FINANCIAL STATEMENTS

of the
Government of Khyber Pakhtunkhwa
2010-2011

Contents

Preface	1
Auditors Report	3
Statement of Cash Receipts and Payments	5
Statement of Cash Flows	7
Statement of Comparison of Budget and Actual Amounts by Function	8
Statement of Comparison of Budget and Actual Expenditure by Department	9
Notes to the Financial Statements	10

PREFACE

I am pleased to present the Financial Statements of the Government of Khyber Pakhtunkhwa for the year ended 30 June, 2011 together with the Auditors' Reports thereon.

The Financial Statements of the Government of Khyber Pakhtunkhwa for the financial year 2010-11 have been prepared by the Accountant General Khyber Pakhtunkhwa 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 decision making 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 were introduced:

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

Commitment Accounting has been adopted since 2009-10 but assets 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 Provincial Consolidated Fund and Public Account for which Annual Budget Statement is authorized by 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 excellent financial reporting we are committed to support the decision making critical to the nation's fiscal future.

Islamabad, Pakistan
Date: 29-12-2011

-Sd-
Controller General of Accounts

AUDITOR'S REPORT

The office of the Auditor General of Pakistan has audited the accompanying Financial Statements of the Government of Khyber Pakhtunkhwa, which comprise the statement of cash receipts and payments for the year ended 30 June, 2011, 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 ended and summary of significant accounting policies and other explanatory notes.

Management's Responsibility

These Financial Statements have been prepared by the Accountant General Khyber Pakhtunkhwa under Section 5 of the Controller General of Accounts (Appointment, Functions and Powers) Ordinance 2001. These Financial Statements are the responsibility of the Controller General of Accounts.

Auditor's Responsibility

The responsibility of the Auditor General's office is to express an opinion on these financial Statements based on the audit in accordance with the requirement of Article 169 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.

Basis of Opinion

The audit was conducted in accordance with the auditing standards issued by the International Organization of Supreme Audit Institution. These standards require that audit is planned and performed to obtain reasonable assurance to the effect that 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 includes assessing the accounting principles used, as well as evaluating overall presentation of the Financial Statements. The audit results provide a reasonable basis for our opinion.

In our opinion:

a). These Financial Statements present fairly, in all material respects, the financial performance of the Government of Khyber Pakhtunkhwa for the year ended 30 June 2011, its cash flows, comparison of budget and actual amounts by function and comparison of budget and actual expenditure by department for the year then ended in accordance with the stated accounting policies of the Government of Khyber Pakhtunkhwa.

b). The sums expended have been applied, in all material respects, for the purposes authorized by the Provincial Assembly.

Emphasis of Matter

Without qualifying our opinion, we draw attention to statement of cash receipts and payments and note 7.11 to the Financial Statements. Under IPSAS Cash Basis disclosure of third party payments is mandatory part of the General Purpose Financial Statements and should be disclosed separately on the face of the statement of cash receipts and payments of the Government of Khyber Pakhtunkhwa. The Government has disclosed third party payments as nil on the basis that neither the Government has been formally advised by the third party or the recipient nor such payments have been otherwise verified. The existing accounting and financial reporting system of the Government needs to be strengthened to fully capture third party payments.

Other Reports

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

Islamabad, Pakistan
Date: 30-12-2011.

-Sd-
Auditor General of Pakistan

GOVERNMENT OF KHYBER PAKHTUNKHWA
Statement of Cash Receipts and Payments
For the Year Ended 30 June 2011

