

Governor's Message

The SBP-BSC since its creation in January 2002 has made significant progress towards transformation into an efficient and customer friendly institution. The Change initiatives, particularly those taken during the last couple of years under the leadership of its Ex MD, have started paying dividends in the form of improved institutional capacity to undertake its assigned functions. This is, however, just a beginning in the right direction and the new MD and his team will have to make concerted efforts to build upon the good work done by his predecessor to achieve the turnaround in the BSC.



I am of the view that BSC management should make a detailed review of its existing role and mandate to further improve its alignment with SBP strategic objectives. I am pleased that the Organizational Development Consultant hired last year to make an assessment of the BSC's functional direction and its institutional capacity, has since submitted its report, which may form the basis for enriching the BSC's existing job profile. The BSC management's plan to organize a strategic management conference during FY10 is also a step in the right direction that would enable it to have more clarity on BSC's future role and mandate as well as its capacity building needs.

I would like the BSC field offices to position themselves as the focal points in their respective regions for dissemination and implementation of all SBP policies and initiatives. They should keep an eye on the key developments in economic and business environment in their regions and prepare periodical briefs on all such developments, which may help SBP in better aligning its initiatives with the ground realities. I am pleased that the BSC is already complimenting the SBP efforts for broadening and deepening of the financial system through awareness programs, strengthening consultative mechanism at grassroots level and conducting market studies and surveys. However, the areas like exchange companies' monitoring and consumer protection also need to be evaluated for a possible BSC role in improving the SBP regulatory oversight of exchange companies as well as enabling the banking industry consumers to have fair deals from banks. Similarly, despite significant improvement in the currency management function during the last couple of years, there is a need to continuously monitor the quality of notes in circulation, particularly of smaller denomination, to ensure timely withdrawal of soiled notes and their replacement with fresh or good quality re-issuable currency notes. This would also help the BSC in further strengthening its drive to propagate and implement the Clean Note Policy.

The limited focus on training and development particularly during the initial 3-4 years and non-induction of fresh graduates and professionals has resulted into substantial gaps in the skills mix and competencies of BSC employees. While the management has formulated a comprehensive training and development strategy to bridge the skill gaps, the BSC Board has also approved the BSC management's proposal for hiring of fresh graduates under its Young Professionals Scheme. I am confident that the commencement of fresh inductions in

BSC would not only be instrumental in bridging the skill gaps but would also hasten the pace of change in BSC.

Lastly as the Chairman of the BSC Board of Directors I assure my full support and ownership of the change initiatives taken/being taken by the BSC management for bringing a turnaround in BSC.

Syed Salim Raza
Governor SBP

Managing Director's Message

I am pleased to present the Annual Performance Report (APR) of SBP-BSC for the fiscal year ended 30th June 2009. While I have assumed the charge just last month, I worked as a member of Ex MD's core team for initiating and steering the change process in BSC. This experience will be extremely useful in continuing the change initiatives and building upon the good work done by Ex MD. Encouragingly the organizational development and change management initiatives taken during last two years have already started yielding positive returns in the form of improvement in service delivery, better utilization of automation and technological facilities, skill enhancement and a 'feel good factor' amongst the BSC employees. I am pleased to note that the 'Change' is not only visible but also widely accepted across the organization, which gives me optimism, about an early turnaround in BSC. The following paragraphs briefly discuss the progress achieved during the year in key functional areas as well as in improving institutional capacity to effectively undertake the assigned role.



The drive to improve quality of currency notes in circulation continued during the year with even more vigor through regular supply of fresh and re-issuable currency notes, timely withdrawal of soiled notes and rigorous monitoring of commercial banks to ensure implementation of Clean Note Policy (CNP). The process of issuance of new design currency notes with added security features by SBP was also completed during the year with the issuance of Rs.50/- new design note and re-launching of Rs.5/- note. The BSC made elaborate arrangements for circulation of the new currency notes across the country. In addition, a number of awareness programs on the security features of the new currency notes were arranged across the country for improving the stakeholders' capacity to check counterfeit currency notes. The BSC also actively participated in the joint task force on "Combating the Counterfeiting of Currency Notes and Government Bills" comprising members from various law enforcement agencies, SBP and BSC, constituted by SBP to develop recommendations on checking counterfeiting of currency notes and also to ensure expeditious settlement of long outstanding cases regarding counterfeiting of the notes pending in different courts.

