



FINANCIAL STATEMENTS

of the

Government of Punjab

2018-2019



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PREFACE

I am pleased to present the Financial Statements of the Government of the Punjab for the financial year ended 30th June, 2019.

The Financial Statements of the Government of the Punjab for the financial year 2018-2019 have been prepared by the Accountant General Punjab under Section 5 of the Controller General of Accounts (Appointment, Functions and Powers) Ordinance, 2001 and are the responsibility of the Controller General of Accounts (CGA).

In response to the changing nature of stakeholder's requirements for making informed decision based on financial information and developments in the public sector accounting standards, the role of CGA has transformed. Stakeholders now expect high quality, reliable and relevant financial reports and the focus of CGA is not limited to reporting historical results, but is now constantly moving towards enhancing public value, by providing the legislature and the executive through the Financial Statements an insight of the Government's financial performance.

In December 2000, Auditor General of Pakistan prescribed New Accounting Model (NAM) with the approval of the President of Pakistan under Article 170 of the Constitution of Islamic Republic of Pakistan. NAM, which conforms to international best practices, comprises of seven volumes and is based on Modified Cash Basis of Accounting in which, though cash basis of accounting is followed, the following additional concepts have been introduced:

- Commitment Accounting
- Physical and Financial Assets Accounting
- Liabilities Accounting

Commitment, asset and liability accounting practices are not yet implemented and these financial statements have been prepared on cash basis of accounting and do not include accrued receipts and liabilities.

The current year's Financial Statements have been prepared under NAM and the format of International Public Sector Accounting Standards (IPSAS) Cash Basis - Financial Reporting under the Cash Basis of Accounting has been adopted for the preparation of these Financial Statements.

These Financial Statements focus on reporting the budgetary activity of the Government for the financial year as laid down in the financial procedures of the Constitution which describes the Government as District Government Fund and Public Account for which Annual Budget Statement is authorized by the District Assembly in the form of Budgetary Grants.

Finally, it is important to emphasize the value of sustained and dedicated efforts towards excellence in public sector financial accounting and reporting. Moving forward, management and staff of CGA are working closely to address the challenges and issues which can limit the quality, transparency and reliability of financial reports. Through excellent financial reporting we are committed to support the decision making critical to the nation's fiscal future.



Controller General of Accounts

Islamabad, Pakistan.

Dated: 30 DEC 2019



Auditor General of Pakistan
Audit House, Constitution Avenue
Islamabad, Pakistan

Auditor's Report

I have audited the accompanying Financial Statements of the Government of Punjab, which comprise the statements of receipts and payments for the year ended 30th June 2019, statement of cash flows, statement of comparison of budget and actual amounts by function, statement of comparison of budget, actual expenditure by departments and statement of appropriation of grants by object for the year 30th June 2019 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and proper presentation of these financial statements in accordance with the applicable financial reporting framework.

Auditor's Responsibility

My responsibility is to express opinion on these financial statements based on my audit in accordance with the requirements of Articles 169 & 170 (2) of the Constitution of the Islamic Republic of Pakistan read with Section 7 of the Auditor General's (Functions, Power and Terms and Conditions of Service) Ordinance 2001. I conducted my audit in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) and other guidelines issued by my department. These standards require that I perform procedures, including risk assessment, to obtain reasonable assurance whether the financial statements are free of material misstatement. The audit process includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. It also includes assessing the accounting policies used and evaluating the overall financial statements presentation. I believe that my audit provides a reasonable basis for my opinion.

In my Opinion:

- a. These financial statements properly present, in all material respects, the financial position of the Government of the Punjab as at 30th June 2019 and the results of its operations, its cash flow and its expenditure and receipts, by appropriation for the year ended 30th June 2019 in accordance with the stated accounting policies of the Government of Punjab.
- b. The sums expended have been applied, in all material respects, for the purposes authorized by Parliament and have, in all material respects been booked to the relevant grants and appropriations.

Emphasis of matter

- I. An amount of Rs. 13,522 million was drawn excess from the head "G10113-Public Works/Pakistan PWD Deposits" as per Finance Account.
- II. Due to non-budgeting of Donor Funded Assignment account releases by the Finance Department, an expenditure of Rs. 67,880 million incurred through Assignment Accounts (ADB) from Public Account instead of Consolidated Fund Account.

- III. Closing Cash Balance of District Government amounting to Rs. (9,941) million was appearing under Financial Statements Note 26 "Provincial Government" despite the fact that District Governments closed their functions on 31.12.2016. This balance showed non reconciliation of Cash Closing of District Governments Accounts (Account-IV) and also non reconciliation between NBP & SBP with reference to book balances.
- IV. An expenditure of Rs. 6,913 million was not accepted by the department and Receipt Rs. 6,582 million remained un-reconciled by the above stated amount.
- V. The Assets purchased and owned by the govt. of the Punjab Rs. 1,563,954 million were not recorded and reported in annual accounts as per requirement of the accounting policies and procedure manual due to non-functioning of Asset module.
- VI. As per Financial Statements of the financial year 2018-19, Notes to the Financial Statements, Note 22.1. Domestic Debts Rs.(19,795) million and Foreign Loans Taken From Federal Government Rs. 119,539 million appeared as paid in excess.
- VII. Difference of Rs. 11.771 billion in closing bank balance as on 30th June 2019 in figures reported by AG Punjab (Rs. 53.771 billion) and Punjab Finance Department (Rs.42 billion).
- VIII. As per estimates of Receipts, an amount of Rs. 41,200 million on account of "Profits" out of net hydel profit from Hydro Power Stations Located in Punjab Province was receivable which was not realized.
- IX. An amount of Rs. 3.941 million was paid excess on account of pay and allowances due to double hiring of employees on SAP R3 by District Accounts Office Faisalabad.
- X. "Statement of Cash Receipts and Payment" shows that an expenditure of Rs. 5,022 million was incurred excess than or without budgetary allocations during 2018-19, violating the safeguards envisaged in Punjab Budget Manual.
- XI. An amount of Rs. 58.969 million was transferred excess to Supreme Court of Pakistan on account of "Supreme Court Damer Basha and Mohamand Dam Fund".