	Note	2011 Rupees in Million		2010 Rupees in Million	
PROVINCIAL CONSOLIDATED FUND					
		Receipt / Payment controlled by the Government	Payments by Third Parties	Receipt / Payment controlled by the Government	Payments by Third Parties
RECEIPTS					
Taxation- Transfers from Federal Government	8	142,476	-	75,862	-
Taxation- Provincial Government's own collection	9	3,385	-	2,327	-
Non-Tax Revenue and Other Receipts					
General Administration	10	1,407	-	1,126	-
Economic Services	11	1,418	-	1,253	-
Development Surcharge and Royalties	12	15,470	-	4,230	-
Interest on Loans and Advances	13	93	-	293	-
Dividend and Profit Share	14	32,523	-	17,312	-
Others	15	1,213	-	866	-
		52,124	-	25,080	-
Grants and Aid	16	13,372	-	32,013	-
Borrowings					
Foreign Debt	17	13	-	3,770	-
Domestic Debt	18	6	-	49	-
		19	-	3,819	-
Capital Receipts					
Investment Recovery		-	-	21	-
Recovery of Loans and Advances	19	3,152	-	72	-
		3,152	-	93	-
Trading Activities	20	14,017	-	13,627	-
Receipts of District Governments	21	287	-	221	-
TOTAL RECEIPTS		228,832	-	153,042	-

GOVERNMENT OF KHYBER PAKHTUNKHWA
Statement of Cash Receipts and Payments
For the Year Ended 30 June 2011

	Note	2011 Rupees in Million		2010 Rupees in Million	
		Receipt / Payment controlled by the Government	Payments by Third Parties	Receipt / Payment controlled by the Government	Payments by Third Parties
PAYMENTS					
Operations					
Salaries and Employee Benefits	22	37,629	-	27,206	-
Operating Expenses	23	30,544	-	33,053	-
		68,173	-	60,259	-
Transfers					
Grants, Subsidies and Write-off of Loans	24	1,450	-	2,738	-
Other Transfer Payments		4,518	-	3,162	-
		5,968	-	5,900	-
Expenditure on					
Physical Assets	25	2,626	-	3,295	-
Civil Works	26	38,776	-	30,865	-
		41,402	-	34,160	-
Debt and Interest Payments					
Principal Repayment of Debt	27	14,948	-	3,648	-
Servicing of Debt	28	6,572	-	6,711	-
		21,520	-	10,359	-
Other Payments					
Loans and Advances	29	2,457	-	50	-
Investments		5,900	-	11,882	
		8,357	-	11,932	
Payments of District Governments	30	55,637	-	40,525	-
TOTAL PAYMENTS		201,057	-	163,135	-
NET PAYMENT OF PROVINCIAL CONSOLIDATED FUND		27,775	-	(10,093)	-
NET RECEIPT OF PUBLIC ACCOUNT	31	(5,937)	-	11,019	-
INCREASE / (DECREASE) IN CASH		21,838	-	926	-
CASH AT THE BEGINNING OF THE YEAR		(1,521)	-	(2,447)	-
INCREASE / (DECREASE) IN CASH		21,838	-	926	-
CASH AT THE END OF THE YEAR	32	20,317	-	(1,521)	-

The annexed notes 1 to 37 form an integral part of these Financial Statements.

Accountant General Khyber Pakhtunkhwa

GOVERNMENT OF KHYBER PAKHTUNKHWA
Statement of Cash Flows
For the Year Ended 30 June 2011

	Note	2011 Rupees in Million	2010 Rupees in Million
CASH FLOW FROM OPERATING ACTIVITIES			
Taxation- Transfers from Federal Government	8	142,476	75,862
Taxation- Provincial Government's own collection	9	3,385	2,327
Non-Tax Revenue and Other Receipts		52,124	25,080
Grants and Aid - Receipts	16	13,372	32,013
Trading Activities - Receipts	20	14,017	13,627
Operations- Payments		(68,173)	(60,259)
Servicing of Debt - Payments	28	(6,572)	(6,711)
Transfers - Payments		(5,968)	(5,900)
Receipts of District Government	21	287	221
Payments of District Governments- Revenue Expenditure	30	(50,946)	(37,747)
Cash from Operating Activities		94,002	38,513
CASH FLOW FROM INVESTING ACTIVITIES			
Investment Recovery		-	21
Recovery of Loans and Advances	19	3,152	72
Expenditure on Physical Assets	25	(2,626)	(3,295)
Expenditure on Civil Works	26	(38,776)	(30,865)
Payments of Loans and Advances	29	(2,457)	(50)
Investments		(5,900)	(11,882)
Payment of District Government - Capital Expenditure	30	(4,691)	(2,778)
Cash used in Investing Activities		(51,298)	(48,777)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipt of Foreign Debt	17	13	3,770
Receipt of Domestic Debt	18	6	49
Principal Repayment of Debt	27	(14,948)	(3,648)
Net Receipt of Public Account	31	(5,937)	11,019
Cash from Financing Activities		(20,866)	11,190
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		21,838	926
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(1,521)	(2,447)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	32	20,317	(1,521)

The annexed notes 1 to 37 form an integral part of these Financial Statements.