The establishment of Development Finance Support Department (DFSD) and its units in BSC field offices last year was aimed at leveraging the BSC's field presence for broadening and deepening of the financial system. I feel pleasure in reporting that this initiative has proved extremely useful in wider dissemination of SBP policies for developing an inclusive financial system, strengthening consultative mechanism at grassroots level, and promoting linkages between key stakeholders for synergizing their efforts for increasing flow of financial services to un-banked and under banked areas in their respective regions. The Agriculture and SME finance Melas being organized by DFSD field units have been widely appreciated as cost effective forums for mass dissemination of SBP initiatives and banks'

products and services for the agricultural and business communities. The units also hold regular meetings of the Focus Groups for Agriculture, SME and Micro finance established last year in 13 field offices. The groups also provide an important platform for dissemination of SBP policies and collecting feedback thereof.

Further, capitalizing on its field presence, the BSC has also started conducting/sponsoring research studies and surveys to better explore the regional markets and clusters. During the year agriculture surveys of Gujranwala and Sukkur districts and SME survey of Gujranwala district were completed; the survey reports are available on SBP-website for mass dissemination. The cotton belt survey was also initiated during the year after extensive consultation with all key stakeholders to explore the rural economy of the cotton belt of southern Punjab; the survey report is likely to be published in the second quarter of FY10. The Development Finance function has thus added a new dimension in the role and mandate of BSC and has improved the image of its offices in their respective regions as an effective operational arm of SBP. This improvement in the BSC's job profile would also be instrumental in attracting and retaining quality human resources.

The BSC also facilitates SBP in ensuring smooth functioning of the payments and settlement system through a network of its sixteen field offices across the country. The coverage of automated Clearing System, which is an important component of the payments system, was extended to 185 cities during the year to spread out the benefits of technological improvements to the smaller cities and towns; the facility was available in 107 cities as at close of FY08. Besides improving the speed of settlements, this will also be instrumental in promoting banking habits in smaller cities and towns. Further, the BSC lend logistic support to SBP in implementation of Pakistan Real Time Inter Bank Settlement Mechanism (PRISM), which was inaugurated by the Prime Minister on 1st July 08 and has successfully been providing online real time settlement services to more than 40 banks and 3 Development Finance institutions.

To effectively undertake the enhanced role and mandate and meet the stakeholders' expectations, substantial improvement in BSC's institutional capacity particularly the skill-mix and competencies of its human resources is required. While the BSC would soon be commencing fresh inductions to improve its skill mix and bridge competency gaps, extensive efforts have been made to build capacity of existing human resources having potential and interest in improving their skills set through targeted and need based training programs. In addition, as a part of the skills enhancement strategy, services of officers with suitable qualifications and skills set were requisitioned from SBP during the year to plug the skill gaps in areas of key importance like Currency Management, Audit, Training & Development, HR, and Development Finance; as of 30th June, 2009 a total of 51 SBP officers were working in different departments and field offices of BSC.

To broaden the career development opportunities for the BSC employees, the BSC Board approved our proposal for creation of OG-6 position. This would be instrumental in motivating the BSC officers, particularly those at OG-5 level, and thus would translate into better performance. Similarly to allow suitably qualified Treasury Officers (TOs) to compete

for higher positions in general side, a transparent policy for their transfer to general side was announced and implemented during the year. Further, to promote performance based culture, the coverage of Performance Management System (PMS) was extended to all OG-2 and above officers of BSC during the year; last year only OG-4 and above officers were covered under the PMS. I am confident that the Business Planning and PMS framework would contribute significantly in performance improvement, employees' development, and inculcating the performance based culture in BSC.

The Organizational Development Consultant hired last year to conduct a diagnostic study of BSC to give professional advice on the BSC's mandate and structure, identify the organizational problems and gauge its state of preparedness for change management has also submitted its report. The study findings are largely in line with our assessment of the BSC's institutional capacity and the key reform areas highlighted in the restructuring plan. The consultant's report has further refined and crystallized the restructuring and reorganization proposals and would also help us in better aligning our role with SBP strategic objectives.

Lastly I would like to thank the BSC Board for the support, patronage and ownership of the change initiatives we have taken to achieve the desired turnaround in BSC. I am also thankful to my Directors, Chief Managers and BSC staff whose ownership of the change process is equally important for transforming BSC into an effective and customer friendly institution.

Qasim Nawaz
Managing Director

Executive Summary

During FY09, the BSC continued to pursue the change management plans to transform the organization into a modern professional corporation capable of delivering its mandate more effectively. The focus remained on implementing the multi pronged strategy to achieve the turnaround in BSC. The key components of the strategy are: i) organizational restructuring, ii) strengthening performance based culture, iii) improving organizational policies through a meaningful consultative mechanism, iv) bringing cultural changes through organizational development, and v) provision of congenial working environment.

