

FINANCIAL STATEMENTS



**FOR THE FINANCIAL YEAR
2012-2013**

AZAD JAMMU & KASHMIR COUNCIL

FINANCIAL STATEMENTS
AZAD JAMMU AND KASHMIR COUNCIL



FOR THE FINANCIAL YEAR
2012-13

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PREFACE

Financial Statements of Azad Jammu and Kashmir Council for the year ended 30 June, 2013 have been prepared by the Accountant General Azad Jammu and Kashmir Council under section 5 of the Controller General of Accounts (Appointment, Functions and Powers) Act, 2005 and are the responsibility of Controller General Of Accounts (CGA).

In response to the changing nature of Stakeholders requirements for making informed decisions making based on financial information and development 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 the CGA is not limited to reporting historical results ,but is now constantly moving towards enhancing public value by providing the legislature and executive through the financial statements and insight of the Government's financial performance .

Auditor General prescribed New Accounting Model (NAM), which conforms to international best practices, comprises of seven volumes and is based in Modified Cash Basis of Accounting in which, through cash basis of accounting is followed, the following additional concepts were introduced.

- Commitment Accounting
- Physical and financial Assets Accounting
- Liabilities Accounting

Commitment Accounting practices are not yet implemented and theses 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 Council for the Financial Year as laid down in the financial procedure of the Constitution which describes the Azad Jammu and Kashmir Council Consolidated Fund and Public Account for which Annual Budget Statement is authorized by AJK Council 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

Islamabad, Pakistan

Date:

Sd

Controller General of Accounts



Auditor-General of Azad Jammu and Kashmir
Audit House, Constitution Avenue
Islamabad, Pakistan

Auditor's Report

I have audited the accompanying Financial Statements of the Azad Jammu and Kashmir Council for the year ended 30th June, 2013, which comprise of Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts by Function, Statement of Comparison of Budget and Actual Expenditure by Department for the year then ended 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 an opinion on these Financial Statements based on my audit in accordance with the requirements of Section 50-A of the Azad Jammu and Kashmir interim Constitution Act, 1974 read with Section 8 of the Auditor-General's (Functions, Powers and Terms & Conditions of Service) Act, 2005. I conducted my audit in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) and other guidance issued by my department. The standards require that I performed 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 check basis, evidence supporting the amounts and disclosures in the Financial Statements. It also included assessing the accounting policies issued, as well as 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 Azad Jammu and Kashmir for the year ended 30th June,2013 and results of its operations, its cash flows and its expenditure and receipts, by appropriation for the year then ended in accordance with the stated accounting policies of the Government of Azad Jammu and Kashmir.
- (b) The sums expended have been applied, in all material respects, for the purposes authorised by the Parliament and have, in all material respects been booked to relevant grants and appropriations.

Sd

Muhammad Akhtar Buland Rana

Auditor-General of

Azad Jammu and Kashmir

Date: 31-12-2013

AZAD JAMMU AND KASHMIR COUNCIL
Statement of Cash Receipts and Payments
For the Year Ended 30 June 2013

	Note	2013 Rupees in Million		2012 Rupees in Million	
		Receipt / Payment controlled by the Government	Receipt / Payment by Third Parties	Receipt / Payment controlled by the Government	Receipt / Payment by Third Parties
COUNCIL CONSOLIDATED FUND					
RECEIPTS					
<i>Taxation- COLLECTED BY AJ & K COUNCIL</i>	8	7,702	-	6,395	-
<i>Non-Tax Revenue and Other Receipts</i>					
Economic Services	9	7	-	5	-
Dividend and Profit Share	10	107	-	125	-
Others	11	165	-	83	-
		279	-	213	-
<i>Capital Receipts</i>					
Recovery of Loans and Advances	12	40	-	35	-
		40	-	35	-
TOTAL RECEIPTS		8,021	-	6,643	-

AZAD JAMMU AND KASHMIR COUNCIL
Statement of Cash Receipts and Payments
For the Year Ended 30 June 2013

