 Vouchers/Invoice

Voucher is a basic document which is prepared to record any transaction that takes place.

- Uniform Receipts and Payment Vouchers as prescribed in the Accounting Software shall be maintained at every accounting center.
- Serially numbered vouchers should be prepared for all transactions.
- Vouchers shall not be overwritten.
- Vouchers need to be signed by the person initiating the expenditure.
- No voucher should be passed for payment without supporting documents.
- All bills should be in original. Payment should not be made against a quotation, copy/Photostat of a bill or a faxed bill.
- It is the responsibility of each person who is authorized to procure goods/ services in the PMU/PIU to check each bill for its validity i.e. check that the description of items, number of items, cost per unit and total cost, date of the bill and name of payee are accurate. Payments should be made only after checking these details.
- Transactions and significant events should be verified before and after process.
- No alteration in the bill by project staff is permissible unless permitted by the Project Director for reasons to be recorded.
- Invoices/bills should be made in the name of the PROJECT DIRECTOR/Director Finance JTFRP and not in the name of the project staff.

- While making payment to contractors/suppliers, consultants, etc., Income Tax shall be deducted at source in accordance with the provisions of Income Tax Act and rules made there under. If there is any specific rule under the State for GST then the same may also be considered as per rules (if any).
- In all cases of procurement of services, the GST component will be reimbursed only after production of copy of challan in support of payment of Service Tax by the service provider. Similar practice will be followed in respect of payment of any amounts on account of other tax components.
- All receipts/invoice/supporting documents pertaining to the project shall be systematically filed with the relevant standard receipt/expenditure vouchers. The same should be made available for inspection by the Auditors, Project Authorities, Government of India and World Bank.

9.7 Rectification of Errors

If any item of receipts or payments belonging to one head has been wrongly classified under another Head, the error shall be corrected in the following manner:

- a. If the error is discovered before the close of the day's accounts, necessary correction should be made in the original entry before the accounts of the day are closed.
- b. If the error is discovered after the close of the day's accounts but before 31st March, corrections should be made through journal entry.
- c. If the error is detected after the closure of March accounts, the correction should be carried out through a journal entry in the next financial year.

9.8 Guidelines for Closure of Books of Accounts

All the accounting centers under this project shall close their books of account on 31st March of each financial year.

- (i) PIUs have to send Trial Balance, along with all details consisting of physical

verification of Fixed Assets & store, Bank Reconciliation with closing bank certificate related to Finalization of Accounts to PMU by 15th April of subsequent Financial Year.

- (ii) PMU has to prepare a consolidated statement after considering accounts of PIUs and prepare Income and Expenditure Account, Receipt and Payments Accounts, Balance Sheet with schedules.

9.9 Controls to be exercised

- All letters/instructions to the bank should be signed by the authorized signatories only.
- Cheques should never be signed in advance or in blank.
- Cheques not cleared written validity should be cancelled as soon as their validity expires.
- Specimen signatures should not be left around.
- Cheque books should always be kept under lock and key.
- Only authorized persons should be allowed to handle the cheque.
- Bank Reconciliation Statement has to be prepared on a monthly basis.
- Record of all cheque books, cancelled cheques and stale cheques must be kept by the person responsible for banking transactions.

9.10 Bank Reconciliation

As indicated, Bank reconciliation should be carried out on a monthly basis as part of the closing of accounts, latest by the 10th of the following month. Accordingly, monthly bank statement should be obtained from the bank regularly. Entries shown in the bank statement should be tallied monthly with the entries in the Cash Book/Bankbook. Any discrepancy should be rectified. The BRS shall be prepared as per prescribed format.

9.11 Control over Cash / Bank Balances

Payment instructions to bank shall be signed as per the provisions and as amended from time to time

9.12 Staff Advances

Amounts paid to any member of the PMU/PIU for meeting official expenses will be treated as Departmental advances to them. They can obtain advances mainly for the following purposes:

- Travel and subsistence
- Training/Workshop/Meeting for petty expenses which cannot be spelt out clearly in advance
- All such requests should be made only after it is duly approved by the competent authority as per the delegated power of financial limits.
- Requests submitted should be complete in all respects and the purpose clearly mentioned. In case of staff travelling, the period and dates and purpose should be specified in the tour programme.
- The advance amount drawn by members should be settled within 15 days after completion of the programme/tour/ incurring of expenditures.
- It should be ensured that no personal advance is outstanding for more than one month. In case, adjustment claims for personal advances are not submitted in time, the concerned member should be informed immediately and after another 15 days, recovery will be made from his/her salary/ monthly remuneration as the case may be.

