

The Government of Khyber Pakhtunkhwa province, Pakistan

Cash Management Policy and Plan

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Cash Management Policy and Plan

1. Introduction

Effective cash management is critical for ensuring fiscal discipline, optimizing liquidity, and supporting the sustainable delivery of public services. The Government of Khyber Pakhtunkhwa (KP) has established this Cash Management Policy to enhance transparency, efficiency, and accountability in the handling of public funds. By consolidating revenues into the Treasury Single Account (TSA) and regulating expenditures through a structured framework, the policy aims to minimize idle balances, reduce borrowing costs, and improve financial planning. It outlines procedures for debt management, investment of surplus funds, and timely disbursements to meet budgetary obligations. Aligned with national fiscal policies and international best practices, this policy strengthens governance while ensuring funds are available for priority development projects.

2. Policy objective

2.1 The Objectives of this cash management policy outlined as follow:

- To consolidate the cash resources of the Government of Khyber Pakhtunkhwa on the Treasury Single Account (TSA) in the State Bank of Pakistan.
- Improve cash management to facilitate the reduction in the net cost of managing the financial assets and liabilities of the KP Government and associated financial services.
- Improve government accounting based on processing transactions through the Government Financial Information Management System (GFMIS) to enable real-time information on the status of the government accounts and the government's financial position.
- Empower the Finance Department to manage the financial resources of the KP Government and achieve the aggregate targets of the fiscal policy.
- Improve the predictability of access to the financial resources to enable the delivery of public services and making transfers to beneficiaries according to the government policies.

2.2 The cash management policy objectives shall be achieved through the following principles:

- Centralization of bank account balances in State Bank of Pakistan.

- Extending the cash management to all cash resources of the Government of Khyber Pakhtunkhwa, including the balances in the State Bank Provincial Accounts, linked bank accounts, and other cash resources under the control of the Government.
- Accurate estimates of the cash inflows to and outflows from the pool of the cash resources of the Government.
- Strengthen the transaction processing and accounting framework to enable efficient, secure operations and ensure accurate, timely financial information.
- Timely information sharing among the cash managers, budget officers, accountants, and other stakeholders in the public financial management.
- Appropriate institutional arrangements and allocation of responsibilities among the key stakeholders.
- Engaging modern banking, payment and settlement services.
- Prompt coordination of financial asset and liability management with the cash management plan to minimize the net cost of government debt servicing and charges for bank services.

3. Legal foundation for managing public monies

The legal regime for cash management in Pakistan as laid down in the Constitution of Pakistan 1973 and the State Bank of Pakistan Act 1956 conform to basic principles of TSA.

3.1 The Articles 118 and 119 of the Constitution of Pakistan, 1973 says:

118: Provincial Consolidated Fund and Public Account

(1) All revenues received by the Provincial Government, all loans raised by that Government, and all money received by it in repayment of any loan, shall form part of a consolidated fund, to be known as the Provincial Consolidated Fund.

(2) All other money

(a) received by or on behalf of the Provincial Government; or

(b) received by or deposited with the High Court or any other court established under the authority of the Province shall be credited to the Public Account of the Province.

119: Custody, etc., of Provincial Consolidated Fund and Public Account

The custody of the Provincial Consolidated Fund, the payment of moneys into that Fund, the withdrawal of moneys therefrom, the custody of other moneys received by or on behalf of the Provincial Government, their payment into, and withdrawal from, the Public Account of the Province, and all matters connected with or ancillary to the matters aforesaid, shall be regulated by Act of the Provincial Assembly or, until provision in that behalf is so made, by rules made by the Governor.

3.2 The deposits of such money in the bank shall be governed by the provision of section 21 of the State Bank of Pakistan Act 1956 (Act XXXIII of 1956)

Section 21 (1 & 2) of the SBP Act

1. *The Bank shall undertake to accept moneys for the account of the Federal Government and Provincial Governments and to make payments up to the amount standing to the credit of their accounts respectively and to carry out their exchange, remittance and other banking operations including the management of public debt*

2. (a) *The Federal Government and Provincial Governments shall entrust the Bank, on such conditions as may be agreed upon between the Government concerned and the Bank, with all their money, remittance, and banking transactions in Pakistan, and, in particular, shall deposit free of interest all their cash balances with the bank.*

