



**FINANCIAL STATEMENTS  
OF THE  
GOVERNMENT OF KHYBER PAKHTUNKHWA  
2011-2012**





**Financial Statements**  
of the  
Government of Khyber Pakhtunkhwa  
Financial Year 2011-2012

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## PREFACE

I am pleased to present the Financial Statements of the Government of Khyber Pakhtunkhwa for the year ended 30 June, 2012 together with the Auditors' Reports thereon.

The Financial Statements of the Government of Khyber Pakhtunkhwa for the financial year 2011-12 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:



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Controller General of Accounts



## **Auditor General of Pakistan**

**Audit House, Constitution Avenue  
Islamabad, Pakistan**

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### **Auditor's Report**

The Department of the Auditor General of Pakistan has audited the accompanying Financial Statements of the Government of Khyber Pakhtunkhwa (KP), which comprise the statement of cash receipts and payments for the year ended 30<sup>th</sup> June, 2012, 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 on behalf of Controller General of Accounts, 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 position of the Government of Khyber Pakhtunkhwa for the year ended 30<sup>th</sup> June 2012, 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 partially on the basis that neither the Government has been formally advised by the third party or the recipient nor all such payments have otherwise been verified. The existing accounting and financial reporting system of the Government needs to be strengthened in order to validate 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.

**Date: 31-12-2012**

**Sd/-x-x-x**

**Muhammad Akhtar Buland Rana  
Auditor General of Pakistan**



**GOVERNMENT OF KHYBER PAKHTUNKHWA**  
**Statement of Cash Receipts and Payments**  
**For the Year Ended 30 June 2012**

		2012 Rupees in Million	2011 Rupees in Million		
Note					
PROVINCIAL CONSOLIDATED FUND					
RECEIPTS					
		Receipt / Payment controlled by the Government	Receipt / Payment by Third Parties	Receipt / Payment controlled by the Government	Receipt / Payment by Third Parties
<i>Taxation- Transfers from Federal Government</i>	8	161,311	-	142,476	-
<i>Taxation- Provincial Government's own collection</i>	9	3,662	-	3,385	-
<i>Non-Tax Revenue and Other Receipts</i>					
General Administration	10	1,734	-	1,407	-
Economic Services	11	1,595	-	1,418	-
Development Surcharge and Royalties	12	17,592	-	15,470	-
Interest on Loans and Advances	13	208	-	93	-
Dividend and Profit Share	14	28,308	-	32,523	-
Others	15	1,880	-	1,213	-
		51,317	-	52,124	-
<i>Grants and Aid</i>	16	11,666	190	13,372	-
<i>Borrowings</i>					
Foreign Debt	17	363	614	13	-
Domestic Debt	18	22	-	6	-
		385	614	19	-
<i>Capital Receipts</i>					
Investment Recovery		7	-	-	-
Recovery of Loans and Advances	19	37	-	3,152	-
		44	-	3,152	-
<i>Trading Activities</i>	20	12,250	-	14,017	-
<i>Receipts of District Governments</i>	21	3,052	-	287	-
TOTAL RECEIPTS		243,667	804	228,832	-



**GOVERNMENT OF KHYBER PAKHTUNKHWA**  
**Statement of Cash Receipts and Payments**  
**For the Year Ended 30 June 2012**

		2012 Rupees in Million	2011 Rupees in Million		
	Note	Receipt / Payment controlled by the Government	Receipt / Payment by Third Parties	Receipt / Payment controlled by the Government	Receipt / Payment by Third Parties
<b>PAYMENTS</b>					
<b>Operations</b>					
Salaries and Employee Benefits	22	49,087	-	37,629	-
Operating Expenses	23	51,475	704	30,544	-
		100,562	704	68,173	-
<b>Transfers</b>					
Grants, Subsidies and Write-off of Loans	24	32	-	1,450	-
Other Transfer Payments		5,741	-	4,518	-
		5,773	-	5,968	-
<b>Expenditure on</b>					
Physical Assets	25	1,698	-	2,626	-
Civil Works	26	35,925	100	38,776	-
		37,623	100	41,402	-
<b>Debt and Interest Payments</b>					
Principal Repayment of Debt	27	14,681	-	14,948	-
Servicing of Debt	28	6,999	-	6,572	-
		21,680	-	21,520	-
<b>Other Payments</b>					
Loans and Advances	29	4,788	-	2,457	-
Investments		7,096	-	5,900	-
		11,884	-	8,357	-
<b>Payments of District Governments</b>	30	72,959	-	55,637	-
<b>TOTAL PAYMENTS</b>		250,481	804	201,057	-
<b>NET PAYMENT OF PROVINCIAL CONSOLIDATED FUND</b>		(6,794)	-	27,775	-
<b>NET RECEIPT OF PUBLIC ACCOUNT</b>	31	8,823	-	(5,937)	-
<b>INCREASE / (DECREASE) IN CASH</b>		2,029	-	21,838	-
<b>CASH AT THE BEGINNING OF THE YEAR</b>		20,317	-	(1,521)	-
<b>INCREASE / (DECREASE) IN CASH</b>		2,029	-	21,838	-
<b>CASH AT THE END OF THE YEAR</b>	32	22,346	-	20,317	-