9.13 Norms for regulating and adjustment of advances

- The following norms will be followed for regulating advances which will constitute expenditure only when the adjustment-bill supported by appropriate expenditure statements along with supporting bills are passed by the Competent Authority. Advances paid to contractors / suppliers in terms of the agreement for works / supplies shall be treated as expenditure only, on submission of detailed accounts indicating the work done/supplies made and passed by the Competent Authority. Advances paid to Government departments will be treated as expenditure only after utilization certificate is received.

- Advance adjustment would be done through journal. All advances should be adjusted on receipt of utilization certificate/expenditure statement with supporting documents (Bills/vouchers). It should be ensured that utilization certificates/ statement of expenditure with supporting documents (Bills/vouchers) on these advances are obtained immediately after the expiry of the prescribed period.

9.14 Asset/Inventory Management

- I. The PIUs shall not purchase any item of fixed assets unless that item is approved in the annual expenditure scheme (and/or), approved by the Project Director.
- II. For details of procurement policies and formalities to be observed, please refer to the Procurement Manual.
- III. The PMU / PIUs shall not dispose off the items of fixed assets without the prior approval of the Competent Authority.

9.15 Fixed Assets Register

All items of fixed assets shall be serially numbered in accordance with the group/ nomenclature of the item and shall be entered in the Register of Fixed Assets which will be maintained.

9.16 Physical verification of Fixed Assets

Annual verification of fixed assets would be carried out by a team of officers designated by Project Director or Director Finance and necessary entries would be made in the registers. This would be made available to the audit for verification. The procedure for physical verification would be as follows:

- i. Generate a list of assets from Asset Register
- ii. Physically verify fixed assets at their location with respect to the physical presence ,

- conditions of the assets, and workability
- iii. In case of assets located at other locations, the head of PIUs would prepare a list and send to PMU.
 - iv. Any discrepancies noticed shall be enquired into and a statement shall be prepared separately.
 - v. A comparative statement indicating fixed assets, as per record of assets based on physical verification conducted, would be prepared and submitted to the Project Director by 30th April each year.

9.17 Bills relating to goods

- The bill for purchase of goods is to be supported by Purchase Order, Goods Received Note and Supplier Agreement.
- The goods have to be procured as per the procurement guidelines laid down.
- Proposals for purchase of goods have to be accorded as per requirement, sanction as per respective delegation of powers.
- A receipt of the goods purchased has been made in the stock register and certificate furnished accordingly in the bill.

9.18 Bills relating to works

- Proposal for execution of works has to be accorded sanction as per respective delegation of powers as per availability of funds for the same in the relevant budget head.
- The bills for Works are passed with reference to original agreement with the Contractor. The bills should be scrutinized to ensure that the bill raised by the contractor is as per the payment conditions provided in the agreement. Quality certifications shall be provided by the TAQAC from time to time as provided in the consultancy agreement.

- The following will be the sequence of activities for passing the bills submitted by the contractor:

Contractor shall submit the claim/invoice to the designated Project Manager.



Project Manager will get the claim examined through the concerned Assistant Project Manager (AEE)/JEs as per site verification and certify the claim/invoice as per the laid down rules/procedures.



Project Manager shall check and certify the claim as per site verification and submit to the Project Director along with his recommendations.



The Project Director will mark the bill submitted for examination to the Finance Wing for Examination.



After examination, the bill is submitted for approval of Project Director. The bill is thereafter processed for payment by Finance Wing.

- The final work bill presented should be accompanied by the completion certificate issued by the Project Manger.
- The asset created has to be taken into asset register and certificate furnished accordingly.

9.19 Bills relating to consulting services

- Proposals for awarding Consultancies have to be accorded sanction as per the World Bank consultancy guidelines and as per the availability of funds in the relevant budget

head.

- The bill for consulting services is as per the milestones mentioned in the consulting contract. The bills are passed with reference to original agreement with the Contractor. Bills should be scrutinized to ensure that it is raised by the contractor as per the payment conditions provided in the agreement.
- If there is any delay in milestones, applicable deduction on account of delay is to be made as per consulting contract.