(b) *Nothing in this subsection shall be deemed to prevent the Federal Government and any Provincial Government from carrying on money transactions, at places where the Bank has no office, branch or agency or from holding at such places such balances as they may require.*

3.3 Khyber Pakhtunkhwa Public Financial Management Act, 2022 (KP PFM Act) provides further guidance regarding cash management and TSA as the following:

PFM Act 2022 Section 2 Definitions (aw)

“Treasury Single Account” means a banking arrangement for the consolidation of Government financial resources in one bank account or multiple bank accounts linked to one main account through which Government transacts all its receipts and payments and to open/operate designated bank accounts of the branches of commercial/scheduled banks with prior approval of Finance Department by public sector entities with public funds.

KP-PFM Act 2022 Chapter III - Control of Public Finances,

13. Management of Provincial Consolidated Fund and Public Account.

(1) Pursuant to Article 118 of the Constitution, the operation of the Provincial Consolidated Fund and Public Account of Government shall vest in the Finance Department under the overall supervision of Government and shall be regulated under this Act.

(2) The Finance Department shall prepare and manage the budget and the Controller General of Accounts shall be responsible for its proper accounting in the manner as prescribed in the Controller General of Accounts Ordinance (Ordinance No. XXIV OF 2001).

(3) Monies shall not be withdrawn from the Provincial Consolidated Fund, unless released by the Finance Department and authorised by the Controller General of Accounts through its sub-ordinate offices.

(4) The Principal Accounting Officer or in case where the Principal Accounting Officer has not been notified, the head of an attached department or sub-ordinate office, autonomous body, board, authority, institution or any other public entity shall not, without prior approval of the Finance Department, transfer public monies for investment or deposit from Government's bank account, including the assignment account to any other bank account.

(5) No instruction shall be issued by the Finance Department under sub-section (3), unless, it pertains to expenditure that has been authorised by the Provincial Assembly for the financial year, during which the withdrawal takes place by-

(a) an appropriation; or

(b) by a supplementary grant; or

(c) by a technical supplementary grant.

(6) Every appropriation, approved by the Provincial Assembly, for a financial year and sanction issued by the Finance Department to withdraw funds from the Provincial Consolidated Fund shall lapse and shall cease to have an effect, after 30th June of that financial year.

(7) For the purpose of efficient and transparent budget release management, Finance Department shall issue fund release policy for each financial year.

KP PFM Act 2022, 17. Bank and cash management

(1) The Finance Department, with the approval of Government, shall notify rules under this Act to prescribe an effective Cash Management System for all public entities and special purpose funds leading to the Treasury Single Account, within a period not exceeding five years from the date of commencement of this Act.

(2) Finance Department, shall authorise the opening and closing of any bank accounts in State Bank of Pakistan and commercial banks.

(3) The main operational bank account of the Provincial Consolidated Fund shall be established in the State Bank of Pakistan, into which all revenues, surpluses, and savings shall be deposited and all payments shall be made therefrom.

(4) All Principal Accounting Officers shall provide information to Finance Department deemed necessary for the effective operation of the cash management system.

3.4 The Accounting Policies and Procedures Manual (APPM) of New Accounting Model sets the rules and responsibilities for managing public money. This Cash Management Policy further ensures compliance and effective governance through stricter oversight and coordination.

4. TSA architecture in Khyber Pakhtunkhwa

4.1 TSA in the KP province comprises of the following sub-accounts:

1. Accounts in State Bank of Pakistan (SBP):

- Provincial Account-I (Non-food)
- Provincial Account-II (Food)
- Provincial Account-III (Zakat)
- District Account-IV
- TSA Daily Sweeping Account (Request SBP to open a separate account)

State Bank of Pakistan is the banker of the Government of Khyber Pakhtunkhwa with National Bank of Pakistan (NBP) acting as its agent.

2. Accounts in Scheduled Banks (Conditional):

- Zero-balance accounts opened in commercial banks
- Investment accounts – managed by the Debt Office
- Other accounts opened in commercial banks as accounts subject to end-of-day sweeping to the Provincial Account-I in SBP and restoring the balance next morning.

4.2 The SBP will ensure real consolidation of all these accounts to provide a unified view of the Government of Khyber Pakhtunkhwa cash resources.

5. Accounts and Revenue Exempt from TSA

5.1 The Finance Department may exempt commercial bank accounts from TSA-II control upon receiving a written request from the department concerned, subject to the legal provisions outlined in the KP-PFM Act 2022.

