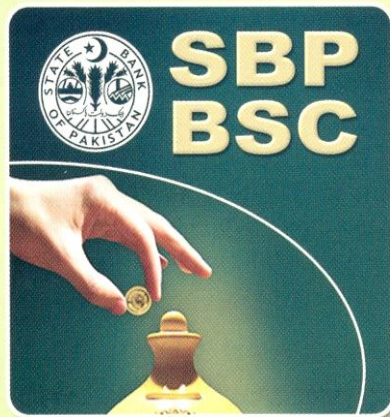


# Banking Services to Government and Banks



# 1 Banking Services to Governments and Banks

*As a statutory obligation on behalf of SBP, the SBP BSC carries out the operational work relating to Governments' banking business through its 16 Field Offices and a wide network of National Bank of Pakistan (NBP) branches all over the country. In addition, the Accounts Department prepares and monitors annual accounts of SBP BSC.*

## 1.1 Overview

SBP BSC, under Section 21 of SBP Act 1956 read with Section 15 (3) e of SBP BSC Ordinance 2001, provides various types of banking services to the Federal, Provincial and District Governments through its 16 Field Offices all over the country (**Box 1.1**).

### Box 1.1: Services Provided to the Governments, Banks and NBFIs

- a) Collection of revenues and payments on behalf of Government Departments.
- b) Reporting of transactions to Federal Board of Revenue (FBR) through online network, on daily basis, under Collection Automation Program (CAP).
- c) Facilitating Government Departments for settlement of payments and receipts through National Bank of Pakistan (NBP) as an agent of SBP.
- d) Operational work relating to public debt transactions.
- e) Maintenance of current accounts of Commercial Banks.
- f) Remittance facilities to the Governments and financial institutions for transfer of funds.

## 1.2 Management of Governments' Accounts

As a part of its core functions, SBP BSC maintains the accounts of Federal/Provincial /Local Governments and is responsible for the consolidation of receipts and payments made on their behalf. Data pertaining to Governments' transactions is reported to the stakeholders (i.e. Accountant General of Provinces, Accountant General Pakistan Revenue and Pakistan Railways etc.). The position of balances, on a daily basis, is also provided to the Finance Department of SBP for onward submission to the stakeholders.

Being an operational arm of SBP and facilitator of payment and settlement system, SBP BSC provides operational support to Payment System Department (PSD) of SBP. SBP BSC is working, in collaboration with PSD, on a significant project of collecting Governments' taxes through Alternate Delivery Channels (ADCs) like Automated Teller Machines (ATMs) and Mobile Banking etc.

During FY15, around 7.06 million transactions of government payments/receipts were processed by SBP BSC Field Offices compared to 6.27 million in FY14, showing a 12% rise (**Table 1.1**).

Transactions	2013-14	2014-15
Receipts	2.26	2.97
Payments	4.01	4.09
<b>Total</b>	<b>6.27</b>	<b>7.06</b>

### 1.3 Reporting of Zakat Balances

Consolidation, maintenance and reporting of Zakat account is one of the important functions of SBP BSC. During the year under review, around Rs 5.75 billion Zakat was collected and deposited with SBP BSC by various institutions as compared to Rs 4.82 billion last year.

### 1.4 Reporting of Federal Board of Revenue Transactions

One of the vital tasks performed by SBP BSC is collection, consolidation and reporting of FBR taxes. In order to streamline the reporting of tax collected by the Field Offices of SBP BSC as well as to facilitate the tax payers in obtaining evidence of tax deposit promptly, SBP BSC is using Collection Automation Project II (CAP-II)-a system of FBR since 2011- which has largely ensured reporting of tax collection to FBR on real time basis.

The tax revenue collected by SBP BSC offices and the network of NBP branches on behalf of the Federal Government and credited to the relevant accounts during FY15 was around Rs 2,636.9 billion as compared to Rs 2,305.1 billion in FY14 as detailed in **Table 1.2**.

<b>Table 1.2: FBR collection</b>						
<b>(million Rupee)</b>						
<b>Head of Account</b>	<b>Receipts</b>			<b>Payments</b>		
	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
Sales Tax	849,880	1,010,756	1,113,551	29,025	32,028	43,294
Federal Excise	131,428	150,688	165,151	532	323	369
Customs	245,350	263,347	334,594	10,462	9,845	9,569
Income Tax	747,297	880,361	1,023,605	21,151	24,486	15,107
<b>Total</b>	<b>1,973,955</b>	<b>2,305,152</b>	<b>2,636,901</b>	<b>61,170</b>	<b>66,682</b>	<b>68,339</b>

Note: The totals may exhibit slight difference due to separate rounding off.

### 1.5 Clearing Services

SBP BSC supports SBP in carrying out the supervision of automated clearing services provided by National Institutional Facilitation Technologies (NIFT) in order to process and settle transactions between commercial banks across the country. During FY15, total number of instruments cleared through NIFT was 78.3 million as compared to 78 million in FY14.

### 1.6 GL/Reconciliation

Accounts Department is also responsible for the accounting and financial functions, including preparation and monitoring of SBP BSC budget. In this regard, the first International Financial Reporting System (IFRS) compliant financial statements along with Statement of Affairs were issued for FY14 during the year under review. In pursuit of implementing best accounting practices at par with international standards, the department developed risk registers to strengthen internal controls and also strived to strengthen the skill set of its workforce to do in-house analysis of different accounting functions. A number of analysis of different financial transactions and their nature were done during the year including the most notable analysis of a 5-year projection of SBP BSC's HR costs for onward submission to the Audit Committee of SBP BSC Board.

Major achievements in this area are mentioned below.

**Box 1.2: Major Achievements**

1. Interface has been developed between CAP – II and our core banking software Globus, resulting in elimination of duplication of data entry and optimizing HR.
2. Cheques received for Government collection drawn on banks located in other cities are being cleared by local branches through online access, leading to timely credit of Government revenue and timely Close of Business at offices.
3. “E Stamping” has been introduced in Government receipts so as to further strengthen internal control and improve efficiency level/turnaround time in reporting of money deposited in all Field Offices of SBP BSC.
4. Manual printing of bank statements has been abolished. Banks have been given access to extract statements of current accounts centrally through Data Acquisition Portal (DAP).
5. As per best practices established worldwide, SBP BSC has initiated the process to pursue Government to switch from manual issuance of cheques to e-banking/electronic fund transfer. For this purpose, letters have already been issued to all AGs/AGPR offices and Ministry of Finance. However, progress on this account is primarily dependent upon the response by the external stakeholders i.e. Government and their associated Ministries/Departments.
6. Through constant follow-up and monitoring, outstanding Receivable / Payable entries were brought to a minimum level.
7. Detailed and comprehensive Guidelines on Budgeting were issued in order to explain the budgeting process and standardizing the approaches to budgeting across SBP BSC.
8. For the first time, actuarial report was developed in compliance with International Accounting Standard (IAS-19).