Other Reports

Audit Reports covering significant aspects of the financial governance or economical and effective utilization of public resources are submitted separately to the Governor of Punjab under Article 171 of the Constitution of the Islamic Republic of Pakistan.

Islamabad, Pakistan

Dated:

30 DEC 2019



(Javaid Jehangir)
Auditor General of Pakistan

GOVERNMENT OF PUNJAB
Statement of Cash Receipts and Payments
For the Year Ended 30 June, 2019

	Note	2019 Rupees in Million		2018 Rupees in Million	
		Receipts Controlled by Provincial Government	Payments by Third Parties	Receipts Controlled by Provincial Government	Payments by Third Parties
PROVINCIAL CONSOLIDATED FUND					
RECEIPTS					
<i>Taxation - Transfers from Federal Government</i>	8.	1,160,880	-	1,072,596	-
<i>Taxation - Provincial Government's Own Collection</i>	9.	191,671	-	196,263	-
<i>Non-Tax Revenue and Other Receipts</i>					
General Administration Receipts	10.	12,837	-	14,428	-
Economic Services Receipts	11.	30,532	-	31,975	-
Development Surcharge and Royalties	12.	6,542	-	6,164	-
Other Receipts	13.	983	-	2,894	-
Interest on Loans and Advances	14.	726	-	299	-
Dividend and Profit Share		1,740	-	17,568	-
		53,360	-	73,328	-
<i>Grants and Aid</i>	15.	19,973	-	44,329	-
<i>Borrowings</i>					
Foreign Debt	16.	28,183	35,263	26,949	46,735
Domestic Debt		108,050	-	117,500	-
		136,233	35,263	144,449	46,735
<i>Capital Receipts</i>					
Recovery of loans and advances	17.	3,661	-	829	-
Recovery of investment		-	-	-	-
		3,661	-	829	-
<i>Trading Activities and Recoveries</i>	18.	169,745	-	70,756	-
<i>Receipts of District Government</i>		-	-	-	-
<i>Receipts of District Authorities</i>	19.	1,941	-	1,337	-
TOTAL RECEIPTS		1,737,464	35,263	1,603,887	46,735

GOVERNMENT OF PUNJAB
Statement of Cash Receipts and Payments
For the Year Ended 30 June, 2019

	Note	2019 Rupees in Million		2018 Rupees in Million	
		Payments Controlled by Provincial Government	Payments by Third Parties	Payments Controlled by Provincial Government	Payments by Third Parties
PAYMENTS					
<i>Operations</i>					
Salaries and employee benefits	20.	494,987		428,338	-
Operating expenses		93,933		100,669	
		588,920	-	529,007	-
<i>Transfers</i>					
Grants, Subsidies and Write-off of Loans	21.	237,438	34,959	332,586	44,157
Other transfer payments		20,539		44,698	
		257,977	34,959	377,284	44,157
<i>Expenditures on</i>					
Physical assets		130,059	304	147,732	
Civil works		46,194		178,307	2,578
Repairs and Maintenance		23,022		22,216	
		199,275	304	348,255	2,578
<i>Debt and Interest Payments</i>					
Principal Repayments of Debts	22.	167,644		56,012	-
Servicing of Debts	23.	59,453		39,142	-
		227,097	-	95,154	-
<i>Other Payments</i>					
Loans and advances - Non financial institutions		28,340		13,011	-
Investments		6,348		15	-
		34,688	-	13,026	-
<i>Payments of District Authorities</i>	24.	351,380	-	290,362	-
TOTAL PAYMENTS		1,659,338	35,263	1,653,088	46,735
NET PAYMENT OF PROVINCIAL CONSOLIDATED FUND		78,126	-	(49,201)	-
NET PAYMENT OF PUBLIC ACCOUNT	25.	16	-	(18,534)	-
INCREASE/(DECREASE) IN CASH		78,142	-	(67,735)	-
CASH AT BEGINNING OF THE YEAR		(9,881)	-	57,854	-
INCREASE/(DECREASE) IN CASH		78,142	-	(67,735)	-
CASH AT END OF THE YEAR	26.	68,261	-	(9,881)	-

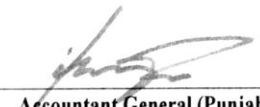
The annexed notes 1 to 30 form an integral part of these financial statements.


Accountant General (Punjab)

GOVERNMENT OF PUNJAB
Statement of Cash Flows
For the Year Ended 30 June, 2019

	Notes	2019 Rupees in Million	2018 Rupees in Million
CASH FLOWS FROM OPERATING ACTIVITIES			
Taxation - Transfers from Federal Government	8.	1,160,880	1,072,596
Taxation - Provincial Government's Own Collection	9.	191,671	196,263
Non-Tax Revenue & Other Receipts	10-14.	51,620	55,760
Grants and Aid - Receipts	15.	19,973	44,329
Trading Activities - Receipts	18.	169,745	70,756
Servicing of Debt - Payments	23.	(59,453)	(39,142)
Transfers - Payments		(257,977)	(377,284)
Operations - Payments		(588,920)	(529,007)
Receipts of District Authorities		1,941	1,337
Payments of District Authorities		(351,380)	(290,362)
Cash from Operating Activities		338,100	205,246
CASH FLOWS FROM INVESTING ACTIVITIES			
Recovery of Loans and Advances	17.	3,661	829
Recovery of Investment		-	-
Dividend and Profit Share		1,740	17,568
Investments		(6,348)	(15)
Expenditure on Physical Assets, Civil Works and Others		(199,275)	(348,255)
Payments of Loans and Advances		(28,340)	(13,011)
Cash used in Investing Activities		(228,563)	(342,884)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of Foreign Debt	16.1	28,183	26,949
Receipt of Domestic Debt	16.2	108,050	117,500
Principal Repayments of Debt	22.	(167,644)	(56,012)
Net Receipt/Payment of Public Account	25.	16	(18,534)
Cash from Financing Activities		(31,396)	69,903
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		78,142	(67,735)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		(9,881)	57,854
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (31-12-2018)		68,261	(9,881)


The annexed notes 1 to 30 form an integral part of these financial statements.