Accountant General Khyber Pakhtunkhwa

GOVERNMENT OF KHYBER PAKHTUNKHWA
Statement of Comparison of Budget and Actual Amounts by Function
For the Year Ended 30 June 2011

	2011 (Rupees in Million)			2010 (Rupees in Million)		
	Budgeted Amounts		Actual	Budgeted Amounts		Actual
	Original	Revised	Amounts	Original	Revised	Amounts
RECEIPTS						
Revenue						
Taxation	154,191	145,586	145,861	81,661	79,509	78,189
Non-Taxation	48,695	66,819	79,513	122,091	103,039	70,720
Total revenue receipts	**202,886**	**212,405**	**225,374**	203,752	182,548	148,909
Capital						
Domestic Debt	-	3,000	6	2,500	1,000	49
Foreign Debt	4,988	4,175	13	4,463	3,869	3,770
Recoveries of Loans and Advances	400	250	3,152	400	400	72
Recoveries of Investments	-	-	-	-	-	21
Total capital receipts	**5,388**	**7,425**	**3,171**	7,363	5,269	3,912
Receipts of District Government	-	-	**57,550**	-	-	40,585
TOTAL RECEIPTS	**208,274**	**219,830**	**286,095**	**211,115**	**187,817**	**193,406**
PAYMENTS						
Revenue						
General Public Service	83,231	87,431	78,676	54,795	69,392	65,972
Public Order and Safety Affairs	24,802	25,534	21,435	12,511	21,975	21,956
Economic Affairs	11,288	12,218	9,815	7,387	8,366	7,186
Environment Protection	55	55	37	42	43	27
Housing and Community Amenities	2,089	2,089	1,463	2,025	2,070	1,576
Health Affairs and Services	6,342	7,923	7,241	6,665	7,406	5,052
Recreation, Culture and Religion	703	714	528	355	469	437
Education Affairs and Services	10,035	10,772	9,888	6,647	7,862	7,359
Social Protection	871	8,024	6,722	1,003	5,239	4,558
Total revenue payments	**139,416**	**154,760**	**135,805**	91,430	122,822	114,123
Capital						
General Public Service	23,055	23,239	20,129	7,662	8,097	4,976
Public Order and Safety Affairs	2,000	2,000	-	58	58	76
Economic Affairs	101,370	109,588	27,823	93,134	95,185	25,795
Environment Protection	4,279	4,319	1,882	3,033	3,121	1,547
Housing and Community Amenities	9,795	11,204	7,489	10,546	10,546	7,575
Health Affairs and Services	3,786	3,835	2,406	2,367	2,367	2,154
Recreation, Culture and Religion	418	418	155	151	151	104
Education Affairs and Services	10,022	10,141	6,974	5,745	7,309	6,577
Social Protection	105	105	20	55	55	47
Total capital payments	**154,830**	**164,849**	**66,878**	122,751	126,889	48,851
Payments of District Government	**53,179**	**61,055**	**55,637**	35,620	40,917	40,525
TOTAL PAYMENTS	**347,425**	**380,664**	**258,320**	**249,801**	**290,628**	**203,499**

The annexed notes 1 to 37 form an integral part of these Financial Statements.