KP-PFM Act 2022, 28. Classification of public entities.

(1) For the purposes of this Act, the public entities shall be classified as follows:

(a) Government business enterprises, which include companies registered under the Companies Act, 2017, the Banking Companies Ordinance, 1962 (Ordinance No. LVII of 1962), business entities established under the Public-Private Partnership Act, 2020, and Insurance Companies; or

(b) autonomous bodies, which include all public entities that are not government business enterprises, and which have been established to provide regulatory, research, health, education, development, and training or producing goods or services under respective Acts/Laws in line with Constitution.

(2) The Finance Department shall notify a model policy framework for public entities.

KP PFM Act 2022, 29. Self-generated revenues.

The Finance Department shall, with the approval of the Government, issue instructions whether an autonomous body may retain and utilise self-generated revenues or deposit the same into the Provincial Consolidated Fund.

5.2 The Finance Department shall authorize exempt bank accounts for Government Business Enterprises (GBEs). However, no commercial bank accounts will be allowed to GBEs for provincially allocated budgetary funds.

5.3 For autonomous bodies, the Finance Department may authorize exempt bank accounts only for self-generated revenue/funds. However, if the autonomous bodies require budgetary support for their operations, no exempt accounts will be authorized to such autonomous bodies.

5.4 In case, a previously exempted autonomous body, subsequently requests budgetary support in future, shall immediately lose its exempt status and transition all operations to TSA compliance

6. Opening and using bank accounts

The units of the KP Government may open and use a bank account only with a specific written permission from the Finance Department, compliant with this policy and upon the following conditions:

6.1 Approval & Opening of Bank Accounts

- Public entities, including Government Departments, Attached Departments, Local Government, Government Business Enterprises, Autonomous/ Semi-autonomous Bodies, and other entities may open a bank account only with written permission from the Finance Department.
- The account must be part of the TSA mechanism specified in this policy.
- Designated accounts opened for government entities are subject to overnight sweeping to the provincial account in SBP as per instructions of the Finance Department.
- The departments must adhere in writing to Finance Department regulation, including daily record-keeping of receipts/payments and timely reporting.
- The FD shall maintain a database of all authorized bank accounts and record the conditions upon which the accounts can be used as informed in the written authorization for a separate bank account.
- The Finance Department will have the authority to suspend transactions in the account or request balance/transaction details or transfer funds to Provincial Account-I at any time.

6.2 Special conditions for Bank Accounts

- Designated Bank Account (PLS mode) in Bank of Khyber (BOK) or National Bank of Pakistan (NBP) can be permitted due to justified operational needs, with recommendation of CMU. If BoK or NBP cannot provide the required services, any schedule bank having concluded agreement with the FD on government account consolidation arrangements and with "A" credit rating will be allowed.
- To request bank account, a department must submit a written request completing application according to a template issued by the Finance Department and specifying:
 - i- Purpose of the account.
 - ii- Standing instructions to the selected bank to complete end-of-day sweeping of the account balance to the SBP.
 - iii- Selected bank (with justification if not BOK/NBP).
- The Finance Department will issue binding instructions to close any Bank Accounts not compliant with the Cash Management Policy, with balances transferred to Provincial Account-I .
- The FD will not authorize separate commercial bank accounts for development projects, all such payments will be made through any of the modes listed below:
 - i- Payment Counters of AG/DAO (Online/Manual),
 - ii- Asaan Assignment Accounts, or
 - iii- Revolving Fund Accounts (for donor funds).

6.3 Exemptions for Profit-Generating Public Entities:

- FD may exempt from budgetary controls public enterprises generating profits retaining Finance Department oversight, including requesting authorization to open and use bank accounts in commercial banks and ensure financial and management reporting to the Finance Department according to applicable regulations.