 Accountant General (Punjab)

GOVERNMENT OF PUNJAB
Statement of Comparison of Budget and Actual Amounts by Function
For the Year Ended 30 June, 2019

Note	2018-2019 (Rupees in million)			2017-2018 (Rupees in million)		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
RECEIPTS						
<u>Revenue</u>						
Taxation	1,552,109	1,405,785	1,352,550	1,385,171	1,339,450	1,268,859
Non-Taxation	100,067	60,051	73,334	117,321	186,032	117,658
Total revenue receipt	1,652,176	1,465,836	1,425,884	1,502,492	1,525,482	1,386,517
<u>Capital</u>						
Domestic Debt	130,094	132,503	108,050	155,204	179,193	117,500
Foreign Debt	84,144	73,288	63,446	132,705	100,707	73,684
Recoveries of Loans and Advances	10,742	3,659	3,661	50,545	819	829
Recoveries others	149,360	203,475	169,745	129,754	92,139	70,756
Total capital receipt	374,340	412,925	344,902	468,208	372,858	262,769
<u>Receipt of District Government</u>	-	-	-	-	-	-
<u>Receipt of District Authorities</u>	-	-	356,259	-	-	256,883
TOTAL RECEIPTS	2,026,516	1,878,761	2,127,044	1,970,700	1,898,340	1,906,169
PAYMENTS						
<u>Revenue</u>						
1 General Public Service	749,430	745,871	710,944	691,726	656,451	618,588
4 Economic Affairs	273,552	261,811	215,979	259,633	213,212	158,244
3 Public Order and Safety Affairs	173,884	165,449	159,448	148,955	153,332	150,091
9 Education Affairs and Services	99,415	103,272	96,827	105,772	104,984	93,030
7 Health Affairs and Services	164,824	157,093	147,484	153,176	184,826	151,527
6 Housing and Community Amenities	45,382	33,245	28,370	95,755	102,242	91,593
8 Recreation, Culture and Religion	6,018	4,726	4,281	11,549	8,864	7,219
# Social Protection	8,381	9,913	6,373	8,046	10,108	7,671
5 Environment Protection	1,768	467	417	942	532	418
Total revenue payment	1,522,655	1,481,847	1,370,124	1,475,554	1,434,551	1,278,381
<u>Capital</u>						
General Public Service	187,545	243,659	173,920	150,319	110,357	67,988
Economic Affairs	168,516	178,341	153,495	344,222	355,066	318,471
Housing and Community Amenities	-	-	-	451	15	13
Social Protection	-	-	-	154	678	156
Total capital payments	356,061	422,001	327,415	495,146	466,116	386,627
<u>Payments of District Governments</u>	-	-	-	-	-	-
<u>Payments of District Authorities</u>	-	-	351,380	-	-	290,361
TOTAL PAYMENTS	1,878,716	1,903,848	2,048,919	1,970,700	1,900,667	1,955,369

The annexed notes 1 to 30 form an integral part of these financial statements.


 Accountant General (Punjab)

GOVERNMENT OF PUNJAB
Statement of Comparison of Budget and Actual Expenditure by Department
For the Year Ended 30 June, 2019

Departments	2018-2019 (Rupees in million)			2017-2018 (Rupees in million)		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
Agriculture Department	27,918	30,458	29,199	34,706	33,082	27,383
Chief Minister Inspection Team	94	118	115	67	81	81
Chief Minister Secretariat	601	788	820	492	799	802
Board of Revenue	-	-	-	12,452	61,570	59,311
Co-Operatives	1,402	1,415	1,386	1,183	1,308	1,321
Communication and Works	70,809	60,775	58,238	156,380	164,732	148,754
Energy Development	5,455	14,730	14,505	8,772	10,148	5,530
Environment Protection	1,336	61	63	994	578	463
Excise and Taxation Department	2,585	2,036	1,942	2,331	2,067	1,635
Food Department	337,634	386,746	298,141	293,325	249,212	181,133
Finance Department	758,753	766,086	696,938	613,704	603,911	567,435
Forest Department	5,938	4,982	4,909	5,359	5,288	5,157
Forestry, Wildlife & Fisheries	15,543	1,868	1,802	14,305	1,996	1,804
Governor's Secretariat	467	423	421	327	338	336
Health	163,335	155,372	145,825	151,089	182,287	149,853
Higher Education	35,108	37,865	34,923	38,225	38,214	34,226
Home Department	138,424	134,392	129,712	119,871	125,172	123,204
Housing and Physical Planning Department	40,100	29,896	25,048	87,365	76,692	69,032
Industries Department	17,312	18,774	18,132	23,556	13,125	10,485
Information Technology	-	-	-	-	-	-
Information, Culture & Youth Affairs	5,824	4,609	4,168	11,279	8,551	6,949
Irrigation and Power	38,353	43,090	38,273	59,175	66,504	59,136
Labour	1,018	991	996	1,267	994	952
Law and Parliamentary Affairs	2,120	2,297	2,204	1,773	1,636	1,545
Literacy & Non Formal Basic Education	1,885	912	402	1,723	408	406
Live Stock and Dairy Development	13,323	13,688	11,766	18,523	18,662	17,905
Local Government And Rural Development	6,214	17,873	17,220	9,170	38,215	33,205
Management & Professional Development	198	178	176	189	161	156
Mines & Minerals Department	672	515	528	1,701	1,202	1,146
Planning & Development	19,805	9,058	8,185	90,741	14,960	12,379
Population Welfare	4,863	4,584	4,295	5,653	5,609	5,236
Provincial Assembly	1,580	1,540	1,452	1,415	1,237	1,186
Relief	1,725	1,226	195	1,609	1,295	608
Religious Affairs & Auqaf Department	332	94	92	443	229	56
Revenue	13,603	21,389	20,066	-	-	-
Service & General Administration Department	45,131	37,489	34,894	36,683	35,261	33,356
School Education	57,683	54,319	51,584	61,412	64,767	56,379
Social Welfare Department	3,176	2,981	2,307	2,639	2,366	2,042
Special Education	790	306	283	779	322	276
Transport	36,909	38,866	35,646	98,955	65,173	42,612
Women Development Department	385	218	226	815	445	390
Zakat and Ushr Department	314	841	463	253	2,070	1,143
	1,878,716	1,903,848	1,697,539	1,970,700	1,900,667	1,665,008
<u>Payments of District Governments</u>			-			-
<u>Payments of District Authorities</u>			351,380			290,361
TOTAL PAYMENTS	1,878,716	1,903,848	2,048,919	1,970,700	1,900,667	1,955,369

