



FINANCIAL STATEMENTS

of the

Government of Punjab

2021-22





Financial Statements

of the

Government of Punjab

Financial Year 2021-22

CONTENTS

Preface	I
Auditor's Report	III
Statement of Cash Receipts and Payments	1
Statement of Cash Flows	3
Statement of Comparison of Budget and Actual Amounts by Function	4
Statement of Comparison of Budget and Actual Expenditure by Department	5
Notes to the Financial Statements	6

PREFACE

I am pleased to present the Financial Statements of the Government of the Punjab for the year ended 30 June, 2022.

The Financial Statements of the Government of the Punjab for the financial year 2021-2022 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 stakeholders' requirements for making informed decisions 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 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 fully 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 Provincial Consolidated Fund and Public Account for which Annual Budget Statement is authorized by the Provincial 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 continually improving financial reporting based on international good practice we are committed to support the decision making critical to the nation's fiscal future.



Controller General of Accounts

Islamabad, Pakistan.

Dated: 21 DEC 2022



Auditor General of Pakistan

Audit House, Constitution Avenue
Islamabad, Pakistan

Auditor's Report

I have audited the accompanying Financial Statements of Government of the Punjab, which comprise the statements of receipts and payments for the year ended 30th June, 2022, 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 ended 30th June, 2022 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, Powers 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, 2022 and the results of its operations, its cash flow and its expenditure and receipts, by appropriation for the year ended 30th June, 2022 in accordance with the stated accounting policies of Government of the Punjab.
- b. The sums expended have been applied, in all material respects, for the purposes authorized by the Provincial Assembly and have, in all material respects been booked to the relevant grants and appropriations.

Emphasis of Matter

- I. As per para 14.4.1.1 of Accounting Policies and Procedures Manual (APPM) withdrawal from a Public Account head shall only be permitted up to the balance of fund, as given in the Budget Head Register. In contravention of above mentioned para, withdrawals were made in excess of the balance available under Head of account "G11264-Assignment Account (ADB)" amounting to Rs.67,845 million up to 30th June, 2022, culminating into unauthorized over withdrawal and understatement of Public Account.
- II. Loans amounting to Rs. 168,950 million were not recovered from Seventy Four (74) Public Sector Companies and Corporate Bodies which also included Rs.14,770 million outstanding against inactive/dormant companies. Nineteen (19) Companies which were given loans ceased to be operative. Unreported bad debts defeated the pre-requisites of adequate disclosure.
- III. At the end of year 2021-22, Provincial internal debt of Account-II (Food) was inflated from Rs.535,658 million to Rs.617,255 million (Rs.81,597 million) without provision of budget by Finance Department. Budgetary cover for subsidies under head E03202-Cash Credit Accommodation, Account-II was a mandatory requirement under para 15.1 & 15.2 Punjab Budget Manual.
- IV. A sum of Rs.209,808 million of various departments and attached departments was lying in various commercial banks accounts up to Financial Year 2020-21. This amount was deposited with commercial banks in violation of Article 118 of Constitution of Islamic Republic of Pakistan which makes it obligatory to deposit these amounts into provincial consolidated fund. Finance Department Government of the Punjab, replied that a detailed policy relating to Treasury Single Account (TSA) is under process, and the unutilized amount and interest thereof will be transferred to Account-I.
- V. An expenditure of Rs.8,673 million was incurred in excess/without budgetary allocations during 2021-22, violating the provisions of Punjab Budget Manual. Moreover, expenditure of Rs.6,526 million was not accepted by the departments and remained unreconciled.

Other Reports

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.

(Muhammad Ajmal Gondal)
Auditor General of Pakistan

Islamabad, Pakistan

Dated: 23 Dec 2022

GOVERNMENT OF PUNJAB
Statement of Cash Receipts and Payments
For the Financial Year Ended on 30th June 2022.