The strategy has already started bearing fruits. The restructuring and realignment of functions has allowed BSC to achieve cross functional synergies, provided focus in improving services standards, and higher efficiency levels. Also there have been discernible improvements in employees' mindset, openness and courage climate and employees' performance etc. Similarly creation of new departments has helped develop close network with key stakeholders; enhance the outreach and awareness of SBP and BSC policies and programs, improve reputational capital of SBP and BSC by proactively taking remedial measures in the delivery of services in existing and new areas of operations like currency management, development finance, banking services etc. The following section gives an overview of key initiatives taken and achievements made during the year.

Currency Management

Ensuring adequate supply of good quality notes across the country is amongst the core responsibilities of BSC. During FY09, the BSC continued its drive for improving the quality of currency notes in circulation through regular supply of fresh and re-issuable notes to commercial banks and other stakeholders, timely withdrawal of soiled notes & destruction thereof and propagation of Clean Note Policy (CNP). During the year around 1,656 million pieces of fresh currency notes of various denominations valuing Rs.306 billion were issued from all sixteen offices of BSC across the country to different stakeholders, mainly commercial banks as compared to 1,406 million pieces of fresh currency notes valuing Rs.345 billion issued in the preceding year.

The monitoring of issuance of fresh and re-issuable¹ currency notes to general public by commercial banks is an important component of BSC strategy to implement CNP in letter and spirit. In pursuance of implementation of CNP, the cash monitoring teams of BSC offices conducted on-site examination of 5,670 branches of commercial banks and imposed/recovered penalties amounting to Rs.3.8 million on account of violation of various instructions during the year under review, bulk of which was recovered on violation of instructions, pertaining to issuance of fresh currency notes during the month of Ramadan 2008.

The process of issuance of new design currency notes with added security features started in 2005 was also completed during the year with the issuance of Rs.50/- new design note and

¹ For re-issuable currency notes, only the quality of such notes being issued to general public is monitored, whereas in case of fresh currency notes the process of issuance as per the laid down policy is monitored.

re-launching of Rs.5/- note. Further, a commemorative coin² of Rs.10 bearing Mohtarma Benazir Bhutto Shaheed's portrait was also issued on 26th December, 2008 to commemorate her first death anniversary. A total of 380,034 pieces of the coin were issued to general public from the BSC offices.

The Currency Management Department (CMD) also arranged a number of awareness programs on security features of currency notes for internal/ external stakeholders across the country to improve their capacity to check counterfeiting of currency notes. CMD also participated in the joint task force against counterfeiting constituted by SBP comprising members from various law enforcement agencies, SBP and BSC.

Banking Services to the Government

Catering to the banking services needs of Federal, Provincial and Local Governments is another important function of BSC. It includes maintenance of the governments' accounts, revenue collection and expenditure payments on behalf of governments' departments and funds transfers etc. The BSC also oversees the NBP operations for the governments' treasuries including collection of different levies, expenditure payments and other banking facilities in the areas where BSC offices are not located. During the year the BSC offices handled 2.75 million transactions pertaining to government receipts and 3.28 million transactions pertaining to government payments.

Further, the BSC also manages sale/encashment/profit payment etc of National Saving Schemes (NSS) under an agency arrangement with Central Directorate of National Savings (CDNS), Government of Pakistan. During the year, the total value of prize bonds of all denominations increased by 8% to Rs.196.585 billion from Rs.181.935 billion as on 30th June, 2008. The prize money paid against the prize bonds also increased by almost 30% during the year to Rs. 14,016 million from Rs. 10,820 million in the preceding year. Similarly the BSC offices handled 53,483 cases of SSCs and DSCs (the other two important savings instruments of CDNS) valuing Rs.44.402 billion during the year under review as compared to 32,727 cases valuing Rs.12.615 billion last year. The significant rise in investments in NSS is largely attributable to increase in prize money, number of prizes and profit rates on NSS instruments and the government's relatively greater reliance on non-bank sources for financing the budget deficit.

Foreign Exchange Operations & Adjudication

The BSC continued to facilitate its stakeholders in managing Foreign Exchange Operations during the year under review. It remained actively engaged in routing commercial remittances, projects payments, travel permits and permission of other releases on account of Government Budgetary allocations etc. During the year 544,174 entries pertaining to Export Earnings (EE) and Export Finance (EF) statements for the monitoring period 2007-08 were checked and verified to facilitate the exporters in accessing financing facilities under SBP Export Finance Scheme (EFS).