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 2012**

	Note	2012 Rupees in Million	2011 Rupees in Million
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Taxation- Transfers from Federal Government	8	161,311	142,476
Taxation- Provincial Government's own collection	9	3,662	3,385
Non-Tax Revenue and Other Receipts		51,317	52,124
Grants and Aid - Receipts	16	11,856	13,372
Trading Activities - Receipts	20	12,250	14,017
Operations- Payments		(101,266)	(68,173)
Servicing of Debt - Payments	28	(6,999)	(6,572)
Transfers - Payments		(5,773)	(5,968)
Receipts of District Government	21	3,052	287
Payments of District Governments- Revenue Expenditure	30.1	(64,205)	(50,946)
<b>Cash from Operating Activities</b>		<b>65,205</b>	<b>94,002</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investment Recovery		7	-
Recovery of Loans and Advances	19	37	3,152
Expenditure on Physical Assets	25	(1,698)	(2,626)
Expenditure on Civil Works	26	(36,025)	(38,776)
Payments of Loans and Advances	29	(4,788)	(2,457)
Investments		(7,096)	(5,900)
Payment of District Government - Capital Expenditure	30.2	(8,754)	(4,691)
<b>Cash used in Investing Activities</b>		<b>(58,317)</b>	<b>(51,298)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Receipt of Foreign Debt	17	977	13
Receipt of Domestic Debt	18	22	6
Principal Repayment of Debt	27	(14,681)	(14,948)
Net Receipt of Public Account	31	8,823	(5,937)
<b>Cash from Financing Activities</b>		<b>(4,859)</b>	<b>(20,866)</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>2,029</b>	<b>21,838</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>20,317</b>	<b>(1,521)</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	32	<b>22,346</b>	<b>20,317</b>

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 2012**

	2012 (Rupees in Million )			2011 (Rupees in Million )		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
<b>RECEIPTS</b>						
<u>Revenue</u>						
Taxation	181,650	176,935	164,973	154,191	145,586	145,861
Non-Taxation	63,933	80,214	75,423	48,695	66,819	79,513
<b>Total revenue receipts</b>	<b>245,583</b>	<b>257,149</b>	<b>240,396</b>	<b>202,886</b>	<b>212,405</b>	<b>225,374</b>
<u>Capital</u>						
Domestic Debt	-	9,500	22	-	3,000	6
Foreign Debt	3,318	1,108	977	4,988	4,175	13
Recoveries of Loans and Advances	249	249	37	400	250	3,152
Recoveries of Investments	1	1	7	-	-	-
<b>Total capital receipts</b>	<b>3,568</b>	<b>10,858</b>	<b>1,043</b>	<b>5,388</b>	<b>7,425</b>	<b>3,171</b>
<u>Receipts of District Government</u>	-	-	73,893	-	-	57,550
<b>TOTAL RECEIPTS</b>	<b>249,151</b>	<b>268,007</b>	<b>315,332</b>	<b>208,274</b>	<b>219,830</b>	<b>286,095</b>
<b>PAYMENTS</b>						
<u>Revenue</u>						
General Public Service	100,272	106,121	97,858	83,231	87,431	78,676
Public Order and Safety Affairs	23,217	26,990	25,318	24,802	25,534	21,435
Economic Affairs	12,809	13,857	12,400	11,288	12,218	9,815
Environment Protection	87	87	53	55	55	37
Housing and Community Amenities	2,065	2,065	1,882	2,089	2,089	1,463
Health Affairs and Services	7,330	9,804	9,043	6,342	7,923	7,241
Recreation, Culture and Religion	1,243	1,279	1,058	703	714	528
Education Affairs and Services	13,339	13,625	12,007	10,035	10,772	9,888
Social Protection	1,786	5,191	5,485	871	8,024	6,722
<b>Total revenue payments</b>	<b>162,148</b>	<b>179,019</b>	<b>165,104</b>	<b>139,416</b>	<b>154,760</b>	<b>135,805</b>
<u>Capital</u>						
General Public Service	31,290	31,297	25,376	23,055	23,239	20,129
Public Order and Safety Affairs	900	900	822	2,000	2,000	-
Economic Affairs	104,826	112,194	27,422	101,370	109,588	27,823
Environment Protection	3,673	4,965	3,658	4,279	4,319	1,882
Housing and Community Amenities	16,832	17,482	10,650	9,795	11,204	7,489
Health Affairs and Services	5,025	5,528	4,210	3,786	3,835	2,406
Recreation, Culture and Religion	501	501	629	418	418	155
Education Affairs and Services	11,554	13,850	10,703	10,022	10,141	6,974
Social Protection	109	746	593	105	105	20
<b>Total capital payments</b>	<b>174,710</b>	<b>187,463</b>	<b>84,063</b>	<b>154,830</b>	<b>164,849</b>	<b>66,878</b>
<u>Payments of District Government</u>	59,275	77,089	72,959	53,179	61,055	55,637
<b>TOTAL PAYMENTS</b>	<b>396,133</b>	<b>443,571</b>	<b>322,126</b>	<b>347,425</b>	<b>380,664</b>	<b>258,320</b>