Accountant General Khyber Pakhtunkhwa

GOVERNMENT OF KHYBER PAKHTUNKHWA
Statement of Comparison of Budget and Actual Expenditure by Department
For the Year Ended 30 June 2011

DEPARTMENT	Note	2011 Rupees in Million			2010 Rupees in Million		
		Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
		Original	Revised		Original	Revised	
Agriculture, Livestock & Cooperation		2,504	3,561	3,005	3,633	3,755	2,064
Board of Revenue		817	817	288	423	451	215
Education		14,491	15,136	12,960	9,435	11,778	10,786
Environment, Forestry, Wild life		1,445	1,631	1,430	1,249	1,351	1,039
Excise and Taxation		58	91	81	51	96	94
Finance		97,118	101,030	93,049	57,927	72,402	67,109
Food		81,570	81,570	8,454	79,257	79,257	15,251
Health		12,958	14,272	11,314	10,032	11,052	8,433
Home and Tribal Affairs		22,517	23,047	19,248	10,315	19,323	19,428
Industries		4,072	4,400	2,395	2,183	2,380	2,076
Information		167	167	103	71	107	83
Irrigation and Power		6,215	9,530	7,318	4,316	4,594	3,903
Law		542	542	480	309	309	314
High Court		1,552	1,754	1,552	782	1,194	1,109
Local Governance		16,325	16,795	11,211	9,727	9,888	8,637
Population, Planning and Welfare Department		12	496	587	613	617	523
Planning and Development		3,661	3,661	1,207	1,729	1,730	198
Provincial Assembly		324	324	302	242	258	252
Administration and Establishment		2,258	2,259	2,009	1,309	1,666	1,776
Works and Services		23,471	29,193	18,698	18,854	21,480	14,606
Zakat and Ushr		425	439	310	260	278	253
Science and Information Technology		247	247	127	175	175	114
Sports, Culture, Archeology & Museum		868	868	487	408	475	414
Auqaf, Hajj, Religious and Minority Affairs		155	159	91	96	96	84
Inter Provincial Coodrination		18	19	17	12	12	12
Relief Rehabilitation and Settlement		234	7,379	5,884	698	4,887	4,128
Housing Department		12	12	12	9	11	10
Energy and Power		58	58	14	20	35	34
Transport		152	152	50	46	54	29
		294,246	319,609	202,683	214,181	249,711	162,974
Expenditure of District Governments		53,179	61,055	55,637	35,620	40,917	40,525
TOTAL		347,425	380,664	258,320	249,801	290,628	203,499

The annexed notes 1 to 37 form an integral part of these Financial Statements.

Accountant General Khyber Pakhtunkhwa

GOVERNMENT OF KHYBER PAKHTUNKHWA
Notes to the Financial Statement
For the Year Ended 30 June 2011

1 REPORTING ENTITY

Provincial Government - Khyber Pakhtunkhwa (the Government) conducts its operations under the Rules of Business 1988. These rules were made pursuant to Article 139 of the Constitution of the Islamic Republic of Pakistan, 1973(the Constitution) and envisages Provincial Government as comprising of departments and their attached departments. Financial procedures of the Constitution describes 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 the accounts of the Province to the Auditor General of Pakistan, with the approval of the President. New Accounting Model was prescribed by the Auditor General of Pakistan in 2000 which describes Provincial Government as an accounting and reporting entity comprising of;

a) Centralized Accounting Entities; for which the Accountant General KP has the primary responsibility for accounting and reporting.

b) Self Accounting Entities; for which the Principal Accounting Officer has the primary responsibility for accounting and reporting. The Self Accounting Entities are as under:-

   1. Public Work Department-Works and Services, Irrigation & Public Health Engineering
   2. Environment/Forest/Wildlife 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, 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 Khyber Pakhtunkhwa Local Government Ordinance, 2001, District Governments were established. The District Government consists of Zila Nazim and District Administration. Auditor General of Pakistan under section 114 of the said Ordinance prescribed Local Government Accounts Manual for District Governments. This Manual requires preparation of annual Finance and Appropriation Accounts by each District Government. District Governments Khyber Pakhtunkhwa prepare separate Financial Statements. Local Government Accounts Manual also requires that accounts of the District Governments are consolidated in the Financial Statements of the province. In these Financial Statements, accounts of the following District Governments have been consolidated.