	Note	2021-22 Rupees in Million		2020-21 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.	1,764,759	-	1,321,167	-
<i>Taxation - Provincial Government's Own Collection</i>	9.	274,307	-	224,616	-
<i>Non-Tax Revenue and Other Receipts</i>					
General Administration Receipts	10.	19,470	-	16,370	-
Economic Services Receipts	11.	39,870	-	39,791	-
Development Surcharge and Royalties	12.	7,977	-	6,418	-
Other Receipts	13.	4,638	-	1,714	-
Interest on Loans and Advances	14.	574	-	2,337	-
Dividend and Profit Share		2,780	-	4,470	-
		75,309	-	71,100	-
<i>Grants and Aid</i>	15.	67,905	-	48,422	-
<i>Borrowings</i>					
Foreign Debt	16.	44,381	9,076	48,611	16,718
Domestic Debt		245,114	-	218,848	-
		289,495	9,076	267,459	16,718
<i>Capital Receipts</i>					
Recovery of loans and advances	17.	1,558	-	18,507	-
Recovery of investment		-	-	-	-
		1,558	-	18,507	-
<i>Trading Activities and Recoveries</i>	18.	220,362	-	200,840	-
<i>Receipts of District Government</i>		-	-	-	-
<i>Receipts of District Authorities</i>	19.	4,190	-	3,249	-
TOTAL RECEIPTS		2,697,886	9,076	2,155,360	16,718

GOVERNMENT OF PUNJAB
Statement of Cash Receipts and Payments
For the Financial Year Ended on 30th June 2022.

	Note	2021-22 Rupees in Million		2020-21 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.	618,468	-	570,057	-
Operating expenses		144,986	-	126,969	231
		763,454	-	697,026	231
<i>Transfers</i>					
Grants, Subsidies and Write-off of Loans	21.	405,065	7,550	280,855	13,473
Other transfer payments		62,419	1,527	44,125	3,014
		467,485	9,076	324,980	16,487
<i>Expenditures on</i>					
Physical assets		307,038	-	262,340	-
Civil works		216,265	-	97,596	-
Repairs and Maintenance		32,365	-	29,241	-
		555,668	-	389,177	-
<i>Debt and Interest Payments</i>					
Principal Repayments of Debts	22.	216,156	-	181,053	-
Servicing of Debts	23.	56,454	-	63,470	-
		272,610	-	244,523	-
<i>Other Payments</i>					
Loans and advances - Non financial institutions		22,838	-	26,322	-
Investments		5,000	-	11,290	-
		27,838	-	37,612	-
<i>Payments of District Authorities</i>	24.	422,837	-	367,069	-
TOTAL PAYMENTS		2,509,892	9,076	2,060,387	16,718
NET RECEIPT/ (PAYMENT) OF PROVINCIAL CONSOLIDATED FUND		187,994	-	94,973	-
NET RECEIPT/ (PAYMENT) OF PUBLIC ACCOUNT	25.	42,570	-	30,318	-
INCREASE/(DECREASE) IN CASH		230,564	-	125,292	-
CASH AT BEGINNING OF THE YEAR		207,045	-	81,753	-
INCREASE/(DECREASE) IN CASH		230,564	-	125,292	-
CASH AT END OF THE YEAR	26.	437,609	-	207,045	-

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 Financial Year Ended on 30th June 2022.