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 2012**

DEPARTMENT	2012 Rupees in Million			2011 Rupees in Million		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
	Note					
Agriculture, Livestock & Cooperation			2,246	2,504	3,561	3,005
Board of Revenue			389	817	817	288
Education			17,198	14,491	15,136	12,960
Environment, Forestry, Wild life			1,832	1,445	1,631	1,430
Excise and Taxation			79	58	91	81
Finance			115,115	97,118	101,030	93,049
Food			4,167	81,570	81,570	8,454
Health			16,270	12,958	14,272	11,314
Home and Tribal Affairs			22,659	22,517	23,047	19,248
Industries			4,210	4,072	4,400	2,395
Information			201	167	167	103
Irrigation and Power			10,507	6,215	9,530	7,318
Law			615	542	542	480
High Court			1,831	1,552	1,754	1,552
Local Governance			18,018	16,325	16,795	11,211
Population, Planning and Welfare Department			296	12	496	587
Planning and Development			1,141	3,661	3,661	1,207
Provincial Assembly			354	324	324	302
Administration and Establishment			2,249	2,258	2,259	2,009
Works and Services			19,419	23,471	29,193	18,698
Zakat and Ushr			564	425	439	310
Science and Information Technology			287	247	247	127
Sports, Culture, Archeology & Museum			1,411	868	868	487
Auqaf, Hajj, Religious and Minority Affairs			140	155	159	91
Inter Provincial Coordination			19	18	19	17
Relief Rehabilitation and Settlement			4,385	234	7,379	5,884
Housing Department			3,440	12	12	12
Energy and Power			39	58	58	14
Transport			86	152	152	50
			249,167	294,246	319,609	202,683
<b>Expenditure of District Governments</b>			72,959	53,179	61,055	55,637
<b>TOTAL</b>			<b>322,126</b>	<b>347,425</b>	<b>380,664</b>	<b>258,320</b>

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 2012

#### 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.

District Governments were established under Khyber Pakhtunkhwa Local Government Ordinance, 2001. 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 Entities, 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, memorandum registers for assets do not exist 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 2011-12 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 2011-12 ( from 1 July, 2011 to 30 June, 2012).