² in pursuance of the decision of the Government of Pakistan

The BSC also facilitated the Federal Government in implementation of various support schemes for industry, business and agricultural communities. During the year, Rs.2,300 million and Rs.24 million was disbursed to the textile (garments, home textiles and dyed fabrics only) and Motor Cycle exporters respectively under Research and Development Support Scheme. While Rs.7,623 million was disbursed against freight subsidy on import of fertilizer, Rs.1,824 million and Rs.176 million as compensatory support on local purchase and import of Pure Terephthalic Acid (PTA) respectively during the year.

The BSC also works closely with Exchange Policy Department, SME Finance Department and General Counsel Office of SBP for effective enforcement of Foreign Exchange Regulation Act (FERA). The Foreign Exchange Adjudication Department in BSC serves as an adjudication forum to persuade the delinquent exporters to repatriate the overdue export proceeds. During FY09, the stuck up export proceeds equivalent to US\$12.2 million were got realized (repatriated in the country) which included the highest ever realization of overdue export proceeds of US\$2.1 million in a single case. A penalty of Rs.326,658 was also recovered from the delinquent exporters during the year through District Revenue Officers (DRO).

An administrative office (Courts) was also established at BSC HOK during the year to enhance the qualitative aspects of complaints; the experience if proved effective would be replicated in the field offices having foreign exchange adjudication function. Further, to improve the adjudicating officers' understanding of the adjudication process, a one-week training program was arranged at Federal Judicial Academy, Islamabad, which was also attended by Directors and senior officers of FEAD, FEOD BSC, EPD and GCO SBP.

Export Finance Scheme

The BSC facilitates SBP in implementation of its various schemes like Export Finance Scheme (EFS) Part-I & II, Islamic Export Refinance Scheme (IERS), and Long Term Financing Facility (LTFF) etc through its field offices across the country. The field offices provide refinance to commercial banks within 48 hours of the receipt of their claims in respect of the finance provided by them to the exporters. During FY09, a total of 85,578 cases regarding Grant, Repayment, and Remuneration (share of profit) were processed including 77,414 cases under EFS (Part-I & II), 2,958 cases under IERS, 407 cases under LTFF and 4,799 cases under defunct LTF-EOP.

The BSC also conducts on-site verification of export finance cases at commercial banks branches across the country through its field offices to assess compliance with the provisions of the EFS both by the banks and the exporters. During FY09 the scope of the on-site verification was extended to EFS Part II cases; previously only EFS Part-I cases were subject to on-site verification. This expanded coverage of on-site verification would enable SBP to have a complete picture of EFS implementation and issues thereof, if any. During FY09, the verification teams visited 277 bank branches and verified 12,715 cases under EFS Part-I and imposed/recovered penalty of Rs.14.6 million on account of various irregularities observed in these cases. Similarly 6,713 cases of EFS Part-II at 261 bank branches were also verified and a penalty of Rs.2.05 million was imposed/ recovered during the year.

Further, to improve the efficiency and effectiveness of the EFS verification process, standardized formats/templates of Annexure used in the verification reports were developed during the year. The Globus Banking System captures bank branch and exporter wise data of EFS cases refinanced by SBP, which would be used both for pre-examination planning and preparing/filling in the standardized annexure. This refined on-site examination/verification process would not only bring uniformity in the verification process across all offices but would also improve efficiency, accuracy and reliability of the verification process.