	Notes	2021-22 Rupees in Miggion	2020-21 Rupees in Million
CASH FLOWS FROM OPERATING ACTIVITIES			
Taxation - Transfers from Federal Government	8.	1,764,759	1,321,167
Taxation - Provincial Government's Own Collection	9.	274,307	224,616
Non-Tax Revenue & Other Receipts	10-14.	72,529	66,630
Grants and Aid - Receipts	15.	67,905	48,422
Trading Activities - Receipts	18.	220,362	200,840
Servicing of Debt - Payments	23.	(56,454)	(63,470)
Transfers - Payments		(467,485)	(324,980)
Operations - Payments		(763,454)	(697,026)
Receipts of District Authorities		4,190	3,249
Payments of District Authorities		(422,837)	(367,069)
<i>Cash from/ (used in) Operating Activities</i>		693,823	412,379
CASH FLOWS FROM INVESTING ACTIVITIES			
Recovery of Loans and Advances	17.	1,558	18,507
Recovery of Investment		-	-
Dividend and Profit Share		2,780	4,470
Investments		(5,000)	(11,290)
Expenditure on Physical Assets, Civil Works and Others		(555,668)	(389,177)
Payments of Loans and Advances		(22,838)	(26,322)
<i>Cash from/ (used in) Investing Activities</i>		(579,168)	(403,812)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of Foreign Debt	16.1	44,381	48,611
Receipt of Domestic Debt	16.2	245,114	218,848
Principal Repayments of Debt	22.	(216,156)	(181,053)
Net Receipt/Payment of Public Account	25.	42,570	30,318
<i>Cash from/ (used in) Financing Activities</i>		115,910	116,724
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		230,564	125,291
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		207,045	81,753
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		437,609	207,045

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 Financial Year Ended 30th June 2022.

Note	2021-2022 (Rupees in million)			2020-2021 (Rupees in million)		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
RECEIPTS						
Revenue						
Taxation	1,956,262	2,037,860	2,039,067	1,653,854	1,582,818	1,545,783
Non-Taxation	132,042	144,336	143,214	96,181	129,914	119,522
Total revenue receipt	2,088,304	2,182,196	2,182,280	1,750,036	1,712,732	1,665,305
Capital						
Domestic Debt	202,905	275,807	245,115	157,957	283,450	218,848
Foreign Debt	141,322	84,956	53,458	157,444	85,836	65,329
Recoveries of Loans and Advances	3,049	1,264	1,558	1,280	18,524	18,507
Recoveries others	217,434	236,543	220,362	173,913	198,571	200,840
Total capital receipt	564,710	598,569	520,492	490,594	586,381	503,524
Receipts of District Government	-	-	-	-	-	-
Receipts of District Authorities	-	-	426,079	-	-	374,711
TOTAL RECEIPTS	2,653,014	2,780,765	3,128,852	2,240,630	2,299,113	2,543,540
PAYMENTS						
Revenue						
General Public Service	866,847	886,871	848,590	860,074	812,089	769,088
Public Order and Safety Affairs	192,183	212,093	208,193	173,632	192,662	188,016
Economic Affairs	197,924	213,103	197,053	179,817	165,246	154,404
Environment Protection	5,024	2,800	2,522	6,392	5,553	5,469
Housing and Community Amenities	87,283	141,782	120,841	49,176	77,143	71,596
Health Affairs and Services	259,979	266,081	254,612	187,364	211,774	196,718
Recreation, Culture and Religion	11,922	12,386	11,859	6,216	7,305	7,041
Education Affairs and Services	119,759	109,704	103,422	103,354	100,458	94,947
Social Protection	10,896	10,536	8,738	9,113	8,368	7,678
Total revenue payment	1,751,818	1,855,356	1,755,828	1,575,139	1,580,598	1,494,956
Capital						
1 General Public Service	266,992	250,083	243,994	242,954	219,808	218,666
4 Economic Affairs	509,204	559,506	518,199	297,535	458,676	367,637
6 Housing and Community Amenities	-	-	-	-	-	-
* Social Protection	-	-	-	-	241	241
Total capital payments	776,196	809,590	762,193	540,490	678,724	586,543
Payments of District Governments	-	-	-	-	-	-
Payments of District Authorities	501,489	468,742	422,837	433,837	402,670	367,068
TOTAL PAYMENTS	3,029,504	3,133,688	2,940,858	2,549,467	2,661,992	2,448,567

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 Financial Year Ended on 30th June 2022.