## **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 from 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 third parties. Payments by third parties 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	2012 Rupees in Million	2011 Rupees in Million
<b>8 TAXATION - TRANSFER FROM FEDERAL GOVERNMENT</b>			
<i>Direct Taxes</i>			
Income tax		58,735	53,166
Wealth Tax		1	1
Capital Value Tax		10	72
		58,746	53,239
<i>Indirect Taxes</i>			
Sales tax		73,595	59,925
Custom duty		18,446	16,244
Federal excise		9,350	11,970
Federal excise on Natural Gas		1,174	1,098
		102,565	89,237
		<u>161,311</u>	<u>142,476</u>
<b>9 TAXATION - PROVINCIAL GOVERNMENT'S OWN COLLECTION</b>			
<i>Direct Taxes</i>			
Income tax - Agriculture		20	-
Property Tax		196	114
Land Revenue		1,272	771
Tax on Profession, Trade and Callings		131	98
Capital Value Tax on Immoveable Property		240	248
		1,859	1,231
<i>Indirect Taxes</i>			
Receipts Under Motor Vehicles Act		865	875
Stamp Duties		591	409
Provincial Excise		27	23
Others Indirect Taxes		320	847
		1,803	2,154
		<u>3,662</u>	<u>3,385</u>
<b>10 GENERAL ADMINISTRATION RECEIPTS</b>			
Fiscal Administration		111	101
Community Services		618	509
Social Services		273	239
Economic Regulations		13	14
Law and Order		702	524
Organs of State		17	20
		<u>1,734</u>	<u>1,407</u>

	Note	2012 Rupees in Million	2011 Rupees in Million
<b>11 ECONOMIC SERVICES RECEIPTS</b>			
Cooperation, Irrigation, Embankment-Drainage		321	328
Food and Agriculture		122	98
Fisheries and Animal Husbandry		86	76
Forest		892	778
Others		174	138
		<u>1,595</u>	<u>1,418</u>

**12 DEVELOPMENT SURCHARGE AND ROYALTIES**

Development Surcharge on Gas	12.1	1,786	3,315
Royalty on Crude Oil	12.2	11,652	8,341
Royalty on Natural Gas	12.2	4,154	3,814
		<u>17,592</u>	<u>15,470</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 well head production basis after deduction of 2% collection charges.

	Note	2012 Rupees in Million	2011 Rupees in Million
<b>13 INTEREST ON LOANS AND ADVANCES</b>			
Interest on Domestic Loan	13.1	152	1
Interest on Loans and Advances to Govt. Servants		3	3
Loans and Advances - Others		53	89
		<u>208</u>	<u>93</u>

**13.1 Interest On Domestic Loan**

Financial Institutions	-	1
Non Financial Institutions	152	-
	<u>152</u>	<u>1</u>

**14 DIVIDEND AND PROFIT SHARE**

Dividends Receipts	14.1	16	13
Profit share	14.2	28,292	32,510
		<u>28,308</u>	<u>32,523</u>

**14.1 Dividends Receipts**

Non-Financial Institution	16	13
	<u>16</u>	<u>13</u>

	Note	2012 Rupees in Million	2011 Rupees in Million
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	Note	2012 Rupees in Million	2011 Rupees in Million
<b>14.2 Profit share</b>			
Electricity		27,190	31,510
Others		1,102	1,000
		<u>28,292</u>	<u>32,510</u>
<b>15 OTHER RECEIPTS</b>			
Unclaimed deposits		204	130
Rent, Rates and Taxes		3	-
Receipts under the Mines, Oil-fields and Mineral		614	559
Arms License Fees		304	143
Recoveries of Overpayments		12	9
Tourism Receipts		12	-
Sand and quarry fees		41	30
Recoveries made by NAB from defaulters		25	-
Sugarcane development cess		72	21
Renewal of licenses of Private Security Co		3	-
5% Collection Charges on Federal Taxes		3	2
Miscellaneous Receipts		587	319
		<u>1,880</u>	<u>1,213</u>
<b>16 GRANTS AND AID</b>			
<b>16.1 Controlled by Govt:</b>			
Development Grants		9,689	9,310
Non-Development Grants		1,977	4,062
		<u>11,666</u>	<u>13,372</u>
<b>16.2 Third Party Receipts</b>			
Development Grants		190	-
		<u>190</u>	<u>-</u>
<b>17 FOREIGN DEBT - RECEIPTS</b>			
<b>17.1 Controlled by Govt:</b>			
Foreign Lenders		-	13
Federal Government		363	-
		<u>363</u>	<u>13</u>
<b>17.2 Third Party Receipts</b>			
Foreign Lenders		614	-
		<u>614</u>	<u>-</u>
<b>18 DOMESTIC DEBT - RECEIPTS</b>			
Permanent Debt	18.1	22	6
		<u>22</u>	<u>6</u>