The annexed notes 1 to 30 form an integral part of these financial statements.


 Accountant General (Punjab)

GOVERNMENT OF PUNJAB

Notes to the Financial Statements

For the Year Ended 30 June, 2019

1. REPORTING ENTITY

Provincial Government - Punjab (the government) conducts its operations under the Rules of Business 1974. These rules were made pursuant to Article 139 of the Constitution of the Islamic Republic of Pakistan, 1973 (the Constitution) and envisage Provincial Government as comprising of departments and their attached departments. Financial procedures of the Constitution describe the Government as Provincial Consolidated Fund and Public Account of the Province for which Annual Budget Statement is authorized by the Provincial Assembly in the form of budgetary grants. These Financial Statements focus on reporting the budgetary activity of the government for the financial year.

Article 170 of the Constitution confers the powers of defining the form, principles and methods of accounts of the Province to the Auditor General of Pakistan which describes Provincial Government as an accounting and reporting entity comprising of;

- a) Centralized Accounting Entities; for which the Accountant General Punjab has the primary responsibility of accounting and reporting.
- b) Self Accounting Entities; for which the Principal Accounting Officer has the primary responsibility of accounting and reporting. The Self Accounting Entity is Forest Department.
- c) Exempt Entities; special purpose authorities/organizations and all the government owned corporations/companies which are required to prepare their Financial Statements under their specific statute or Companies Ordinance, 1984 are classified as exempt entities. Financial Statements of these entities are not consolidated in the Financial Statements of the Provincial Government. New investments by the Provincial Government in such entities are capitalized and any grants to the entities are classified as an expense of the Provincial Government, if any, in the financial year to which they pertain. Return from these entities in the form of dividends or interest is classified as non-tax-revenue.

Under Punjab Local Government Ordinance, 2001 District Governments were established. The District Government consists of Zila Nazim and District Administration. Auditor General of Pakistan under section 14 of the said Ordinance prescribed Local Government Accounts Manual for District Governments. This manual required preparation of Annual Finance and Appropriation Accounts by each District Government. Besides Appropriation Accounts, from the financial year 2008-09 the District Governments were also preparing Finance Accounts and Financial Statements based on the format of Cash Based IPSAS. The Punjab Local Government Act 2013 (XVIII of 2013) was promulgated in 2013, which repealed Punjab Local Government Ordinance, 2001 in December 2016 through enactment vide Finance Department, Punjab notification no. Sd (TT) 6-1/2013 dated December 29, 2016 after Local bodies election. The Act describes Local Governments as Metropolitan Corporation, Municipal Corporation, a Municipal Committee, a Union Council, a District Council, a District Education Authority and District Health Authority.

Local Government Accounts Manual also required consolidation of Accounts of the District Governments in the Financial Statements of the Province. In these Financial Statements, Accounts of the following District Governments and District Education and Health Authorities have been consolidated.

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Year Ended 30 June, 2019

1	Attock	19	M.B.Din
2	Bhakkar	20	Multan
3	Bhawalpur	21	Mianwalli
4	Bhawalnagar	22	Muzaffargarh
5	Chakwal	23	Nankana Sahib
6	D.G.Khan	24	Narowal
7	Faisalabad	25	Okara
8	Gujranwala	26	Pakpattan
9	Gujrat	27	Rawalpindi
10	Hafizabad	28	Rajanpur
11	Jhelum	29	Rahim Yar Khan
12	Jhang	30	Sheikhupura
13	Kasur	31	Sialkot
14	Khanewal	32	Sahiwal
15	Khushab	33	Sargodha
16	Lahore	34	T.T.Singh
17	Layyah	35	Vehari
18	Lodhran	36	Chiniot

2. BASIS OF CONSOLIDATION

The financial statements have been prepared by consolidating the accounts of all Centralized and Self Accounting entities and thirty six (36) District Governments and seventy two (72) District Education and Health Authorities. The assets, liabilities, receipts and expenditure are added together line by line using the same functional/object classification. Material inter- government transactions such as transfers from Provincial Governments, which comprise receipts of District Authorities are eliminated in consolidation.

3. STATEMENT OF COMPLIANCE

These Financial Statements have been prepared in accordance with the New Accounting Model (NAM). In December 2000, Auditor General of Pakistan prescribed NAM with the approval of the President of Pakistan under Article 170 of the Constitution of Islamic Republic of Pakistan and the implementation of NAM is an ongoing process. Commitment, asset and liability accounting practices have not yet been implemented and memorandum register for assets and commitments do not exist and accounting for liabilities is not done in accordance with NAM.