Departments	2021-2022 (Rupees in million)			2020-2021 (Rupees in million)		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
Agriculture Department	58,658	55,213	53,879	31,253	46,491	40,631
Chief Minister Inspection Team	124	138	130	111	132	126
Chief Minister Secretariat	781	912	908	589	800	794
Board of Revenue						
Co-Operatives	1,568	1,553	1,418	1,461	1,450	1,380
Communication and Works	218,271	215,225	211,431	84,299	117,383	98,864
Energy Development	7,483	5,288	5,458	9,926	8,357	8,250
Environment Protection	5,105	2,900	2,616	6,462	5,635	5,545
Excise and Taxation Department	2,208	2,652	2,521	1,530	3,009	2,363
Food Department	426,236	535,101	496,098	339,690	485,797	414,895
Finance Department	902,488	824,488	805,988	853,884	773,969	746,855
Forest Department	8,221	10,929	10,154	5,817	6,681	6,614
Forestry, Wildlife & Fisheries	6,538	3,393	3,239	18,943	2,610	2,497
Governor's Secretariat	542	483	478	490	428	425
Health	255,266	262,102	250,288	185,302	208,459	193,225
Higher Education	46,535	50,195	42,702	35,346	36,667	33,671
Home Department	159,022	176,607	173,733	144,459	161,463	157,707
Housing and Physical Planning Department	58,314	97,997	82,143	35,424	53,100	52,228
Industries Department	24,045	25,504	24,410	13,901	13,286	11,586
Information Technology				-	-	0
Information, Culture & Youth Affairs	11,247	11,677	11,540	6,210	7,275	7,060
Irrigation and Power	55,021	53,409	45,833	37,383	39,465	35,262
Labour	1,685	1,026	1,003	1,219	796	776
Law and Parliamentary Affairs	2,810	3,072	2,899	2,215	2,592	2,426
Literacy & Non Formal Basic Education	3,383	749	717	3,007	655	614
Live Stock and Dairy Development	17,682	15,268	15,100	12,814	14,016	13,858
Local Government And Rural Development	45,111	59,319	54,131	14,908	40,748	35,120
Management & Professional Development	220	220	214	198	204	192
Mines & Minerals Department	1,832	1,380	1,241	2,050	1,204	1,195
Planning & Development	31,952	68,543	52,276	81,711	44,348	32,243
Population Welfare	9,266	9,050	8,744	6,364	6,651	6,366
Provincial Assembly	2,992	2,966	2,665	2,639	2,340	2,179
Relief	1,499	1,570	629	1,481	389	363
Religious Affairs & Auqaf Department	862	755	420	299	190	158
Revenue	16,281	17,927	17,051	16,478	16,095	13,721
Service & General Administration Department	40,796	61,714	58,921	35,184	66,719	65,338
School Education	64,222	52,716	54,679	59,764	59,308	57,293
Social Welfare Department	3,422	3,243	2,900	2,791	2,817	2,513
Special Education	367	366	323	375	365	327
Transport	34,908	27,548	17,552	58,686	25,807	25,319
Women Development Department	691	569	482	644	525	442
Zakat and Ushr Department	364	1,179	1,108	321	1,097	1,076
	2,528,014	2,664,946	2,518,021	2,115,630	2,259,322	2,081,499
Payments of District Governments						
Payments of District Authorities	501,489	468,742	422,837	433,837	402,670	367,068
TOTAL PAYMENTS	3,029,504	3,133,688	2,940,858	2,549,467	2,661,992	2,448,567

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 Financial Year Ended on 30th June 2022.

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 Financial Year Ended on 30th June 2022.

1 Attock	19 M.B.Din
2 Bhakkar	20 Multan
3 Bhawalpur	21 Mianwalli
4 Bhawalanagar	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 Sheikhpura
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 does not exist and accounting for liabilities is not done in accordance with NAM.

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Financial Year Ended on 30th June 2022.