Consultancy shall submitted the claim/invoice to the designated Nodal Officer



Nodal Officer will examine the claim in light of Contract Agreement and certify the claim/invoice as per the laid down rules/procedures and submit to the Project Director along with his recommendations.



The Project Director will mark the bill submitted for examination to the Finance Wing for Examination.



After examination, the bill is submitted for approval of Project Director. The bill is thereafter processed for payment by Finance Wing.

These points are not exhaustive and therefore at the time of passing of bills, consideration should be given to propriety, efficiency and economy of transaction.

SECTION- 10

AUDIT

10.1 Internal Audit; The Project will be audited by a registered firm of Chartered Accountant appointed by PMU.

10.1.1 Internal control mechanism at PMU: would include the following:

- (i) Establishment of appropriate budgeting systems.
- (ii) Regular monitoring of actual financial performance with budgets and targets.
- (iii) Monitoring of physical and financial progress.
- (iv) Establishment of procedures and systems for ensuring standard internal controls such as checking of expenditures, appropriate documentation, levels of authorization, bifurcation of duties, periodic bank reconciliation and physical verification of Fixed Assets and stores.

10.1.2 Internal control at Project Implementation Unit(PIU) level.

The PIU will ensure the following:

- (i) Maintain basic day-to-day transactions on a regular basis.
- (ii) Generation of Trial Balance, Bank Reconciliation statements on monthly basis and details of accounts related to Balance Sheet & income & Expenditure account annually where required.
- (iii) Comparison of Statement of expenditure with the budgetary allocations, Programme components.
- (iv) Provide monthly expenditure statements as per project scheme and other details to PMU by 5th of proceeding month.
- (v) Periodical review and /or internal audit of the Bank Reconciliation Statement and Stock Registers by ensuring the preparation of Bank Reconciliation statement and Stock Registers.

10.1.3 Bank Reconciliation Statement:

- (i) Bank statement will be obtained from the bank within 5 days after the close of the month.

- (ii) Closing balance appearing in the Bank statement would be reconciled with that shown in the bank Book by preparing the Bank Reconciliation Statement (BRS). BRS will be checked and signed by an official authorized for this purpose.

10.1.4 Stock Register:

- (i) The person in charge of Stores will maintain a Stock Register to account for stores items purchased and issued. The details regarding date of purchase, quantity and value of items purchased will be recorded in the register based on the bills.
- (ii) There will be a physical verification of stores on yearly basis and the same will be completed by 30th August in each year. Result of such verification will be noted in the stock register with dated signature of the verifying officer.
- (iii) A Committee will be formed at the PMU/ PIU level for yearly physical verification of assets independently.

10.1.5 Frequency of Internal Audit System:

A quarterly internal audit will be conducted by a registered Chartered Account Firm appointed by JTFRP for carrying out internal audit of PMU & PIUs as per the Terms of Reference of appointment.

10.1.6.1 Scope of Internal Audit:

The Scope of Internal Auditor is provided with ToR of the Auditor.

10.1.7 Internal Audit Reporting:

- (i) The Report of Internal Auditor should be prepared and submitted according to the ToR approved by the competent authority. The audit report should be prepared and forwarded within the timeframe as stipulated in the ToR to PMU.
- (ii) Report to Statutory Auditor: PMU/ PIU will provide a copy of quarterly internal audit report, including compliances to statutory auditor on account of Project.
- (iii) Report to PMU: PIU will also submit para wise comments to PMU, mentioning systematic issues and action taken, within 45 days of end of every quarter.

10.2 External/Statutory audit:

The C&AG of India through the office of the Accountant General (Audit) J&K will be the external auditor for the Project. The C&AGs' office will conduct an annual audit of the financial statements of the Project according to the standard terms of reference agreed by the Bank and the Gol (Ministry of Finance/DEA) with the C&AG for audit of

all World Bank projects. The audit report will be submitted to the Bank within 9 months of the closure of the financial i.e. by December, 31.