1- District Government Peshawar
2- District Government Abbottabad
3- District Government Nowshera
4- District Government Manshera
5- District Government Charsadda
6- District Government Kohat
7- District Government Mardan
8- District Government Haripur
9- District Government Swabi
10- District Government Dir Lower
11- District Government Hangu
12- District Government Bannu
13- District Government Swat
14- District Government Buner
15- District Government Malakand
16- District Government Battagram
17- District Government Chitral
18- District Government karak
19- District Government Dera Ismail Khan
20- District Government Tank
21- District Government Shangla
22- District Government Lakki Marwat
23- District Government Dir Upper
24- District Government Kohistan
25- District Government Tor Ghar

These Financial Statements include all Centralized and Self Accounting Entities and District Governments.

2 BASIS OF CONSOLIDATION

The Financial Statements have been prepared by consolidating the accounts of all Centralized and Self Accounting Entities and twenty five (25) District Governments. Material Inter-governmental transactions such as transfers from Provincial Government-KP which comprises receipts of District Governments have been eliminated in consolidation.

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 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. Implementation of NAM is an ongoing process. Commitment Accounting has been adopted since 2009-10, however asset and liability accounting practices have not yet been implemented and memorandum registers for assets do not exists and accounting for liabilities is not done in accordance with NAM.

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 2010-11 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 2010-11 (from 1 July, 2010 to 30 June, 2011).

6 REPORTING CURRENCY

The reporting currency of these Financial Statements is Pak Rupees which is Provincial Government'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 Pakistan (SBP)**

Repayment of loans and other direct payments by the SBP, expenditure is recognized on the date State Bank of Pakistan 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 Government pays interest on provident fund balance and is recorded as expenditure in the financial year.

b) **Pension**
The 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 form entitlements to the 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 made by the 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 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 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 loans and advances due from autonomous bodies, financial and non-financial institutions, to Government 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.

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 the 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 thrid 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.

	Note	2011 Rupees in Million	2010 Rupees in Million
8 TAXATION - TRANSFER FROM FEDERAL GOVERNMENT			
Direct Taxes			
Income tax		53,166	30,930
Wealth Tax		1	1
Capital Value Tax		72	246
		53,239	31,177
Indirect Taxes			
Sales tax		59,925	27,884
Custom duty		16,244	9,650
Federal excise		11,970	6,865
Federal excise on Natural Gas		1,098	286
		89,237	44,685
		142,476	75,862
9 TAXATION - PROVINCIAL GOVERNMENT'S OWN COLLECTION			
Direct Taxes			
Property Tax		114	182
Land Revenue		771	572
Tax on Profession, Trade and Callings		98	89
Capital Value Tax on Immoveable Property		248	-
		1,231	843
Indirect Taxes			
Receipts Under Motor Vehicles Act		875	834
Stamp Duties		409	357
Provincial Excise		23	24
Others Indirect Taxes		847	269
		2,154	1,484
		3,385	2,327
10 GENERAL ADMINISTRATION RECEIPTS			
Fiscal Administration		101	80
Community Services		509	370
Social Services		239	182
Economic Regulations		14	12
Law and Order		524	468
Organs of State		20	14
		1,407	1,126

	Note	2011 Rupees in Million	2010 Rupees in Million
11 ECONOMIC SERVICES RECEIPTS			
Cooperation, Irrigation, Embankment-Drainage		**328**	267
Food and Agriculture		**98**	101
Fisheries and Animal Husbandry		**76**	55
Forest		**778**	647
Others		**138**	183
		1,418	**1,253**
12 DEVELOPMENT SURCHARGE AND ROYALTIES			
Development Surcharge on Gas	*12.1*	**3,315**	1,026
Royalty on Crude Oil	*12.2*	**8,341**	1,942
Royalty on Natural Gas	*12.2*	**3,814**	1,262
		15,470	**4,230**

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 well head production basis after deduction of 2% collection charges.