GOVERNMENT OF PUNJAB

Notes to the Financial Statements

For the Year Ended 30 June, 2019

4. ACCOUNTING CONVENTION AND BASIS OF CONSOLIDATION

These Financial Statements have been prepared under the cash basis of accounting which recognizes transactions and events only when cash is received or paid by the entity. Assets and liabilities in the disclosed notes are on a historical cost basis.

These Financial Statements have been prepared as per the requirements of NAM that supports international best practices. The Government is moving towards full implementation of Cash Basis IPSAS - Financial Reporting under the Cash Basis of Accounting. The statement of cash receipts and payments, statement of comparison of budget and actual amounts by function, statement of comparison of budget and actual expenditure by department and notes forming parts thereof have been prepared on the format of Cash Basis IPSAS - Financial Reporting under the Cash Basis of Accounting. The statement of cash flows as required by IPSAS 2 - Cash Flow Statements has also been presented, as encouraged by Cash Basis IPSAS.

The Financial Statements for the financial year 2018-19 have been prepared and presented in order to make a fair presentation of all the relevant financial information without making any change in the fundamentals applied and all policies have been applied on a basis consistent with the previous year.

5. REPORTING AND BUDGET PERIOD

The reporting and budget period of these consolidated Financial Statements is financial year 2018-19. (from 1 July, 2018 to 30 June 2019).

6. REPORTING CURRENCY

The reporting currency of these consolidated Financial Statements is Pak Rupees.

7. SIGNIFICANT ACCOUNTING POLICIES

7.1 Revenue recognition

Revenue is recognized on the date of receipt of money by the bank or clearance of cheque. Revenue is recognized on a gross basis and any related costs are recorded separately. Receipts representing recovery of any previous overpayment are adjusted against relevant expenditure, if these occur in the same financial year.

7.2 Recognition of expenditure

Expenditure is recognized on the date when payment is made or cheque is issued. Financial year to which the payments pertain is determined by the date on which a cheque or payment advice is issued. Policies for recognition of expenditure are as follows:

GOVERNMENT OF PUNJAB

Notes to the Financial Statements

For the Year Ended 30 June, 2019

a) Payments made through cheque

Expenditure is recognized on the date the cheque is issued.

b) Inter-government transfers

Expenditure is recognized on the date the transfer is made by the transferor.

c) Payments directly in bank accounts

Expenditure is recognized on the date, payment advice is issued to the bank.

d) Direct payments by State Bank of Pakistan (SBP)

Expenditure is recognized on the date when State Bank of Pakistan advises repayment of loans and other direct payments to the relevant accounting office.

e) Imprest payments

Expenditure is recognized when the required claim vouchers are submitted and imprest account is reimbursed.

7.3 Foreign currency

Transactions in foreign currencies are recorded in the books at the rates of exchange prevailing on the date of transaction. Exchange differences arising on settlement of these transactions are recognized in the Statement of Receipts and Payments, but are not disclosed separately.

7.4 Employee benefits

The government has following plans for its employees:

a) General Provident Fund

An employee compulsorily subscribes to the General Provident Fund from the date of appointment and monthly subscription is by way of deduction from monthly payroll at a uniform rate of subscription, as advised by the Government for a financial year as laid in the Provident Funds Act (XIX of 1925) and General Provident Fund Rules. The Government pays interest on provident fund balance and is recorded as expenditure in the financial year.

GOVERNMENT OF PUNJAB

Notes to the Financial Statements

For the Year Ended 30 June, 2019

b) Pension

This is entitlement of government employees to a stream of payments after they retire from service. No liability for pension is recognized in the Financial Statements and pension payments made during the year are recorded as expenditure.

c) Encashment of leave

This represents liability arising from entitlements to various forms of leave earned by government employees. No provision is made and the expenditure is recognized on the basis of payments made during the year.

7.5 Investments

All investments acquired by the Provincial Government are initially measured at cost being the fair value of consideration given plus transaction costs that are directly attributable to their acquisition.

Subsequent to initial recognition, investments are carried at historical cost. Any dividends received against investments are recognized when received in the provincial consolidated fund.

7.6 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash with State Bank of Pakistan.

7.7 Liability

Liabilities are future sacrifices of economic benefits that the government is presently obliged to make as a result of the past transactions. All liabilities are recorded at historical cash value.

7.8 Public Debt

Public Debt comprises cash inflows from banks, similar lending agencies, commercial institutions and amounts owed in respect of non-cash assistance provided by third parties and foreign borrowings. All debts raised are classified as either floating or permanent debts depending on the nature of the transaction.

GOVERNMENT OF PUNJAB

Notes to the Financial Statements

For the Year Ended 30 June, 2019

7.9 Assets

Assets are future economic benefits controlled by the government as a result of past transactions or other past events. Assets are recorded at cost and currently no depreciation is charged.

7.10 Loan and advances

Loans and advances include loan and advances to autonomous bodies, financial and non-financial institutions, to government servants for house building and purchase of conveyances and other loans. Loans to government servants are interest bearing and interest is calculated in accordance with the General Financial Rules.

7.11 Payments by Third Parties

The Government also benefits from goods and services purchased on its behalf as a result of cash payments made by third parties during the period by way of loans and contributions, in the shape of grants and aid. The payments made by the third parties do not constitute cash receipts or payments controlled by the Government as defined in the Cash Basis IPSAS - Financial Reporting under the Cash Basis of Accounting but do benefit the Government, as the Government does not receive cash (including cash equivalents) directly from, or gain control of the bank accounts or similar facility established for its benefit by the third parties. Payments by third parties, if any, are disclosed in the payments by third parties column on the face of statement of cash receipts and payments and notes to the financial statements.