	Note	2013 Rupees in Million		2012 Rupees in Million	
		Receipt / Payment controlled by the Government	Receipt / Payment by Third Parties	Receipt / Payment controlled by the Government	Receipt / Payment by Third Parties
PAYMENTS					
<i>Operations</i>					
Salaries and Employee Benefits	13	833	-	729	-
Operating Expenses	14	155	-	165	-
		988	-	894	-
<i>Transfers</i>					
Grants, Subsidies and Write-off of Loans	15	5,740	-	4,189	-
		5,740	-	4,189	-
<i>Expenditure on</i>					
Physical Assets	16	10	-	16	-
Civil Works	17	1,317	-	2,158	-
		1,327	-	2,174	-
<i>Other Payments</i>					
Loans and Advances		65	-	80	-
		65	-	80	-
TOTAL PAYMENTS		8,120	-	7,337	-
NET PAYMENT OF COUNCIL CONSOLIDATED FUND		(99)	-	(694)	-
NET RECEIPT OF PUBLIC ACCOUNT	19	41	-	629	-
INCREASE / (DECREASE) IN CASH		(58)	-	(65)	-
CASH AT THE BEGINNING OF THE YEAR		728	-	794	-
INCREASE / (DECREASE) IN CASH		(58)	-	(65)	-
CASH AT THE END OF THE YEAR	20	670	-	728	-

The annexed notes 1 to 23 form an integral part of these Financial Statements.

Sd

Accountant General Azad Jammu and Kashmir

Statement of Cash Flows
For the Year Ended 30 June 2013

	Note	2013 Rupees in Million	2012 Rupees in Million
CASH FLOW FROM OPERATING ACTIVITIES			
Taxation- COLLECTED BY AJ & K COUNCIL	8	7,702	6,395
Non-Tax Revenue and Other Receipts		279	213
Operations- Payments		(988)	(894)
Transfers - Payments		(5,740)	(4,189)
Cash from Operating Activities		1,253	1,525
CASH FLOW FROM INVESTING ACTIVITIES			
Recovery of Loans and Advances	12	40	35
Expenditure on Physical Assets	16	(10)	(16)
Expenditure on Civil Works	17	(1,317)	(2,158)
Payment of Loans and advances		(65)	80
Cash used in Investing Activities		(1,352)	(2,139)
CASH FLOW FROM FINANCING ACTIVITIES			
Net Receipt of Public Account	19	41	629
Cash from Financing Activities		41	629
DECREASE IN CASH AND CASH EQUIVALENTS		(58)	15
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		728	1,852
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	20	670	728

The annexed notes 1 to 23 form an integral part of these Financial Statements.

Sd

 Accountant General Azad Jammu and Kashmir

AZAD JAMMU AND KASHMIR COUNCIL

**Statement of Comparison of Budget and Actual Amounts by Function
For the Year Ended 30 June 2013**

	2013 (Rupees in Million)			2012 (Rupees in Million)		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
RECEIPTS						
Revenue						
Taxation	8,000	8,000	7,702	6,000		6,395
Non-Taxation	95		279	165		482
Total revenue receipts	8,095	8,000	7,981	6,165	0	6,877
Capital						
Recoveries of Loans and Advances	40	40	40	27		
Total capital receipts	40	40	40	27	0	35
TOTAL RECEIPTS	8,135	8,040	8,021	6,192	-	6,912
PAYMENTS						
Revenue						
AJK Council Members/Advisor/Sectt	303	303	266	243		258
AJK Council Service Tribunal	33	33	12	18		11
AJK Council Excise & Taxation	271	271	225	205		199
Accounts Department	310	310	308	211		264
Audit Department	89	89	79	72		80
Pension & Other transfer payments	136	136	84	91		85
Grants	8,299	8,299	7,010	7,382		6,305
Education & Extension	22	22	10	19		12
Social Welfare	69	69	61	52		54
Total revenue payments	9,532	9,532	8,055	8,293	-	7,268
Capital						
General Public Service(HBA)	63	63	65	59		80
Total capital payments	63	63	65	59	-	80
TOTAL PAYMENTS	9,595	9,595	8,120	8,352	-	7,337

The annexed notes 1 to 23 form an integral part of these Financial Statements.

Sd

Accountant General Azad Jammu and Kashmir

AZAD JAMMU AND KASHMIR COUNCIL

**Statement of Comparison of Budget and Actual Expenditure by Department
For the Year Ended 30 June 2013**

DEPARTMENT	2013 Rupees in Million			2012 Rupees in Million		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
	Note					
AJK Council Members		8	8	8	9	7
AJK Council Advisor		11	11	-	16	3
AJK Council Secretariat		284	284	257	218	248
AJK Account Department		310	310	308	211	264
AJK Audit Department		89	89	79	72	69
AJK Council Inland Revenue department		271	271	225	205	199
AJK Council Grants & Subvention		6,383	6,383	5,708	5,182	4,161
AJK Council Development Works		1,916	1,916	1,302	2,200	2,144
AJK Council Social Welfare		69	69	62	52	54
AJK Council Education & Extension Activities		22	22	10	19	12
AJK Council Pension & Other transfer payments		136	136	84	91	85
AJK Council Service Tribunal		33	33	12	18	11
AJK Council Loans & Advances		63	63	65	59	80
		9,595	9,595	8,120	8,352	7,337
TOTAL		9,595	9,595	8,120	8,352	7,337

The annexed notes 1 to 23 form an integral part of these Financial Statements.