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 2021-22 (01-07-2021 to 30-06-2022) 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

5. REPORTING AND BUDGET PERIOD

The reporting and budget period of these consolidated Financial Statements is financial year 2021-22. (from 1 July, 2021 to 30 June, 2022).

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 date of 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 Financial Year Ended on 30th June 2022.

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 which is recorded as expenditure in the financial year.

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Financial Year Ended on 30th June 2022.

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 Financial Year Ended on 30th June 2022.

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 Financial Year Ended on 30th June 2022.

<i>Note</i>	2021-22 Rupees in million '000,000	2020-21 Rupees in million '000,000
8. TAXATION - TRANSFERS FROM FEDERAL GOVERNMENT		
<i>Direct Taxes</i>		
Income Tax	647,105	485,247
Wealth Tax	114	185
Capital Value Tax	647,219	485,432
<i>Indirect Taxes</i>		
Sales Tax	744,898	544,420
Custom Duty	283,073	213,205
Federal Excise	89,569	78,110
	1,117,540	835,735
	<u>1,764,759</u>	<u>1,321,167</u>
9. TAXATION - PROVINCIAL GOVERNMENT'S OWN COLLECTION		
<i>Direct Taxes</i>		
Income Tax - Agriculture	2,113	2,367
Property Tax	4,469	4,529
Land Revenue	21,999	17,372
Tax on profession, Trade and Callings	1,068	1,011
Others	50	102
	29,699	25,381
<i>Indirect Taxes</i>		
Receipts Under Motor Vehicles Act	21,343	14,382
Stamp Duties	50,004	38,395
Provincial Excise	2,338	2,317
Others	170,923	144,141
	244,608	199,235
	<u>274,307</u>	<u>224,616</u>
10. GENERAL ADMINISTRATION RECEIPTS		
Organs of State	308	765
Fiscal Administration	1,616	1,543
Economic Regulations	224	213
Law and Order	6,631	5,563
Community Services	4,270	3,923
Social Services	6,421	4,363
	<u>19,470</u>	<u>16,370</u>

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Financial Year Ended on 30th June 2022.

	<i>Note</i>	2021-22 Rupees in million '000,000	2020-21 Rupees in million '000,000
11. ECONOMIC SERVICES RECEIPTS			
Food and Agriculture		1,707	1,162
Fisheries and Animal Husbandry		2,217	2,163
Forest		1,112	988
Cooperation, Irrigation, Embankment-Drainage		3,869	3,992
Others		30,965	31,485
		<u>39,870</u>	<u>39,791</u>

12. DEVELOPMENT SURCHARGE AND ROYALTIES			
Development Surcharge on Gas	<i>12.1</i>	826	1,265
Royalty on Crude Oil	<i>12.2</i>	5,605	3,476
Royalty on Natural Gas	<i>12.2</i>	1,546	1,677
Net Hydel Profit from Hydro-Electric Stations	<i>12.3</i>	-	-
		<u>7,977</u>	<u>6,418</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.

	<i>Note</i>	2021-22 Rupees in million '000,000	2020-21 Rupees in million '000,000
13. OTHER RECEIPTS			
Sale of Other Government Assets		38	3
Sale of Land		2,855	1,049
Fees, Fines and Forfeitures		210	8
Sale and Rent of Urban property and Agriculture land		1,511	520
Others		24	134
		<u>4,638</u>	<u>1,714</u>

14. INTEREST ON LOANS AND ADVANCES			
Interest on Loans and Advances to Govt. Servants		-	-
Loans and Advances - Others		574	2,337
		<u>574</u>	<u>2,337</u>

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Financial Year Ended on 30th June 2022.