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Year Ended 30 June, 2019

<i>Note</i>	2019 Rupees in million	2018 Rupees in million
8. TAXATION - TRANSFERS FROM FEDERAL GOVERNMENT		
<i>Direct Taxes</i>		
Income Tax	441,094	408,917
Wealth Tax	-	-
Capital Value Tax	1,209	1,353
	442,303	410,270
<i>Indirect Taxes</i>		
Sales Tax	447,181	426,485
Custom Duty	200,142	175,023
Federal Excise	71,254	60,818
	718,577	662,326
	1,160,880	1,072,596
9. TAXATION - PROVINCIAL GOVERNMENT'S OWN COLLECTION		
<i>Direct Taxes</i>		
Income Tax - Agriculture	1,574	913
Property Tax	2,820	2,291
Land Revenue	14,311	12,097
Tax on profession, Trade and Callings	797	729
Others	172	464
	19,674	16,494
<i>Indirect Taxes</i>		
Receipts Under Motor Vehicles Act	14,925	14,529
Stamp Duties	58,562	51,691
Provincial Excise	3,608	3,473
Others	94,902	110,076
	171,997	179,769
	191,671	196,263
10. GENERAL ADMINISTRATION RECEIPTS		
Organs of State	320	254
Fiscal Administration	693	412
Economic Regulations	174	163
Law and Order	4,937	5,400
Community Services	3,085	4,390
Social Services	3,628	3,809
	12,837	14,428

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Year Ended 30 June, 2019

<i>Note</i>	2019 Rupees in million	2018 Rupees in million
11. ECONOMIC SERVICES RECEIPTS		
Food and Agriculture	1,033	1,238
Fisheries and Animal Husbandry	1,389	1,821
Forest	889	858
Cooperation, Irrigation, Embankment-Drainage	1,750	1,501
Others	25,471	26,557
	<u>30,532</u>	<u>31,975</u>
12. DEVELOPMENT SURCHARGE AND ROYALTIES		
Development Surcharge on Gas	12.1 430	1,240
Royalty on Crude Oil	12.2 4,451	3,387
Royalty on Natural Gas	12.2 1,661	1,537
Net Hydel Profit from Hydro-Electric Stations	12.3 -	-
	<u>6,542</u>	<u>6,164</u>

12.1 The development surcharge on natural gas is levied under the Natural Gas Development Surcharge Ordinance, 1967. In pursuance of the said ordinance, the federal government has to fix the sale price for the consumers and prescribe a price for the gas companies. The difference between the two prices is the margin available to the government as development surcharge. The surcharge on natural gas is transferred to the provinces according to the production of gas in a province.

12.2 Royalty on crude oil and natural gas is received under Pakistan Petroleum Production Rules, 1949 at the rate of 12.5% on the well head value of production. Federal Government collects royalty on crude oil and natural gas which is transferred to the provinces on oil well head production basis after deduction of 2% collection charges.

12.3 Article 161 (Para-02) of Constitution of Islamic Republic of Pakistan states that:
"The net profits earned by the Federal Government, or any undertaking established or administered by the Federal Government from the bulk generation of power at hydro-electric station shall be paid to the Province in which the hydro-electric station is situated". As per estimates of Receipts, an amount of Rs.41,200 million on account of "Profits" out of net hydel profit from Hydro Power Stations Located in Punjab Province was receivable which was not realized.

<i>Note</i>	2019 Rupees in million	2018 Rupees in million
13. OTHER RECEIPTS		
Sale of Other Government Assets		4
Sale of Land	231	317
Fees, Fines and Forfeitures	14	1
Sale and Rent of Urban property and Agriculture land	728	2,018
Others	10	554
	<u>983</u>	<u>2,894</u>
14. INTEREST ON LOANS AND ADVANCES		
Interest on Loans and Advances to Govt. Servants	-	-
Loans and Advances - Others	726	299
	<u>726</u>	<u>299</u>

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Year Ended 30 June, 2019

<i>Note</i>	2019 Rupees in million	2018 Rupees in million
15. GRANTS AND AIDS		
Foreign Grants through Federal Government	3,738	11,607
Federal Government Grants	16,235	32,722
Grants from District Governments	-	-
	<u>19,973</u>	<u>44,329</u>
15.1 FEDERAL GOVERNMENTS GRANTS		
Development	13,783	32,255
Non- Development	2,452	467
	<u>16,235</u>	<u>32,722</u>
16 BORROWINGS		
16.1 FORIGEN DEBT - RECEIPTS		
Loan (Cash)		
Asian Development Bank	3,297	5,067
Exim Bank,China	-	-
International Bank for Reconstruction and Development	17,346	16,314
International Development Association - World Bank	6,932	5,476
International Fund for Agricultural Development	608	92
JBIC Japan Bank for International Cooperation	-	-
	<u>28,183</u>	<u>26,949</u>
Loan (Direct Payment)		
Asian Development Bank	3,158	6,547
Exim Bank,China	31,962	38,605
International Bank for Reconstruction and Development	-	-
International Development Association - World Bank	132	1,574
International Fund for Agricultural Development	-	-
JBIC Japan Bank for International Cooperation	11	9
	<u>35,263</u>	<u>46,735</u>
	<u>63,446</u>	<u>73,684</u>
16.2 DOMESTIC DEBT - RECEIPTS		
Permanent Debt	-	-
Floating Debt	108,050	117,500
	<u>108,050</u>	<u>117,500</u>

16.1.1 This represents borrowings from Federal Government. Repayment period and interest rate for these borrowings are determined in accordance with terms and conditions of each loan.

16.2.1 Floating debt represents the borrowings of temporary nature such as ways and means Advance or Cash Credit Accommodation from the State Bank of Pakistan. These are repayable in twelve months.