Sd

Accountant General Azad Jammu and Kashmir

AZAD JAMMU AND KASHMIR COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2013

1 REPORTING ENTITY

Azad Jammu and Kashmir Council - Azad Jammu and Kashmir Council conducts its operations under the Rules of Business 1988. These rules were made pursuant to Article 139 of the Constitution of the of Azad Jammu and Kashmir Council, 1974 (the interim Constitution) and envisages Azad Jammu and Kashmir Council as comprising of departments and their attached departments. Financial procedures of the Constitution describes the Azad Jammu and Kashmir Council, Consolidated Fund and Public Account of the Azad Jammu and Kashmir Council, for which Annual Budget Statement is authorized by the Azad Jammu and Kashmir Council, in the form of budgetary grants. These Financial Statements focus on reporting the budgetary activity of the Azad Jammu and Kashmir Council, for the financial year.

Article 50-(A) of the Constitution confers the powers of defining the form, principles and methods of the accounts of the Azad Jammu and Kashmir Council, to the Auditor General of Azad Jammu and Kashmir Council, with the approval of the Chairman Azad Jammu and Kashmir Council, New Accounting Model was prescribed by the Auditor General of Azad Jammu and Kashmir Council in 2012 which describes Azad Jammu and Kashmir Council as an accounting and reporting entity comprising of Azad Jammu and Kashmir Council, Accounting Entities; for which the Accountant General Azad Jammu and Kashmir Council has the primary responsibility for accounting and reporting.

2 BASIS OF CONSOLIDATION

The Financial Statements have been prepared by consolidating the accounts of Azad Jammu and Kashmir Council, Accounting Entities; for which the Accountant General Azad Jammu and Kashmir Council has the primary responsibility for accounting and reporting.. Material Inter-governmental transactions such as transfers from Azad Jammu and Kashmir Council-Azad Jammu and Kashmir Government, Accounting

3 STATEMENT OF COMPLIANCE

These Financial Statements have been prepared in accordance with the New Accounting Model (NAM) which comprises of seven volumes. In December 2012, Auditor General of Azad Jammu and Kashmir Council prescribed NAM with the approval of the Chairman of Azad Jammu and Kashmir Council under Article 170 of the Constitution of Azad Jammu and Kashmir Council, Accounting Entities, for which the Accountant General Azad Jammu and Kashmir Council has the primary responsibility for accounting and reporting of Azad Jammu and Kashmir Council. Implementation of NAM is an ongoing process. Commitment Accounting has been adopted since 2009-10, however asset and liability accounting practices have not yet

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 statement of receipt and payments, statements of comparison of budget and actual amounts by function, statements 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 2012-13 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 Financial Statements is the financial year 2012-13 (from 1 July, 2012 to 30 June, 2013).

6 REPORTING CURRENCY

The reporting currency of these Financial Statements is Pak Rupees which is Azad Jammu and Kashmir Council's functional and presentation currency.

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 it occurs 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;

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**

Direct payments into bank account, expenditure is recognized on the date the payment advice is issued to the bank.

d) **Direct payments by State Bank of Azad Jammu and Kashmir Council (SBP)**

Repayment of loans and other direct payments by the SBP, expenditure is recognized on the date State Bank of Azad Jammu and Kashmir Council advises 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 cash receipts and payments, but are not been disclosed separately.

7.4. Employee benefits

The government has following plans for its employees:

a) **General Provident Fund**

An employee is compulsory subscribed 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 down in the Provident Fund Act (XIX of 1925) and General Provident Fund Rules. The Azad Jammu and Kashmir Council, Accounting Entities; for which the Accountant General Azad Jammu and Kashmir Council has the primary responsibility for accounting

b) **Pension**

The entitlement of Azad Jammu and Kashmir Council, Accounting Entities; for which the Accountant General Azad Jammu and Kashmir Council has the primary responsibility for accounting and reporting employees to a stream of payments after they retire from service. No liability for pension is recognized in

c) **Encashment of leave**

This represents liability arising form entitlements to the various forms of leave earned by Azad Jammu and Kashmir Council, Accounting Entities; for which the Accountant General Azad Jammu and Kashmir Council has the primary responsibility for accounting and reporting employees. No provision is made and

7.5. Investments

All investments made by the Azad jammu & kashmir council 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 Council 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 Azad Jammu and Kashmir Council.

7.7. Liability

Liabilities are future sacrifices of economic benefits that the Azad jammu & kashmir council is presently obliged to make as a result of the past transaction. All liabilities are recorded at historical cash value.