	Note	2021-22 Rupees in million '000 000	2020-21 Rupees in million '000 000
15. GRANTS AND AIDS			
Foreign Grants through Federal Government		3,408	2,790
Federal Government Grants	15.1	64,497	45,632
Grants from District Governments		-	-
		67,905	48,422
15.1 FEDERAL GOVERNMENTS GRANTS			
Development		57,635	44,701
Non- Development		6,862	931
		64,497	45,632
16 BORROWINGS			
16.1 FORIGEN DEBT - RECEIPTS			
Loan (Cash)			
Asian Development Bank		4,572	4,142
Exim Bank,China		-	-
International Bank for Reconstruction and Development		24,102	22,946
International Development Association - World Bank		13,048	19,432
International Fund for Agricultural Development		2,660	2,091
JBIC Japan Bank for International Cooperation		-	-
		44,382	48,611
Loan (Direct Payment)			
Asian Development Bank		7,083	5,895
Exim Bank,China		-	10,592
International Bank for Reconstruction and Development		-	231
International Development Association - World Bank		1,993	-
International Fund for Agricultural Development		-	-
JBIC Japan Bank for International Cooperation		-	-
		9,076	16,718
		53,458	65,329
16.2 DOMESTIC DEBT - RECEIPTS			
Permanent Debt		-	-
Floating Debt		245,114	218,848
		245,114	218,848

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.

16.2.2 At the end of year 2021-22, Provincial internal debt of Account-II (Food) was inflated from Rs.535,658 million to Rs.617,255 million (Rs.81,597 million) without provision of budget by Finance Department. Budgetary cover for subsidies under head E03202-Cash Credit Accommodation, Account-II was a mandatory requirement under para 15.1 & 15.2 Punjab Budget Manual.

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Financial Year Ended on 30th June 2022.

<i>Note</i>	2021-22 Rupees in million '000,000	2020-21 Rupees in million '000,000
17. RECOVERY OF LOANS AND ADVANCES		
Non-Financial Institution	1,556	18,460
Government Servants	(15)	23
Others	17	24
	<u>1,558</u>	<u>18,507</u>
18. TRADING ACTIVITIES AND RECOVERIES		
Sale of wheat	220,362	200,840
	<u>220,362</u>	<u>200,840</u>
19. RECEIPTS OF DISTRICT AUTHORITIES		
19.1 EDUCATION AUTHORITIES		
Direct Taxes	4	2
Indirect Taxes	-	7
Receipts from civil Administration and Other Functions	2,647	2,008
Miscellaneous Receipts	321,953	281,230
Recoveries of Loans and Advances	-	-
	<u>324,604</u>	<u>283,247</u>
Less: Grants from Provincial Government - Punjab	<u>(321,564)</u>	<u>(281,004)</u>
	3,040	2,243
19.2 HEALTH AUTHORITIES		
Direct Taxes	(1)	2
Indirect Taxes	14	18
Receipts from civil Administration and Other Functions	1,081	997
Miscellaneous Receipts	100,372	90,447
Recoveries of Loans and Advances	9	-
	<u>101,476</u>	<u>91,464</u>
Less: Grants from Provincial Government - Punjab	<u>(100,326)</u>	<u>(90,458)</u>
	1,150	1,006
	<u>4,190</u>	<u>3,249</u>

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Financial Year Ended on 30th June 2022.