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Year Ended 30 June, 2019

<i>Note</i>	2019 Rupees in million	2018 Rupees in million
17. RECOVERY OF LOANS AND ADVANCES		
Non-Financial Institution	3,619	808
Government Servants	18	21
Others	24	-
	3,661	829
18. TRADING ACTIVITIES AND RECOVERIES		
Sale of wheat	169,745	70,756
	169,745	70,756

18.1 Note Number 49 of Chart of Classification states that:

"Day to day recoveries and receipt of a state trading scheme, e.g., sale proceeds, are credited to this head, while preparing the working sheets after june final accounts these receipts are shown as recoveries under the respective heads viz 81100 Food etc. to arrive at the net out turn from the schemes". During fiscal year 2018-19, an expenditure of Rs. 116,650.573 million was incurred on purchase of wheat by Directorate of Food and an amount of Rs. 169,744.760 million was received on account of "Sale of Wheat" for the same year. The reversed entry of expenditure was made for Rs.169,744.760 million instead of Rs. 116,650.573 million to deduct the expenditure against the receipt which caused under-statement of expenditure of Rs. -53,097.187 million of Govt. of the Punjab in SAP R3.

19. RECEIPTS OF DISTRICT AUTHORITIES

19.1 EDUCATION AUTHORITIES

Direct Taxes	10	9
Indirect Taxes	31	14
Receipts from civil Administration and Other Functions	995	1,659
Miscellaneous Receipts	273,392	201,705
Recoveries of Loans and Advances	0	-
	274,428	203,387
Less: Grants from Provincial Government - Punjab	(272,933)	(202,159)
	1,495	1,228

19.2 HEALTH AUTHORITIES

Direct Taxes	1	1
Indirect Taxes	27	8
Receipts from civil Administration and Other Functions	371	246
Miscellaneous Receipts	81,432	53,250
Recoveries of Loans and Advances	0	(9)
	81,831	53,496
Less: Grants from Provincial Government - Punjab	(81,385)	(53,387)
	446	109

	1,941	1,337
	1,941	1,337

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Year Ended 30 June, 2019

	<i>Note</i>	2019 Rupees in million	2018 Rupees in million
20. SALARIES AND EMPLOYEE BENEFITS			
Pay of Officers		52,110	49,291
Pay of Other Staff		97,240	93,829
Allowances		132,995	106,723
Retirement Benefits		212,642	178,495
		<u>494,987</u>	<u>428,338</u>

- 20.1** Statement of Cash Receipts and Payment” shows expenditure of Rs. 5,022 million incurred excess than or without budgetary allocations during 2018-19, violating the safeguards envisaged in Punjab Budget Manual.
- 20.2** An amount of Rs.3,941 million was paid excess on account of pay and allowances due to double hiring of employees on SAP R3 by District Accounts Office Faisalabad. The matter is under investigation.
- 20.3** An expenditure of Rs.6,913million was not accepted by the departments and receipt Rs.6,582 million remained un-reconciled by the stated amount.
- 20.4** Expenditure amounting to Rs. 1,824.991 million under head sowing & planting for development schemes was incurred without tendering in violation of PPRA rules by Punjab forest Department.
- 20.5** An amount of Rs. 4,389.746 million was drawn from govt. treasury and disbursed in cash on account of pay & allowances Rs. 2,313.432 million and operating expenses Rs. 2,076.314 million
- 20.6** Record to the tune of Rs. 82.025 million of office of the Divisional Forest Officer, Range Management, Bhakkarwas not produced to audit for scrutiny due to pending inquiry in Anti-corruption.

	<i>Note</i>	2019 Rupees in million	2018 Rupees in million
21. GRANTS, SUBSIDIES AND WRITE OFF OF LOANS			
Grants, Subsidies and write-off of Loans		626,715	588,132
Less: Transfers to District Governments	<i>21.1</i>	-	-
Less: Transfers to District Authorities	<i>21.2</i>	(354,318)	(255,546)
		<u>272,397</u>	<u>332,586</u>
		<u>(354,318)</u>	<u>(255,546)</u>

- 21.1** Provincial Grants and subsidies amounting to Rs. 626,715 million (2018: Rs. 588,132 million) have been reduced by eliminating the transfers made to district authorities amounting to Rs.(354,318) million and similar amount has been eliminated from the receipt of District Authorities. This treatment has been done to avoid the double effect of inter-government transfer payments.

22. PRINCIPAL REPAYMENTS OF DEBT

Foreign Debt		38,308	29,788
Domestic Debt	<i>22.1</i>	129,336	26,224
		<u>167,644</u>	<u>56,012</u>
22.1 DOMESTIC DEBT			
Permanent Debt		2,248	3,247
Floating Debt		127,088	22,977
		<u>129,336</u>	<u>26,224</u>

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Year Ended 30 June, 2019

22.2 As per Financial Statements of FY 2018-19, Notes to the Financial Statements, Note 22.1, Domestic Debts Rs.(19,795) million and Foreign Loans taken from Federal Government Rs.119,539 million appeared as paid excess. AG Punjab has requested Finance Department to provide yearly debt stock data pertaining to relevant financial years for identification and possible revision/ rectification of figures

	<i>Note</i>	2019 Rupees in million	2018 Rupees in million
23. SERVICING OF DEBT			
Domestic Debt		46,307	31,508
Foreign Debt		13,146	7,634
		<u>59,453</u>	<u>39,142</u>
24. PAYMENTS DISTRICT AUTHORITIES			
Education Authorities Expenditure	24.1	272,902	234,916
Health Authorities Expenditure	24.2	78,478	55,446
		<u>351,380</u>	<u>290,362</u>
24.1 EDUCATION AUTHORITIES EXPENDITURE			
Education Affairs and Services		272,902	234,916
		<u>272,902</u>	<u>234,916</u>
24.2 HEALTH AUTHORITIES EXPENDITURE			
Economic Affairs		38	54,290
Health Affairs and Services		76,952	54,290
Education Affairs and Services		1,488	1,156
		<u>78,478</u>	<u>55,446</u>
25. NET RECEIPT/ (PAYMENT) OF PUBLIC ACCOUNT			
RECEIPTS			
Trust and Other Public Accounts		2,028,488	2,103,396
Special Deposits		118,195	121,024
State Provident Fund		31,707	27,529
		<u>2,178,390</u>	<u>2,251,949</u>
PAYMENTS			
Trust and Other Public Accounts		2,036,019	2,116,896
Special Deposits		118,549	134,313
State Provident Fund		23,806	19,274
		<u>2,178,374</u>	<u>2,270,483</u>
	25	<u>16</u>	<u>(18,534)</u>

25.1 An amount of Rs. 58.969 million was transferred excess to Supreme Court of Pakistan on account of "Supreme Court Diamer Basha and Mohamand Dam Fund". Registrar, Supreme Court has been requested for refund by Finance Department vide Letter No.NO.BI-3(120)AGP/2019-20 dated 29-04-19.