6.4 Operation & Reporting of Bank Accounts

- Bank accounts shall be used only for designated purposes following applicable laws, regulations, and the conditions upon which the accounts have been authorized.
- All accounts except zero-balance accounts and investment accounts are subject of end-of-day sweeping to the provincial TSA and restoring the balance of designated account in the beginning of the next working day, except if a different regulation applies for end-of year account closing procedures.
- The AG/DAOs shall not issue cheques for payment to DDOs unless approved by the Finance Department.
- The AG/DAOs shall issue payments via electronic transfer for direct deposit into the designated account.
- The DDO must disburse funds immediately to beneficiaries via direct deposit to beneficiary's account.
- No funds shall be transferred from the provincial TSA into designated accounts unless budgeted under object head A05 (Grants) or A06 (Other Transfers).
- Interest earned on designated accounts should be managed according to the overall cash management policy.
- Provincial Budget Funds in centralized/autonomous bodies' designated accounts at year end shall lapse (unless the grant conditions specify otherwise) and be reverted to Provincial Account-I under the original payment head.
- Any investments using government funds must be liquidated and deposited into Provincial Account-I.

6.5 Accounting and Reporting Requirements

- PAOs shall maintain accurate accounting records for all bank accounts under their jurisdiction and reconcile them with banks to prevent discrepancies.
- The reporting of bank account balances and liquidity forecasts shall conform to the procedures and timelines prescribed by the Finance Department.

6.6 Closure of Bank Accounts

- Any bank account of a public entity shall be closed upon instructions of Finance Department, if the purpose for which it was opened is fulfilled, or the DDO is discontinued/merged or does not meet the requirements under which the account has been authorized or other reasons as established by Finance Department.
- Any accounts inactive for 12 months or more or other dormant accounts must be closed by the PAO, with balances returned to Provincial Account-I (notifying CMU). The FD shall assume the responsibility for settling the liabilities related to these accounts not exceeding the balance of the account transferred to the Provincial Account-I
- FD may impose penalties for late/inaccurate reporting and for failure to deposit public funds into official accounts.

6.7 Compliance by Banks

- The Banks shall follow the binding instructions of the Finance Department on government accounts opening, closing, suspending transfers from the accounts or transfer of balances to or from SBP Provincial Account-1 or providing of accounts information, when requested by the Finance Department.
- The Finance Department shall settle liabilities associated with accounts that have been closed and consolidated into the Provincial Account, in accordance with applicable laws.

6.8 Enforcement & Compliance

- The Finance Department shall determine violations related to the opening, use, or closure of bank accounts by public entities and their officers. Any government official who identifies or suspects such violations shall report them to the Finance Department.
- The Finance Department may initiate disciplinary action, administrative penalties, or account closure against public entities or their officers if violations have been established.
- The public entities or their officers concerned may appeal about the penalties imposed to the Minister of Finance/Chief Secretary who shall review the case and decide about the penalties.

7. TSA Mechanism – Functional Rules

7.1 The TSA mechanism shall comprise of:

- TSA-I represents the principal accounts for Provincial Consolidated Fund and Public Accounts as per statutory requirements; and
- TSA-II represents the secondary account for consolidation of extra budgetary funds of autonomous bodies' and other government entities from scheduled banks through daily sweeping arrangements to SBP.

7.2 Rules related to TSA-I shall apply as the following:

- TSA-I consolidates Assignment Accounts, sub-accounts, and other linked accounts designed to enable smooth execution of budget appropriations for the KP Government.
- All government organizations must transfer back to TSA-I (including sub-accounts and linked accounts) any budget-appropriated funds that were moved to scheduled bank accounts.
- As per instructions of Finance Department, any moneys that have been appropriated through the government budget but transferred to scheduled bank accounts shall be reverted to the main TSA-I including its subaccounts and linked accounts.
- The Finance Department shall issue binding instructions regarding depositing in TSA-I any investments by a department, their attached departments and subordinate offices and autonomous entities, and special-purpose funds for which funds are appropriated through the government's budget.

7.3 Rules related to TSA-II shall apply as the following:

- The Finance Department will designate bank accounts as sub-accounts of the TSA-II for autonomous entities and other entities authorized to retain own source revenues upon condition that the accounts are consolidated daily to the TSA.
- FD has the authority to conclude agreements with commercial banks binding for the entities managing the accounts upon the condition that the entities have access to the accounts for authorizing payments not exceeding the balance on the account.
- FD shall provide centralized investment facilities for entities forecasting temporarily idle balances on TSA-II sub-accounts upon request of respective entities unless the balances originate from PCF.

7.4 Departments or entities observe the arrangements as the following:

- The bank accounts authorized by the FD shall be used strictly according to the authorized purpose.
- Any monies due to the KP Government are collected to the TSA. AG shall credit the accounts of entities entitled to use for expenditure the collected own-source

revenues upon recording receipt to the TSA such revenues. Specific regulations will provide detailed guidance.