Payment and Settlement System

The BSC continued to assist SBP in maintaining a sound and efficient payment and settlement system through its field offices. The BSC offices oversee the nationwide automated clearing system being managed by National Institutional Facilitation Technologies (NIFT). The automation of clearing operations has been spread to all major cities including 15 cities where BSC offices are located and other major cities. Besides, NIFT has set up a grid of automated clearing which provides efficient and cost effective intercity clearing involving 20 major and over 164 small cities in Pakistan. It has also introduced web based facilities whereby the clearing results can be accessed by banks and their branches through NIFT's web portal. As of May 2009, 40 commercial banks and over 5,571 bank branches in 185 major cities and 20 data centers were availing the NIFT's services. The services include cheques clearing, reconciliation, return (unpaid) cheques processing and same day clearing (express-2 hours clearing service) intercity clearing and inter branch & interbank settlement in all major cities. NIFT has also established image based clearing systems by introducing high speed MICR Reader/ Sorter equipment from NCR for efficient electronic clearing. In first phase all instruments relating to commercial banks and other financial institutions are being standardized and made machine readable. Whereas in the second phase government departments would be pursued for standardizing their payment instruments, the process has already been started. This extended coverage of the automated clearing and settlement facilities would promote banking habits in small cities/ towns and thus contribute in deepening and broadening of the banking system. During FY09, a total of 73.6 million instruments were cleared through NIFT as against 73.5 million cleared during the preceding year. Pakistan Real Time Inter Bank Settlement Mechanism (PRISM) inaugurated on 1st July, 2008 by the honorable Prime Minister of Pakistan is successfully providing online real time settlement services to all commercial banks and three Development Finance Institutions with the active coordination of BSC offices. A number of experienced officers of BSC have been deputed with the PRISM project team to provide logistic support and relevant information as and when required besides providing inter-bank settlement facilities to financial institutions through their current accounts maintained at each field office.

Development Finance Support Services

The BSC during the year continued its drive to complement and supplement the efforts of Development Finance Group (DFG) SBP for broadening and deepening of the financial system. Major initiatives taken during the year included; holding Focus Groups meetings, arranging awareness programs, organizing agriculture/SME/Microfinance Melas in different

regions, conducting Agricultural and SME surveys, preparation of Development Finance Review and arranging capacity building programs for DFSUs' staff and commercial bankers.

The Focus Group for Agri-finance, SME finance and Micro finance established in 13 field offices meet on quarterly basis to discuss the issues faced by their respective sector and evolve local level operational strategies for addressing the issues. The groups have provided SBP a platform for dissemination of its policies and collecting feedback thereof. They have also been instrumental in harnessing greater ownership of SBP initiatives for broadening and deepening of the financial system. During the year a total of 114 Focus Group meetings were held.

Further, for creating mass awareness of SBP policies and banks' products and services, 14 Agri, SME & MF Melas (Fairs) were arranged during the year in different regions across the country. The Melas have also been instrumental in promoting partnerships between stakeholders for tapping synergies in their initiatives for the sector. Moreover, eight workshops and seminars were organized in collaboration with local chambers and farmers and traders' associations to discuss the issues faced by them. The recommendations of these seminars were forwarded to respective SBP Departments as feedback for policy review, etc.

The BSC also provides an interface between SBP and provincial agricultural, livestock and revenue departments to take them on board in its drive for increasing flow of financial services to the rural communities. In this regard, the second Interprovincial Agricultural Workshop was held in May 2009 that enabled the banks and the relevant government departments to better appreciate their stance and initiatives for the agriculture sector. The workshop concluded with the resolve to promote partnerships between banks and the agricultural/livestock departments for achieving sustained rise in flow of financial services to the agriculture and livestock sectors. The Punjab Livestock Department offered banks to use its network of about 3600 outlets across the province for extending financial services to livestock managers.

Capitalizing on its strength of presence in 14 important regions across the country, the BSC has also started conducting research studies and surveys to explore the markets/economies/clusters in their respective region. During the year SME survey of Gujranwala district and agricultural surveys of Sukkur and Gujranwala districts were conducted and their findings were disseminated amongst the major stakeholders; the survey reports were also placed on SBP website for wider dissemination. The survey of cotton belt in Southern Punjab was also initiated during the year to explore the rural markets and economy of the area. The field work for the survey has already been completed and the survey report is likely to be finalized during second quarter of FY10.

Human Resources Management

While on the forefront of change management process, Personnel Management Department continued to revamp the existing HR policies and programs and introduce new policies in line with international best practices and the management's vision. As envisaged in the strategic plan, the drive for rightsizing also continued during the year as the working strength

of BSC reduced to 4,551 from 4,666 as at 30-06-2008 on account of regular retirements on superannuation, early retirement under Staff Regulation and resignation etc.

The management forums like Heads of Departments (HODs) Forum and Chief Managers' Conference were revamped and revived. The mandate of the HODs Forum was enlarged to deliberate upon policy matters and strategic issues affecting the organization. Similarly the forum of Chief Managers' Conference was also made more strategic and policy oriented besides using it as a platform for seeking first hand feedback and input on various policies. Through these forums, the sense of belonging and participation, the quality of input in the decision making process and implementation of policies has improved significantly.