	Note	2011 Rupees in Million	2010 Rupees in Million
13 INTEREST ON LOANS AND ADVANCES			
Interest on Domestic Loan	*13.1*	**1**	14
Interest on Loans and Advances to Govt. Servants		**3**	3
Loans and Advances - Others		**89**	276
		93	**293**
13.1 Interest On Domestic Loan			
District Governments		**-**	13
Financial Institutions		**1**	1
		1	**14**

	Note	2011 Rupees in Million	2010 Rupees in Million
14 DIVIDEND AND PROFIT SHARE			
Dividends Receipts	*14.1*	**13**	12
Profit share	*14.2*	**32,510**	17,300
		32,523	**17,312**
14.1 Dividends Receipts			
Non-Financial Institution		**13**	12
		13	**12**
14.2 Profit share			
Electricity		**31,510**	17,300
Others		**1,000**	-
		32,510	**17,300**
15 OTHER RECEIPTS			
Unclaimed deposits		**130**	30
Receipts under the Mines, Oil-fields and Mineral		**559**	543
Arms License Fees		**143**	100
Recoveries of Overpayments		**9**	8
Sand and quarry fees		**30**	21
Sugarcane development cess		**21**	14
5% Collection Charges on Federal Taxes		**2**	1
Miscellaneous Receipts		**319**	149
		1,213	**866**
16 GRANTS AND AID			
Development Grants		**9,310**	5,299
Non-Development Grants		**4,062**	26,714
		13,372	**32,013**
17 FOREIGN DEBT - RECEIPTS			
Foreign Lenders		**13**	148
Federal Government		**-**	3,555
Others		**-**	67
		13	**3,770**
18 DOMESTIC DEBT - RECEIPTS			
Permanent Debt	*18.1*	**6**	49
		6	**49**

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

	Note	2011 Rupees in Million	2010 Rupees in Million
19 RECOVERY OF LOANS AND ADVANCES			
Financial Institution		**3010**	10
Non-Financial Institution		**121**	45
Government Servants		**21**	17
		3,152	**72**
20 TRADING ACTIVITIES - RECEIPTS			
Sale of wheat		**14,017**	13,627
		14,017	**13,627**
21 RECEIPTS OF DISTRICT GOVERNMENT			
Indirect Taxes		**24**	11
Receipts from Civil Administration and Other Functions		**209**	167
Grants from Provincial Government	***21.1***	**57,263**	40,364
Miscellaneous Receipts		**50**	39
Loans and Advances		**4**	4
		57,550	40,585
Less: Grants from Provincial Government - KP	***21.2***	**(57,263)**	(40,364)
		287	**221**

21.1 During 2010 Grants from Provincial Government were under stated by Rs. 292 million. The error has now been rectified by restating the balance for 2010 as (40,072+292 = 40,364). Further detail is as under:-

District Government Abbottabad	- Grants were under stated	137
District Government Hangu	- Grants were under stated	71
District Government Haripur	- Grants were over stated	(65)
District Government Kohat	- Grants were under stated	86
District Government Nowshera	- Grants were under stated	92
District Government Shangla	- Grants were under stated	(85)
District Government Swat	- Grants were under stated	56
		292

21.2 Grants received from Provincial Government - KP have been eliminated against transfers to District Governments, while consolidating these accounts, in order to avoid the duplicate effect of receipts and payments.

	Note	2011 Rupees in Million	2010 Rupees in Million
22 SALARIES AND EMPLOYEE BENEFITS			
Pay of Officers		**2,532**	2,367
Pay of Other Staff		**7,451**	6,703
Allowances		**17,119**	11,909
Retirement Benefits		**10,527**	6,227
		37,629	**27,206**
23 OPERATING EXPENSES			
Research Surveys and Exploratory Operations		**608**	230
Communication		**140**	135
Utilities		**885**	1,063
Occupancy Costs		**146**	99
Motor Vehicles		**6**	8
Travel and Transporation		**2,287**	3,841
Scholarships, Bonuses and Other Awards		**43**	37
Entertainments and Gifts		**81**	70
Commodity Purchases (State Trading)		**4,867**	10,982
Repair & Maintenance		**2,517**	2,172
General Opearting Expenses		**18,964**	14,416
		30,544	**33,053**
24 GRANTS, SUBSIDIES AND WRITE-OFF OF LOANS			
Grants, Subsidies and Write-off of Loans		**58,713**	43,102
Less: Transfers to District Governments	*21.2*	**(57,263)**	(40,364)
		1,450	**2,738**
25 PHYSICAL ASSETS			
Purchase of Building		**566**	98
Computer Equipment		**17**	5
Other Stores and Stocks		**3**	11
Purchase of Transport		**1,289**	854
Purchase of Plant & Machinery		**158**	609
Purchase of Furniture and Fixtures		**78**	21
Purchase of Other Assets		**515**	1,697
		2,626	**3,295**
26 CIVIL WORKS			
Roads, Highways and Bridges		**8,477**	7,173
Irrigation Works		**2,485**	1,738
Embankments and Drainage Works		**291**	115
Building and Structure		**22,533**	15,164
Other Works		**4,948**	6,614
Draught Emergency Relief Assistance		**42**	61
		38,776	**30,865**