- Payments from the TSA are made predominantly as direct credit to supplier and beneficiary account (EFT). Payments from one government unit to another government unit are processed as internal transfer. Payments to government unit commercial bank accounts are prohibited except if the authorized Grant in Aid is clearly defined as non-lapsable at year end.
- Funds released through the Assignment Accounts of development projects or non-development DDOs must be utilized within 12 months. Unspent balance will lapse on June 30th which can be revived the following fiscal year, subject to budget availability.
- Upon a request by a government unit the Finance Department may authorize designated bank accounts for the purposes of urgent payments according to relevant procedures and regulations.
- *Payments and procurement of minor amounts shall follow established petty cash and permanent advance guidelines.*
- *Debt Management Unit currently oversees public debts; its capacity and its role be expended to enable it to execute and liquidate financial investments in line with KP's cash management plan and allocate these investments to government department through a competitive process.*

8. Using zero-balance accounts in commercial banks

8.1 The Finance Department will conclude agreements with selected banks to establish assignment accounts or other accounts that operate as a zero-balance account. The Finance Department will issue a limit notice to such accounts upon:

- Issuance of sealed payment authority, allowing the bank to make payments and reimburse from the SBP Provincial Account-1
- Receiving own-source revenues for consolidation to the TSA that the respective government unit is entitled to spend.
- Receiving a grant/donation or other earmarked funds for the government unit.

9. Sweeping of balances from commercial bank accounts

9.1 The accounts authorized for the overnight sweeping of cash balances to TSA-II, and to return to their respective bank accounts at the start of the next business day will follow the rules as follows:

- A commercial bank before closing operations for the day shall:

- close designated accounts for withdrawals and debit the account balance for consolidation to TSA-I and TSA-II in the SBP.
- produce a consolidation report for all accounts consolidated to TSA-I and a separate consolidation report for TSA-II and transmit electronically to the Finance Department.
- transfer the balances representing the total consolidated for TSA-I and TSA-II to the SBP through RTGS.
- The SBP shall reflect the transfers received in the statements for TSA-I and TSA-II.
- Upon launching the operations for the business day SBP shall return by RTGS the balances received the previous business day from all involved commercial banks. The transfers shall align with the opening hours of the commercial banks involved.
- A commercial bank upon opening operations for the day shall credit the account balance back, which was swept to TSA-II SBP at the close of the previous day. The SBP and designated commercial bank shall ensure that the payments of the entity are not affected by this sweeping arrangement.

9.2 All departments shall also transfer any investment instruments to the Finance Department for centralized management. The Finance Department will formulate policies to determine how government entities will be compensated for providing liquidity under the TSA framework for centralized financial asset and liability management.

10. TSA Implementation Strategy by Category

The TSA arrangements will apply for each category of accounts as the following:

Category	Example	Implementation strategy
Departments fully funded through the Provincial Government	Secretariat, Departments, Attached Departments	All disbursements from government funds shall operate within the TSA-I. No cash operations outside TSA-I are permitted . The Finance Department shall issue instructions for the reversal of all the amount, kept out in Scheduled Banks, back to TSA-I. One bank account for operational purposes may be approved by the Finance Department for each DDO to be maintained with zero-balance.
Local Government Entities	District Governments	All disbursements from government funds shall operate within the TSA-I. No cash operations outside TSA-I (District Account-IV) are permitted. The Finance Department shall issue instructions for the reversal of all the amount kept out in Scheduled Banks, back to TSA-I. One bank account for operational purposes may be approved by the