To broaden the career development opportunities for the BSC employees, the BSC Board approved the management's proposal for creation of new position in the salary scale of Officer Grade-6. It would not only open windows of opportunities for middle level managers but will also allow the management to build a pool of talented managers to rise to senior positions in future. Similarly to allow the talented and suitably qualified Treasury Officers (TOs) working on Cash Side to compete with their counter parts in general side for higher positions, a transparent policy for their transfer to general side based on written test and interviews was introduced during the year and six TOs were transferred to general side under the policy.

Further, to strengthen the succession planning and management development, several training programs both function specific and strategic management oriented, were designed and delivered to 70 middle management officers of OG-3 & OG-4 rank during the year. Recently, two batches of newly promoted OG-4 and one batch of OG-3 has graduated comprehensive 20-days Middle Management Training Program at NIBAF Islamabad, the first of its kind in BSC history. The development program covered soft skills module and the core operational activities of Bank so as to sharpen participants' analytical, decision making and leadership skills.

To promote and inculcate the performance based culture, a competency based performance management system (PMS) was introduced last year for middle managers (OG-4 & above). The PMS coverage was extended to the Officers Grade 3 and Grade 2 during the year and thus performance of all officers in Grade 2 and above was evaluated under the PMS. The introduction of PMS for OG-3 and OG-2 during the year also necessitated the initiation of PMS training programs/workshops to orient the officers about the objectives and methodology etc of the PMS. Accordingly 37 performance planning and 42 performance appraisal workshops were conducted by a team of in-house trainers and facilitators across the country for the target audience. The focus of the workshops was a) explaining the objectives and expected impact of PMS on both employee and organizational efficiency, b) facilitating the officers to effectively plan and manage their performance, and c) alignment of performance goals with the overall strategic objectives of the organization.

To give further boost to the performance based culture, the Annual Merit Increase (AMI) rates were increased significantly with top performers having AMI of up to 14%, which is unprecedented in the short history of BSC. The other key initiatives in this respect taken during the year included increase in overtime allowance and conveyance charges, substantial

rise in salary of contractual security guards, allowing rest & recreation facility to support staff and increase in Hardship allowance of Muzaffarabad employees, earlier the same was admissible to the employees of D.I. Khan office only.

Training and Development

The improvement in the employees' skills mix and capacity through focused and need based training and development programs is an important component of BSC change management strategy. While underlying objective of the training is to bring overall improvement in the skills set of BSC's human resources, special focus during the year remained on plugging the competency gaps particularly in customer services, conflict resolution, strategic thinking, and IT skills relating to Globus Banking System, Oracle ERP, HRMIS etc. The coverage and contents of the earlier training programs were also reviewed and revisions where necessary were made to align the training programs with the critical competency gaps. Moreover, management development programs were introduced at all important hierarchy levels. The number of officers trained during FY09 were more than doubled, which is attributable to introduction of a number of new programs during the year including the Middle-level Management Training Program (MMTP), Skill Development Program (SDP), Customer Services module and TOT on Globus, Oracle and MS Office, PMS related trainings, etc.

Internal Audit & Control

During FY09, the Internal Audit Department IAD has undergone a major restructuring/reorganization as the 17 Internal Audit Units (IAUs) housed at each field office and the one at BSC HOK were consolidated into two Audit Hubs at Karachi and Lahore. The restructuring is aimed removing at overlapping and duplication of work between Internal Monitoring Units (IMUs) and improving independence and effectiveness of internal audit system particularly at field offices. The IAUs were under the administrative control of their respective CMs, which was undermining their independence. The Audit Hubs to be headed by Joint Directors (OG-5) would functionally and administratively report to Director IAD. Each Audit Hub has been allocated departments of HOK and field offices to periodically carry out audit, enforcement and other functions as assigned to them from time to time.

Further, Risks Register for 22 business processes of field offices including Deposit Accounts, Public Accounts, Export Finance and Treasury Cash Units were developed during the year. The Risks Register will identify the processes' risks, their ranking as high, medium or low risk and their mitigating controls.

On operational side, annual financial/operational audit of 16 field offices and 4 HOK departments was carried out and the Audit Briefs containing major observations were submitted to Deputy Governor/ Managing Director. IT Audit (system based audit) of 15 field offices of BSC was also conducted during the year with a view to assess the risks and control weaknesses in Globus Banking System, Oracle & HRIS applications etc. The internal controls weaknesses etc highlighted in the IT audit reports were sent to ISTD; most of the weaknesses have since been removed by ISTD. Further, the system audit of Globus System, Oracle and HRIS was also conducted to assess the risk exposures and control weaknesses etc and the reports were shared with ISTD.