10.2.1 Objectives of the audit:

- i. The PFS present fairly, in all material respects, the sources and applications of project funds for the period under audit examination,
- ii. The funds were utilized for the purposes for which they were provided, and expenditures shown in the PFS are eligible for financing under the credit agreement. In addition, the auditor will express a professional opinion as to whether the Financial Monitoring Reports (IUFR) submitted by Project Management Unit may be relied upon to support any applications for withdrawal.
- iii. The books of account that provide the basis for preparation of the PFS are established to reflect the financial transactions of the project maintained by the project implementation agency namely the Project Management Unit (PMU), and implementing units like PIUs
- iv. All accounts maintained by implementing agencies (PIUs/PMU) in respect of funds released under the project would be audited as per agreed audit procedure(s).
- v. Comptroller & Auditor General of India will audit accounts of PMU & PIUs. A request letter along with Terms of Reference has been sent to C& AG office for auditing the transactions under Jhelum Tawi Flood Recovery Project.

10.2.3 Statutory Audit at PIUs/PMU:

The Accounts of Project Implementation units will also be audited by C & AG. The audit will be completed by 31st November of every financial year. For this purpose, the PIUs/PMU are required to furnish all documents / records to the auditors to facilitate timely audit. Audit of PMU/PIUs will be as per the Terms of Reference mentioned in the Manual.

10.2.4 Consolidated Audit Report for the Project:

There will be one single audit report for the entire project. This will be submitted by PMU to the World Bank by **31st December** of each financial year. The audit report will be as per prescribed format. However, in case of any adverse observation/remarks, the auditor may provide a qualified report with details of observations and reasons for qualifications.

10.2.5. Audit Observations:

Each implementing agency will monitor and ensure timely settlement of Audit Observations.

All implementing agencies (PMU/ PIUs) will maintain and retain records of such queries and their settlement.

10.2.6 Ineligible expenditure incurred at PMU or PIUs:

Any expenditure incurred by the PMU or PIU under the project identified by PMU/PIU or auditors as ineligible shall not be considered as valid expenditure under the Project. To this extent, the amount of grant received by the defaulting entity shall be considered to be unspent from the grant and will have to be financed by GoJ&K own sources. Further, the said information shall be recorded in the Interim Unaudited Financial Report System of the project.

10.3 Time line of Submission of Financial/Audit Reports:

A. Reports to be submitted by PIU to PMU

Sl. No.	Report Type	Periodicity	Timeline
1.	Monthly drawl/expenditure statement	monthly	By 5 th of the proceeding month
2.	FM Indicators	Six-monthly	Within 20 days of end of each period of six-months

B. Reports to be submitted by PMU to World Bank

Sl. No.	Report Type	Periodicity	Timeline
1.	Consolidated IUFR of project	Quarterly	Within 45 days of end of each quarter
2.	Consolidated FM Indicators	Half yearly	Within 45 days of end of each period of six months
3.	Consolidated Statutory Audit Report of project	Annually	31 st December of every Financial Year