	<i>Note</i>	2021-22 Rupees in million '000,000	2020-21 Rupees in million '000,000
20. SALARIES AND EMPLOYEE BENEFITS			
Pay of Officers		57,539	55,126
Pay of Other Staff		100,658	98,317
Allowances		197,475	172,303
Retirement Benefits		262,796	244,311
		618,468	570,057
21. GRANTS, SUBSIDIES AND WRITE OFF OF LOANS			
Grants, Subsidies and write-off of Loans		834,505	665,790
Less: Transfers to District Governments	21.1	-	-
Less: Transfers to District Authorities	21.2	(421,890)	(371,462)
		412,615	294,328
<p>21.1 Provincial Grants and subsidies amounting to Rs. 834,505 million (2020-21: Rs. 665,790 million) have been reduced by eliminating the transfers made to district authorities amounting to Rs.(421,890) 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.</p> <p>21.2 An expenditure of Rs.8,673 million was incurred in excess/ without budgetary allocations during 2021-22, violating the provisions of Punjab Budget Manual. However, expenditure of Rs.6,526 million was not accepted by the departments and remained un-reconciled.</p> <p>21.3 Recovery of pending share regarding Rawalpindi Metro Bus amounting to Rs. 24,300 million on account of construction work of Islamabad site and Rs. 4,230 million on account of subsidy were outstanding/due against Capital Development Authority (CDA), Islamabad up to June, 2022. Moreover, CDA had given Rs. 1,000 million on account of subsidy to Punjab Mass Transit Authority on 25.04.2022 and the same was not deposited into Government Treasury as required under Treasury Rules</p> <p>21.4 Loans amounting to Rs. 168,950 million were not recovered from Seventy Four (74) Public Sector Companies and Corporate Bodies which also included Rs.14,770 million outstanding against inactive/dormant companies. Nineteen (19) Companies which were given loans ceased to be operative. Unreported bad debts defeated the pre-requisites of adequate disclosure.</p> <p>21.5 Expenditure of Rs. 49,572 Million was misclassified as it was required to be booked under object code A12-Civil Works whereas the same was booked under object A05-Grants, Subsidies & Write off Loans in violation of para 4.2.9.2 of Accounting Policies and Procedures Manual</p>			
22. PRINCIPAL REPAYMENTS OF DEBT			
Foreign Debt		51,050	46,791
Domestic Debt	22.1	165,106	134,262
		216,156	181,053
22.1 DOMESTIC DEBT			
Permanent Debt		1,588	1,505
Floating Debt		163,518	132,757
		165,106	134,262

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Financial Year Ended on 30th June 2022.

	Note	2021-22 Rupees in million '000 '000	2020-21 Rupees in million '000 '000
23. SERVICING OF DEBT			
Domestic Debt		41,265	49,920
Foreign Debt		15,189	13,550
		<u>56,454</u>	<u>63,470</u>
24. PAYMENTS DISTRICT AUTHORITIES			
Education Authorities Expenditure	24.1	322,586	282,099
Health Authorities Expenditure	24.2	100,251	84,969
		<u>422,837</u>	<u>367,068</u>
24.1 EDUCATION AUTHORITIES EXPENDITURE			
Recreational ,Culture and Religion		0	0
Education Affairs and Services		322,586	282,099
		<u>322,586</u>	<u>282,099</u>
24.2 HEALTH AUTHORITIES EXPENDITURE			
Economic Affairs		1	1
Health Affairs and Services		99,962	84,713
Education Affairs and Services		287	255
		<u>100,250</u>	<u>84,969</u>
25. NET RECEIPT/ (PAYMENT) OF PUBLIC ACCOUNT			
RECEIPTS			
Trust and Other Public Accounts		3,037,934	2,467,362
Special Deposits		141,451	104,756
State Provident Fund		28,468	38,588
		<u>3,207,853</u>	<u>2,610,706</u>
PAYMENTS			
Trust and Other Public Accounts		3,022,033	2,462,669
Special Deposits		109,680	85,698
State Provident Fund		33,570	32,021
		<u>3,165,283</u>	<u>2,580,388</u>
	25	<u>42,570</u>	<u>30,318</u>