25.2 An amount of Rs. 13,522 million appeared as excess drawn from "G10113-Public Works/Pakistan PWD Deposits" as per Finance Account, due to incomplete recording of data in SAP system from 2009-10 to 2018-19. Reconciliation of manual record of Works Divisions with SAP data booked by District Accounts Offices is under process.

25.3 Due to non-budgeting of Donor Funded Assignment Account (ADB) releases, an expenditure of Rs. 67,845 million incurred from Public Account instead of Consolidated Fund. Consequent upon the issuance of revised SOPs by Finance Department in 2017-18, payment is being made only after release of budget in SAP system by Finance Department.

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Year Ended 30 June, 2019

		2019 Rupees in million	2018 Rupees in million
26. CASH AND BANK			
Provincial Government Balance		65,847	(6,406)
District Government Balance	26.1	(9,941)	(9,941)
District Authorities Balance		12,355	6,466
	26.2	68,261	(9,881)
26.1 The figure of Rs.(9,941) million shows un-reconciled Cash Balance of District Governments Account-IV which closed their functions on 31.12.2016. This figure is reflected in the Accounts as the activity of transfer of balances from Account-IV to Account-I is still under process.			
26.2 PROVINCIAL, DISTRICT GOVERNMENTS' & DISTRICT AUTHORITIES BALANCES			
Consolidated Fund Balance		(86,014)	(164,139)
Public Account Balance		154,274	154,258
		68,261	(9,881)
27. ASSETS AND LIABILITIES			
<i>ASSETS</i>			
Long Term Assets		1,563,954	1,525,890
Loans and Advances		165,929	134,918
Current Assets		55,592	58,474
Cash & Bank and Treasuries		68,261	(9,881)
	27.1	1,853,737	1,709,401
<i>LIABILITIES & EQUITY</i>			
Public Debt		578,514	574,605
Special Deposits		51,521	51,691
Trust Account		116,454	115,486
Current Liabilities		42,654	46,318
Residual Equity		1,064,594	921,301
	27.1	1,853,737	1,709,401

27.1 These financial statements have been prepared under cash basis of accounting, the information of assets and liabilities have been presented on the basis of limited records as explained in note 3 and these are not mandatory but encouraged disclosures as per international standards.

27.2 The Assets purchased and owned by the Govt. of the Punjab Rs.1,563,954 million were not recorded and reported in Annual Accounts as per the requirement of APPM due to non-functioning of Asset module in SAP. Thesamewere booked against relevant budgetary grants in SAP system and reported as such the Accounts.

27.3 Difference of Rs. 11.771 billion in closing bank balance as on 30th June 2019 in figures reported by AG Punjab (Rs. 53.771 billion) and Punjab Finance Department (Rs.42 billion).Finance Department reported banks account balance (NF) of Government of Punjab, hence, excluding Account-II (F) balance, whereas, the figure reported by AG Punjab comprised Account-I (NF) and II (F) balances.

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Year Ended 30 June, 2019

	<i>Note</i>	2019 Rupees in million	2018 Rupees in million
28. COMPARISON OF BUDGET AND ACTUAL AMOUNTS			
<p>The approved budget is developed on the same accounting basis (cash basis), functional classification basis and for the same period as for the financial statements. It encompasses the same entities as in the consolidated financial statements – as identified in note 1 above.</p> <p>The statements of comparison of budgeted and actual amounts by function and by department are presented on gross basis. Grants received by District Governments from Provincial Government have been eliminated against transfers to District Governments in Statement of Cash Receipts and Payment as explained in note 2 and 21.1 for which a reconciliation is presented below.</p> <p>The format of Statement of Comparison of Budget and Actual Expenditure by Department has been revised due to increase in number of departments being presented in Appropriation Accounts.</p>			
RECEIPTS			
ACTUAL RECEIPTS IN STATEMENT OF COMPARISON OF BUDGET AND ACTUAL			
Amounts by Function		2,127,044	1,906,169
Less: Grants from Provincial Government	22	(354,318)	(255,546)
Less: Payments by third parties	7.11	(35,263)	(46,735)
Actual receipts in Statement of Cash Receipts and Payments		<u>1,737,463</u>	<u>1,603,888</u>
PAYMENTS			
ACTUAL RECEIPTS IN STATEMENT OF COMPARISON OF BUDGET AND ACTUAL			
Amounts by Function and Actual Expenditure by Department		2,048,919	1,955,369
Less: Transfers to District Government & Authorities	22	(354,318)	(255,546)
Less: Payments by Third Parties	7.11	(35,263)	(46,735)
Actual payments in Statement of Cash Receipts and Payments		<u>1,659,338</u>	<u>1,653,088</u>

29. AUTHORIZATION FOR ISSUE

Under section 7 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, read with Article 171 of the Constitution of Islamic Republic of Pakistan, the Auditor-General submits the certified Financial Statements of the Government of Punjab together with the audit reports on these Financial Statements to the Governor of Punjab who shall cause them to be laid before the Provincial Assembly. These consolidated financial statements have been authorized for issue on _____.


30. GENERAL

30.1 LEVEL OF PRECISION

Figures in these Financial Statements have been rounded off to the nearest million rupees, unless otherwise stated.

30.2 CORRESPONDING FIGURES

Corresponding figures, wherever necessary, have been rearranged and reclassified for the purposes of comparison.


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