Note: PMU will prepare a consolidated annual audit report of all PIUs and PMU

SECTION-11

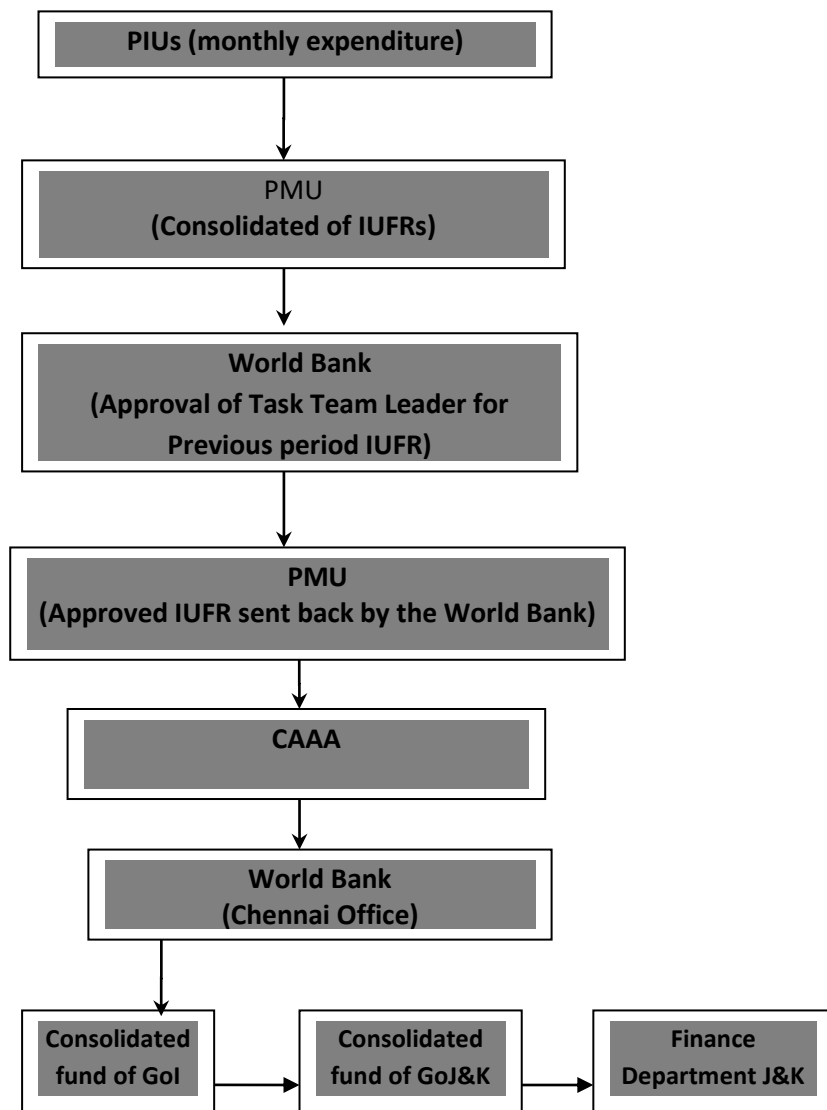
DISBURSEMENT PROCEDURE

11.1 External Assistance and Disbursement Procedure:

- The World Bank will make quarterly disbursement based on IUFRs which have to be submitted within 45 days at the close of each quarter. Disbursement will be based on expenditure for past quarter. The expenditure reported in IUFR will be subject to confirmation / certification as per the Annual Audit Reports submitted for the project. PMU will be responsible for consolidation and submission of IUFR to World Bank/CAAA.
- The World Bank will make quarterly disbursements on the basis of IUFRs to CAAA, DEA, Finance Department, Gol. Funds will be disbursed by the World Bank to CAAA, in the Department of Economic Affairs (DEA), Ministry of Finance, Government of India. The CAAA, in the Department of Economic Affairs (DEA), Ministry of Finance, Government of India will release the same to Government of Jammu and Kashmir.
- All the PIUs' will submit monthly drawl/expenditure statement to the PMU. PMU will then prepare the Consolidated IUFR (including expenditure of PIUs). PMU will then get the Exp. of last IUFR approved from World Bank's Task Team Leader for approval of the same. Once the approved IUFR is received, PMU will send the IUFR and approval to CAAA. CAAA will send the IUFR to World Bank Chennai Office. (SEE Flow chart at next page)
- PMU is required to submit the consolidated annual account along with the consolidated audit report of the PMU & all the PIUs by December 31st of the subsequent financial year. In case these reports are not received by the World Bank office by January 15 of next year, all further disbursement of grants under the project by World Bank to the PMU shall be discontinued unless the acceptable audit report is received.

- Disbursement would be subject to receipt of Consolidated Report on Audit from PMU, which is due by December 31st of each year. As per the World Bank policies, if this report is not received by end January of the following year, further disbursements will have to be suspended till receipt of the report. PMU (JTFRP) would however continue to submit the quarterly IUFs as per schedule.
- The disbursement by the World Bank will be subject to the limit prescribed in the “**Loan Agreement**” between the World Bank and the Government of India and Government of Jammu and Kashmir.

11.2 Diagram depicting Disbursement Mechanism on IUFs basis:



SECTION-12

DISCLOSURE OF INFORMATION

12.1 Objective:

To ensure accountability & transparency in all aspects of Financial Management during the project implementation and achievements, including fiduciary aspects.

12.2 Scope:

PMU & PIUs will be responsible to ensure adherence to disclosure management policies of the World Bank.

12.3 Information to be disclosed for Financial Management by PMU:

- Project FM guidelines, including Financial Management Manual.
- Annual Audited Financial Statements.
- Financial Monitoring Reports (IUFs).
- Status of Release of Funds.
- Specific information on key Financial Management aspects, like staffing, training etc.