- 25.1 As per para 14.4.1.1 of Accounting Policies and Procedure Manual (APPM), withdrawal from a Public Account head shall only be permitted to the balance of the account available. In contravention of above mentioned para, withdrawals were made in excess of the balance available under Head of account "G11264-Assignment Account (ADB)" amounting to Rs.67,845 million up to 30th June, 2022, culminating into unauthorized over withdrawal and understatement of Public Account.
- 25.2 Unspent balance of Rs.13,409 million was lying under head G11212-Deposits on Sugarcane Development Cess Fund. As per Sugarcane Cess Rules 1964, Cess Development fund was to be utilized for the development of Roads, Bridges etc. of Sugar Mills areas but the funds were not utilized for the said purpose by the Finance Department.
- 25.3 Un-spent balance of Rs. 2,880 million under head G11218-Forest Deposit against Replenishment cost, Security Deposit etc. need to be reconciled in lieu of specifically earmarked projects, also taking into account aging of utilization commensurate with the booking and deposit not yet consumed whereas the retained balances have shown mercurial revision with unexplained diversions of amounts without linking and vouching trail.
- 25.4 As per APPM 14.4.1.1 withdrawal from a Public Account head shall only be permitted up to the balance of the fund. However, withdrawals were made excess of the balance under Head of account G10402-Forest Remittances amounting to Rs.2,382 million up to 30th June, 2022. This caused unauthorized charging of payments as well as understatement of Public Account.
- 25.5 An amount of recovery for Rs.4,384 million was lying unrecovered, by reasons thereof the cumulative losses due to administrative lapses stood covertly treated as receivables whereas the same stood rendered as grossed up default, warranting prompt recovery even as arrears of Land Revenue against the employees of forest department and other defaulters. Further the gravity of perpetuated encroachment of forest land measuring 24545 acre as per list attached and cumulative raise in un recouped losses borne on Form 11 warrant prompt remedial action.

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Financial Year Ended on 30th June 2022.

	Note	2021-22 Rupees in million '000 000	2020-21 Rupees in million '000 000
26. CASH AND BANK			
Provincial Government Balance		420,543	193,534
District Government Balance	26.1	(9,941)	(9,941)
District Authorities Balance		27,007	23,452
	26.2	<u>437,609</u>	<u>207,045</u>

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 A sum of Rs.209,808 million of various departments and attached departments was lying in various commercial banks accounts up to Financial Year 2020-21. This amount was deposited with commercial banks in violation of Article 118 of Constitution of Islamic Republic of Pakistan 1973, which makes it obligatory to deposit these amounts into provincial consolidated fund. Finance Department Government of the Punjab, replied that a detailed policy relating to Treasury Single Account (TSA) is under process, and the unutilized amount and interest thereof will be transferred to Account-I.

26.3 PROVINCIAL, DISTRICT GOVERNMENTS' & DISTRICT AUTHORITIES BALANCES

Consolidated Fund Balance	215,306	26,312
Public Account Balance	222,303	180,733
	<u>437,609</u>	<u>207,045</u>

27. ASSETS AND LIABILITIES

ASSETS

Long Term Assets	2,154,912	1,857,074
Loans and Advances	241,348	215,078
Current Assets	42,733	48,047
Cash & Bank and Treasuries	437,609	207,045
	<u>2,876,603</u>	<u>2,327,244</u>

LIABILITIES & EQUITY

Public Debt	813,942	731,526
Special Deposits	87,954	53,858
Trust Account	149,939	139,738
Current Liabilities	61,537	62,409
Residual Equity	1,763,231	1,339,713
	<u>2,876,603</u>	<u>2,327,244</u>

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.

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Financial Year Ended on 30th June 2022.

	<i>Note</i>	2021-22 Rupees in million '000 000	2020-21 Rupees in million '000 000
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. 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. 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		3,128,852	2,543,540
Less: Grants from Provincial Government	22	(421,890)	(371,462)
Less: Payments by third parties	7.11	(9,076)	(16,718)
Actual receipts in Statement of Cash Receipts and Payments		2,697,886	2,155,360
PAYMENTS			
ACTUAL RECEIPTS IN STATEMENT OF COMPARISON OF BUDGET AND ACTUAL			
Amounts by Function and Actual Expenditure by Department		2,940,858	2,448,567
Less: Transfers to District Government & Authorities	22	(421,890)	(371,462)
Less: Payments by Third Parties	7.11	(9,076)	(16,718)
Actual payments in Statement of Cash Receipts and Payments		2,509,892	2,060,387

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 issuance on 23 DEC 2022

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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