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	2012 Rupees in Million	2011 Rupees in Million
<b>19 RECOVERY OF LOANS AND ADVANCES</b>			
Financial Institution		5	3,010
Non-Financial Institution		1	121
Government Servants		31	21
		<u>37</u>	<u>3,152</u>
<b>20 TRADING ACTIVITIES - RECEIPTS</b>			
Sale of wheat		12,250	14,017
		<u>12,250</u>	<u>14,017</u>
<b>21 RECEIPTS OF DISTRICT GOVERNMENT</b>			
Indirect Taxes		32	24
Receipts from Civil Administration and Other Functions		249	209
Grants from Provincial Government		70,841	57,263
Miscellaneous Receipts		2,765	50
Loans and Advances		6	4
		<u>73,893</u>	<u>57,550</u>
Less: Grants from Provincial Government - KP	21.1	(70,841)	(57,263)
		<u>3,052</u>	<u>287</u>

21.1 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	2012 Rupees in Million	2011 Rupees in Million
<b>22 SALARIES AND EMPLOYEE BENEFITS</b>			
Pay of Officers		4,165	2,532
Pay of Other Staff		11,854	7,451
Allowances		17,769	17,119
Retirement Benefits		15,299	10,527
		<u>49,087</u>	<u>37,629</u>
<b>23 OPERATING EXPENSES</b>			
<b>23.1 Controlled by Govt:</b>			
Research Surveys and Exploratory Operations		32	608
Communication		144	140
Utilities		1,322	885
Occupancy Costs		95	146
Motor Vehicles		15	6
Travel and Transportation		2,931	2,287
Scholarships, Bonuses and Other Awards		83	43
Entertainments and Gifts		90	81
Commodity Purchases (State Trading)		38	4,867
Repair & Maintenance		3,260	2,517
General Operating Expenses		43,465	18,964
		<u>51,475</u>	<u>30,544</u>
<b>23.2 Third Party Payments</b>			
General Operating Expenses		704	-
		<u>704</u>	<u>-</u>



	Note	2012 Rupees in Million	2011 Rupees in Million
<b>24 GRANTS, SUBSIDIES AND WRITE-OFF OF LOANS</b>			
Grants, Subsidies and Write-off of Loans		70,873	58,713
Less: Transfers to District Governments	21.2	(70,841)	(57,263)
		<u>32</u>	<u>1,450</u>
<b>25 PHYSICAL ASSETS</b>			
Feasibility Studies		847	-
Purchase of Building		3	566
Computer Equipment		28	17
Other Stores and Stocks		-	3
Purchase of Transport		482	1,289
Purchase of Plant & Machinery		288	158
Purchase of Furniture and Fixtures		44	78
Purchase of Other Assets		6	515
		<u>1,698</u>	<u>2,626</u>
<b>26 CIVIL WORKS</b>			
<b>26.1 Controlled by Govt:</b>			
Roads, Highways and Bridges		4,132	8,477
Irrigation Works		2,532	2,485
Embankments and Drainage Works		-	291
Building and Structure		23,928	22,533
Other Works		5,328	4,948
Draught Emergency Relief Assistance		5	42
		<u>35,925</u>	<u>38,776</u>
<b>26.2 Third Party Payments</b>			
Other Works		100	-
		<u>100</u>	<u>-</u>
<b>27 PRINCIPAL REPAYMENT OF DEBT</b>			
Foreign Debt		3,578	3,080
Domestic Debt	27.1	11,103	11,868
		<u>14,681</u>	<u>14,948</u>
<b>27.1 Domestic Debt</b>			
Permanent Debt		1,603	4,743
Floating Debt		9,500	7,125
		<u>11,103</u>	<u>11,868</u>
<b>28 SERVICING OF DEBT</b>			
Federal Government		6,304	6,022
Domestic Loans		695	550
		<u>6,999</u>	<u>6,572</u>

	Note	2012 Rupees in Million	2011 Rupees in Million
<b>29 LOANS AND ADVANCES</b>			
Financial Institutions		4,700	2,400
Government Employees	29.1	88	57
		<u>4,788</u>	<u>2,457</u>

**29.1 Government Employees**

House Building Advance		73	43
Motor Car Advance		15	14
		<u>88</u>	<u>57</u>

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	2012 Rupees in Million	2011 Rupees in Million
<b>30 PAYMENTS OF DISTRICT GOVERNMENTS</b>			
Revenue Expenditure	30.1	64,205	50,946
Capital Expenditure	30.2	8,754	4,691
		<u>72,959</u>	<u>55,637</u>