	Note	2011 Rupees in Million	2010 Rupees in Million
27 PRINCIPAL REPAYMENT OF DEBT			
Foreign Debt		3,080	-
Domestic Debt	*27.1*	11,868	3,648
		14,948	3,648
27.1 Domestic Debt			
Permanent Debt		4,743	3,648
Floating Debt		7,125	-
		11,868	3,648
28 SERVICING OF DEBT			
Federal Government		6,022	6,711
Domestic Loans		550	-
		6,572	6,711
29 LOANS AND ADVANCES			
Financial Institutions		2,400	12
Government Employees	*29.1*	57	38
		2,457	50
29.1 Government Employees			
House Building Advance		43	29
Motor Car Advance		14	9
		57	38

Advances to government employees are provided according to Rule 252, 253, 256, 262 and 263 of the General Financial Rules as per their entitlements.

	Note	2011 Rupees in Million	2010 Rupees in Million
30 PAYMENTS OF DISTRICT GOVERNMENTS			
Revenue Expenditure	*30.1*	50,946	37,747
Capital Expenditure	*30.2*	4,691	2,778
		55,637	40,525

	Note	2011 Rupees in Million	2010 Rupees in Million
30.1 Revenue Expenditure			
General Public Service		**2,255**	1,981
Defense Services		**1**	
Public Order and Safety Affairs		**26**	18
Economic Affairs		**3,999**	2,895
Environment Protection		**27**	20
Housing and Community Amenities		**2,399**	1,773
Health Affairs and Services		**5,537**	4,008
Recreation, Culture and Religion		**41**	32
Education Affairs and Services		**36,507**	26,900
Social Protection		**154**	120
		50,946	**37,747**
30.2 Capital Expenditure			
General Public Service		**2,345**	1,335
Public Order and Safety Affairs		**1**	-
Economic Affairs		**882**	385
Environment Protection		**73**	87
Housing and Community Amenities		**1,327**	923
Health		**3**	9
Recreation Culture and Religion		**9**	14
Education Affairs and Services		**23**	15
Social Protection		**28**	10
		4,691	**2,778**
31 NET RECEIPT / (PAYMENT) OF PUBLIC ACCOUNT			
Receipts			
Trust & other Public Accounts		**184,999**	159,340
Special Deposits		**15,447**	14,069
State Provident Fund		**8,473**	7,704
		208,919	**181,113**
Payments			
Trust & other Public Accounts		**(196,139)**	(149,980)
Special Deposits		**(12,792)**	(15,520)
State Provident Fund		**(5,925)**	(4,594)
		(214,856)	**(170,094)**
		(5,937)	**11,019**

31.1 The public Account consists of those moneys received by the Government for which it has a fiduciary duty, but not at liberty to appropriate for the general services of the Government, unless provided under an Act of Provincial Assembly or rules made by Governor. The balances in the Public Account are carried forward at year end, to be used for the specific purpose for which they are established.