		Finance Department/CMC for each DDO to be maintained on zero-balance.
	Tehsil Municipal Administrations	All TMAs shall keep their cash generated against a budgetary provision from the provincial government in the TSA-I. For this purpose, the State Bank of Pakistan is requested to provide a separate SBP Account for TMAs. Until separate SBP Account is not made available, the Finance Department through CMC can authorize the flow of Budgetary Grant from TSA-I into scheduled bank accounts. This exemption from TSA-I will discontinue once the separate SBP Account is made available.
	Village / Neighborhood Councils (V/NCs)	All V/NCs shall keep their cash generated from a budgetary allocation of the provincial funds in the TSA-I. For this purpose, the State Bank of Pakistan is requested to provide a separate SBP Account for V/N Councils. Until separate SBP Account is not made available, the Finance Department through CMC can authorize the flow of only Current Budgetary Grant from TSA-I into scheduled bank accounts. This exemption from TSA-I will be discontinued once the separate SBP Account is made available.
Autonomous Entities/Bodies	Self-sufficient autonomous entities	Entities covering their entire expenditure in own revenues are entitled to receive FD/CMC authorization for separate bank accounts outside the TSA.
	Autonomous entities fully reliant on the provincial budget	Entities covering their entire expenditure requirements with provincial budgetary allocations shall maintain their cash in the TSA-I. The rules for centralized departments shall also apply to these autonomous entities not generating any own source revenues.
	Autonomous entities collecting own-source revenues and partially reliant on the provincial budget	Entities covering their expenditure requirements partially from provincial budgetary allocations and partially from own source revenue shall maintain the cash generated from budgetary funds in TSA-I. For own source revenue, the Finance Department through CMC shall authorize these department to open schedule bank accounts. These accounts shall be allowed to operate on zero-balance basis according to the rules established by the FD or through daily sweeping arrangement basis.
Sub-entities established for the management of foreign aid projects		Foreign aid (loans, grants, donations) whether in cash or in-kind shall invariably be made part of provincial government and expenditure transactions shall be made through Foreign Aid Assignment Accounts' procedure. The FD will authorize bank accounts and

		ensure the integration into TSA upon the review of the respective loan/grant agreement and consultation with the donor as necessary.
Public Sector Enterprises	All entities owned by the Provincial Government and run on commercial and profit basis	The FD will authorize separate bank accounts for such entities upon establishing that they do not require budgetary support. However, budgetary expenditure transactions relating to funds provided by the government as well as foreign aid shall be made by them through Assignment and Sub-Assignment Accounts.
Universities		The Finance Department shall authorize universities to open and use bank accounts for collecting and using own-source revenues on zero-balance account basis. The budgetary expenditure transactions relating to funds provided by the provincial government as well as foreign aid shall be made by them through Assignment and Sub- Assignment Accounts.
Special Purpose Fund		The Finance Department shall authorize accounts compliant with the TSA policy to manage any special purpose funds under government control. Any budgetary transfers to SPFs outside government control do not require the application of the TSA policy and budgetary accountability requirements.
Development Budget, Provincial ADP, Federal Public Sector Development Program (PSDP) and Foreign Funded Projects	Development Projects	All disbursement to the projects and programs under the provincial ADP or Federal PSDP or any other provincial government budgeted, or funded project or program shall operate within the cash regime of the TSA-I. No cash operation outside TSA-I shall be allowed unless the provincial government gives a specific exception to any such organization. The Finance Department shall issue clear instructions for reversal of all the amount, kept out in scheduled banks, back to TSA-I. The FD/CMC shall authorize bank accounts according to the legal and contractual requirements of such projects.
Dormant/inactive bank accounts	Bank accounts holding public monies having had no transactions processed for a longer time.	The AG through the treasury offices shall maintain sub-ledger of such accounts from transferred from commercial banks and transfers of the balance to TSA-I. The balance is used for investing temporarily idle cash resources. The FD shall review the requests for transferring monies from these accounts and makes payments to legitimate beneficiaries.

11. Cash Management Plans

11.1 The Finance Department's Cash Management Unit will be responsible for ensuring smooth budget execution during the fiscal year through the following:

- Preparing and implementing a cash management plan to guide and coordinate smooth implementation of budget appropriation for the fiscal year.
- Cash management plan shall focus on balancing the payment requirements with the financial resources of the government.
- Public expenditure shall be managed ensuring that the government creditors, suppliers, and beneficiaries are paid promptly.
- Cash Management Plans provide guidance for financial asset and liability management and envisage cash buffers to accommodate contingencies with the view of reducing net cost for managing the financial assets and liabilities.

12. Preparation of cash plans of government entities

12.1 All government entities receiving funding from the budget through their Principal Accounting Officers shall provide the Finance Department with their cash plans based on the approved budget appropriations and in line with the **guidance and templates** issued by the Finance Department. These cash plans will serve as the basis for the release of funds from the Consolidated Fund throughout the fiscal year and investment of idle resources under the TSA-II.