**30.1 Revenue Expenditure**

General Public Service		2,923	2,255
Defense Services		-	1
Public Order and Safety Affairs		35	26
Economic Affairs		4,738	3,999
Environment Protection		33	27
Housing and Community Amenities		3,111	2,399
Health Affairs and Services		7,238	5,537
Recreation, Culture and Religion		48	41
Education Affairs and Services		45,173	36,507
Social Protection		906	154
		<u>64,205</u>	<u>50,946</u>

**30.2 Capital Expenditure**

General Public Service		5,761	2,345
Public Order and Safety Affairs		141	1
Economic Affairs		151	882
Environment Protection		131	73
Housing and Community Amenities		2,523	1,327
Health		1	3
Recreation Culture and Religion		19	9
Education Affairs and Services		9	23
Social Protection		18	28
		<u>8,754</u>	<u>4,691</u>

	Note	2012 Rupees in Million	2011 Rupees in Million
<b>31 NET RECEIPT / (PAYMENT) OF PUBLIC ACCOUNT</b>			
<i>Receipts</i>			
Trust & other Public Accounts		319,660	184,999
Special Deposits		19,203	15,447
State Provident Fund		12,368	8,473
		<b>351,231</b>	<b>208,919</b>
<i>Payments</i>			
Trust & other Public Accounts		(317,497)	(196,139)
Special Deposits		(17,246)	(12,792)
State Provident Fund		(7,665)	(5,925)
		<b>(342,408)</b>	<b>(214,856)</b>
		<b>8,823</b>	<b>(5,937)</b>

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	2012 Rupees in Million	2011 Rupees in Million
<b>32 CASH AND BANK</b>			
Provincial Government Balance	32.1	21,889	20,495
District Government Balance		457	(178)
		<b>22,346</b>	<b>20,317</b>
<b>32.1 Provincial Government's Balance</b>			
Public Account Balance		59,276	50,154
Consolidated Fund Balance		(37,387)	(29,659)
		<b>21,889</b>	<b>20,495</b>
<b>33 ASSETS AND LIABILITIES</b>			
<i>Assets</i>			
Long Term Assets		281,960	235,481
Investments		27,037	19,950
Loans and Advances		5,867	1,160
Current Assets		6,584	2,243
Cash and Bank		22,346	20,317
	33.1	<b>343,794</b>	<b>279,151</b>
<i>Liabilities and equity</i>			
Public Debt	34	9,707	23,389
Special Deposits and Trust Accounts		39,519	31,187
Deferred Liabilities		28,809	24,019
Residual Equity		265,759	200,556
	33.1	<b>343,794</b>	<b>279,151</b>

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.

	Note	2012 Rupees in Million	2011 Rupees in Million
<b>34 PUBLIC DEBT</b>			
<b>Domestic Debt</b>			
<b>Government Securities</b>			
Opening Balance		(10,703)	1,159
Add: Debt Receipts	18	22	6
Less: Principal Repayments of Debt	27.1	(11,103)	(11,868)
Closing Balance		(21,784)	(10,703)
<b>Foreign Debt</b>			
Opening Balance		34,092	37,159
Add: Debt Receipts	17	977	13
Less: Principal Repayments of Debt	27	(3,578)	(3,080)
Closing Balance		31,491	34,092
		<u>9,707</u>	<u>23,389</u>

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 COMPARISON 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-KP 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	2012 Rupees in Million	2011 Rupees in Million
<b>Receipts</b>			
Actual Receipts in Statement of Comparison of Budget and Actual Amounts by Function		315,332	286,095
Less : Grants from Provincial Government - KP	21	(70,841)	(57,263)
Actual Receipts in Statement of Cash Receipts and Payments		<u>244,491</u>	<u>228,832</u>
<b>Payments</b>			
Actual payments in Statements of Comparison of Budget and Actual Amounts by Function and Actual Expenditure by Department		322,126	258,320
Less: Transfers to District Governments	24	(70,841)	(57,263)
Actual payments in Statement of Cash Receipts and Payments		<u>251,285</u>	<u>201,057</u>



### **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.



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**Accountant General Khyber Pakhtunkhwa**