	Note	2011 Rupees in Million	2010 Rupees in Million
32 CASH AND BANK			
Provincial Government Balance	*32.1*	**20,495**	194
District Government Balance	*32.2*	**(178)**	(1,715)
		20,317	**(1,521)**
32.1 Provincial Government's Balance			
Public Account Balance		**50,154**	55,715
Consolidated Fund Balance		**(29,659)**	(55,521)
		20,495	**194**

32.2 Errors in the District Government Accounts were observed for less / (excess) booking of Grants from Provincial Government during 2009 and 2010. The error of 2009 have now been corrected by adjusting the opening balance of Cash at Bank and Residual Equity, Errors of 2010 have also been recified by restateing comparative figures. Detail is as under:-

Opening Balance adjusted to rectify errors of 2009		
District Government DI Khan	- Grants were under stated	280
District Government Dir Upper	- Grants were under stated	59
District Government Manshera	- Grants were under stated	36
District Government Chitral	- Grants were over stated	(4)
District Government Karak	- Grants were over stated	(65)
District Government Malakand	- Grants were over stated	(133)
District Government Mardan	- Grants were over stated	(3)
District Government Peshawar	- Grants were over stated	(1)
		169
Comparative figures restated to rectify errors of 2010		
District Government Abbottabad	- Grants were under stated	137
District Government Hangu	- Grants were under stated	71
District Government Haripur	- Grants were over stated	(65)
District Government Kohat	- Grants were under stated	86
District Government Nowshera	- Grants were under stated	92
District Government Shangla	- Grants were under stated	(85)
District Government Swat	- Grants were under stated	56
		292

	Note	2011 Rupees in Million	2010 Rupees in Million
33 ASSETS AND LIABILITIES			
Assets			
Long Term Assets		**235,481**	189,376
Investments		**19,950**	14,050
Loans and Advances		**1,160**	1,852
Current Assets		**2,243**	(7,778)
Cash and Bank		**20,317**	(1,521)
	33.1	**279,151**	**195,979**
Liabilities and equity			
Public Debt	***34***	**23,389**	38,318
Special Deposits and Trust Accounts		**31,187**	29,647
Deferred Liabilities		**24,019**	21,470
Residual Equity		**200,556**	106,544
	33.1	**279,151**	**195,979**

33.1 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.

34 PUBLIC DEBT

Domestic Debt			
Government Securities			
Opening Balance		**1,159**	4,758
Add: Debt Receipts	***18***	**6**	49
Less: Principal Repayments of Debt	***27.1***	**(11,868)**	(3,648)
Closing Balance		**(10,703)**	**1,159**
Foreign Debt			
Opening Balance		**37,159**	33,389
Add: Debt Receipts	***17***	**13**	3,770
Less: Principal Repayments of Debt	***27***	**(3,080)**	-
Closing Balance		**34,092**	**37,159**
		23,389	**38,318**

34.1 The amount of foreign debt is recorded in Pak Rupees at the rate of exchange prevailing on the date of transaction, which is the historical cash value. The foreign debt has not been revalued at the year end in accordance with Government policy stated in note 7.7, nor any foreign debt revaluation exchange differences have been recognized in the Financial Statement except for principal repayment of foreign debt.

35 COMPARISION OF BUDGET AND ACTUAL AMOUNTS

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 that Financial Statements- as identified in note 1 above.

The Statements of Comparison of Budgeted and Actual Amounts by Function and Actual Expenditure by Department are presented on a gross basis. Grants received by District Governments from Provincial Government-Khyber Pakhtunkhwa have been eliminated against transfers to District Governments in Statement of Cash receipts and payments as explained in note 2 and 21.1 for which a reconciliation is presented below.

	Note	2011 Rupees in Million	2010 Rupees in Million
Receipts			
Actual Receipts in Statement of Comparison of Budget and Actual Amounts by Function		**286,095**	193,114
Less : Grants from Provincial Government - KP	***21***	**(57,263)**	(40,364)
Actual Receipts in Statement of Cash Receipts and Payments		**228,832**	**152,750**
Payments			
Actual payments in Statements of Comparison of Budget and Actual Amounts by Function and Actual Expenditure by Department		**258,320**	203,499
Less: Transfers to District Governments	***24***	**(57,263)**	(40,364)
Actual payments in Statement of Cash Receipts and Payments		**201,057**	**163,135**

36 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 Government of Khyber Pakhtunkhwa together with the audit reports on these Financial Statements to the Governor of the province who shall cause them to be laid before the Provincial Assembly. These Financial Statements have been authorized for issue on _____.

37 GENERAL

37.1 Level of Precision

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

37.2 Corresponding Figures

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

Accountant General Khyber Pakhtunkhwa