7.8. Public Debt

Public Debt comprise cash inflows from banks, similar lending agencies, commercial institutions and amounts owing 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.

7.9. Assets

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

7.10. Loans and advances

Loans and Advances include loans and advances due from autonomous bodies, financial and non-financial institutions, to Azad jammu & kashmir council servants for house building, purchase of conveyances and other loans. Loans to Government servants are interest bearing and interest is calculated in accordance with the General Financial Rules.

	Note	2013 Rupees in Million	2012 Rupees in Million
8 TAXATION - TRANSFER FROM FEDERAL GOVERNMENT			
<i>Direct Taxes</i>			
Income tax		7,702	6,395
		7,702	6,395
		<u>7,702</u>	<u>6,395</u>
9 ECONOMIC SERVICES RECEIPTS			
Others		7	5
		<u>7</u>	<u>5</u>
10 DIVIDEND AND PROFIT SHARE			
Profit share	10	107	125
		<u>107</u>	<u>125</u>
11 OTHER RECEIPTS			
Miscellaneous Receipts		165	82
		<u>165</u>	<u>82</u>
12 RECOVERY OF LOANS AND ADVANCES			
Government Servants		40	35
		<u>40</u>	<u>35</u>
13 SALARIES AND EMPLOYEE BENEFITS			
Pay of Officers		150	129
Pay of Other Staff		121	125
Allowances		478	389
Retirement Benefits		84	86
		<u>833</u>	<u>729</u>
14 OPERATING EXPENSES			
14.1 Controlled by Govt:			
General Operating Expenses		155	165
		<u>155</u>	<u>165</u>
14.2 Third Party Payments			
General Operating Expenses		-	-
		<u>-</u>	<u>-</u>

	Note	2013 Rupees in Million	2012 Rupees in Million
15 GRANTS, SUBSIDIES AND WRITE-OFF OF LOANS			
Grants, Subsidies and Write-off of Loans		5,718	4,173
Less: Transfers to District Governments	15	22	16
		<u>5,740</u>	<u>4,189</u>
16 PHYSICAL ASSETS			
Purchase of Other Assets		10	16
		<u>10</u>	<u>16</u>
17 CIVIL WORKS			
17.1 Controlled by Govt:			
Roads, Highways and Bridges		1,302	2,144
Other Works		15	14
		<u>1,317</u>	<u>2,158</u>
17.2 Third Party Payments			
Other Works		-	-
		<u>-</u>	<u>-</u>
18 LOANS AND ADVANCES			
Government Employees- House Building Advance		65	80
		<u>65</u>	<u>80</u>
19 NET RECEIPT / (PAYMENT) OF PUBLIC ACCOUNT			
<i>Receipts</i>			
Trust & other Public Accounts		7,328	7,128
Special Deposits		63	84
State Provident Fund		31	29
		<u>7,422</u>	<u>7,241</u>
<i>Payments</i>			
Trust & other Public Accounts		7,315	6,566
Special Deposits		49	39
State Provident Fund		17	7
		<u>7,381</u>	<u>6,612</u>
		<u>41</u>	<u>629</u>
19.1 The public Account consists of those moneys received by the Azad Jammu & Kashmir Council for which it has a fiduciary duty, but not at liberty to appropriate for the general services of the AJ&K Council, unless provided under an Act of Azad Jammu & Kashmir Council or rules made by Chairman. The balances in the Public Account are carried forward at year end, to be used for the specific purpose for which they are established.			
20 CASH AND BANK BALANCES			
AJ&K Council Balance		670	728
		<u>670</u>	<u>728</u>

	2013 Rupees in Million	2012 Rupees in Million
21 ASSETS AND LIABILITIES		
21.1 Assets		
Loans and Advances	276	252
Cash and Bank	670	728
20	946	980
 21.2 LIABILITIES		
Special Deposit & Equity and trust Accounts	(1,707)	(1,733)
Deferred Liabilities	118	104
Revenue Account Balance	2,535	2,609
20	946	980

21.3 These Financial Statements have been prepared under the cash basis of accounting, the information of assets and liability have been presented which are not mandatory disclosures as per IPSAS Cash Basis.

22 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, the Auditor General submits the certified Financial Statements of the Azad Jammu and Kashmir Council together with the audit reports on these Financial Statements to the Chairman of the Azad Jammu & Kashmir Council who shall cause them to be laid before the Azad Jammu & Kashmir Assembly. These Financial Statements have been authorized for issue on _____.

23 GENERAL

23.1 Level of Precision

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

23.2 Corresponding Figures

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

Sd
Accountant General Azad Jammu and Kashmir