12.2 In case of anticipated cash flow constraints, the Finance Department shall request the departments to revise their cash plans. Such requests may identify specific measures requiring changes to ensure that the government's financial obligations can be met in a timely and efficient manner.

13. Financial asset and liability management

13.1 The role of **Debt Management Unit (DMU)** shall be expanded so that it enables centralized professional management of the financial assets and liabilities of the Government of Khyber Pakhtunkhwa and its public entities.

13.2 The DMU shall invest temporarily idle cash balances in approved financial instruments or liquidate such investments as needed, in accordance with the Cash Management Plan. The availability of idle cash for investment purposes shall be determined through forecasts and analyses provided under the KP Government's approved Cash Management Plans.

13.3 The DMU may offer competitive and risk-sensitive investment opportunities for temporarily idle funds consolidated under TSA-I and TSA-II, earning returns on such resources. According to the guidelines approved by the Finance Department public entities may benefit from the profits generated by investing such funds except if funds originate from the Provincial Consolidated Fund or the investing such idle cash balances contradicts applicable laws and regulations.

13.4 To ensure transparency and performance accountability, the DMU shall prepare and publish annual reports assessing the effectiveness of financial asset and liability management practices. These reports shall include benchmarking against peer financial institutions and outline key outcomes, trends, and performance metrics.

13.5 In addition, the DMU shall establish a robust **risk management framework** to safeguard public investments from financial losses. This framework shall include guidelines on credit risk, market risk, and liquidity risk, aligned with international best practices in public financial management.

13.6 The Finance Department shall establish procedures for public entities to access the investment facilities provided by the Finance Department and managed by the DMU.

14. Cash Management Committee and Cash Management Unit

14.1 The FD shall establish a Cash Management Committee to coordinate the cash management effort and a Cash Management Unit to provide the analytical and operation support to the Cash Management Committee.

14.2 The Cash Management Unit has the authority to request and receive the data from government units and banks regarding government cash balances and cash flows. The 14.3 Finance Department may impose administrative penalties to government and bank officials if legitimate requests have not been met.

15. Transition plan to the new Cash Management

15.1 The Finance Department together with the Accountant General shall schedule the transition of Khyber Pakhtunkhwa to the TSA mechanism and the new cash management procedures.

15.2 The Finance Department shall issue instructions for departments to surrender savings on applicable occasions according to Article 8 of the KP PFM Act of 2022, including the savings generated in prior years remaining on separate accounts of commercial banks.

15.3 All the Principal Accounting Officers shall request the Finance Department to issue new permission to operate bank accounts outside the TSA mechanism. The bank accounts not authorized by the Finance Department are subject of transfer to Provincial Account-I. The Finance Department will review the liabilities associated with the accounts transferred from commercial banks to TSA and will authorize payments to rightful beneficiaries:

15.4 TSA transition plan

Type of entity/account	Request to use bank accounts	Account balances transferred to TSA except accounts with the new permission
Finance Department and Environmental Department as pilot entities	April 2025	May 2025
Secretariat, Departments, Attached Departments	June 1 to August 31, 2025	During October, 2025
Local Government Entities	November 1 to December 31, 2025	January 15 to February 15, 2026
Autonomous bodies/entities	February 2026	April 2026
Universities and other accounts	April 2026	June 2026

16. Cash management implementation plan

Activity	Timelines	Responsible
1. Establish and staff CMU and CMC	April 2025	FD
2. Pilot units prepare cash plans for April-June 2025 and submit to FD	April 2025	Pilot units, FD
3. CMU develops initial cash flow forecast for April-June 2025 and submit for CMC approval of cash management plan	April 2025	CMU, CMC
4. CMU updates cash flow forecasts and consults with the CMC on update of cash management plans	monthly	CMU, CMC
5. CMU prepares cash flow forecast for 2025/26 and CMC approves cash management plan for 2025/26 including instructions regarding cash ceilings for public entities in FY2025/26	June	CMU, CMC
6. All departments instructed to prepare cash plans for FY2025/26 considering cash ceilings	June 2025	FD

and new cash release arrangements based on approved cash plans		
7. FD collects and reviews cash plans	June 2025	FD
8. FD makes cash releases based on the approved cash plans	July 2025	FD
9. CMU updates cash flow forecast for 2025/26 and CMC reviews the performance of cash management plans approving changes and deciding on adjustment measures as necessary	monthly	CMU, CMC