



**FINANCIAL STATEMENTS  
OF THE  
GOVERNMENT OF KHYBER PAKHTUNKHWA  
2017 - 2018**





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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, 2018 together with the Auditors' Reports thereon.

The Financial Statements of the Government of Khyber Pakhtunkhwa for the financial year 2017-18 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 practices have been adopted since Financial Year 2009-10 but assets and liability accounting is not yet implemented and these Financial Statements have been prepared on cash basis of accounting which 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



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 DEC 2018



Controller General of Accounts





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

## **AUDITOR'S REPORT**

I have 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 June, 2018, 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 as on 30<sup>th</sup> June 2018 and 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 Article 167 & 170 (2) of the Constitution of the Islamic Republic of Pakistan read with Section 7 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. I conducted my audit in accordance with the International Standard for Supreme Audit Institutions (ISSAIs) and other guidance issued by my department. These standards require that I perform procedures including risk assessment to obtain reasonable assurance whether the financial statements are free of material misstatement. The audit process includes examining, on a test check basis, evidence supporting the amounts and disclosures in the financial statements presentation. I believe that my audit provides a reasonable basis for our opinion.

### **In my opinion:**

- a). These financial statements properly present, in all material respects, the financial position of the Government of the Khyber Pakhtunkhwa as at 30 June 2018 and the results of its operations, its cash flow and its expenditure and receipts, by appropriation for the year ended 30 June 2018 in accordance with the stated accounting policies of the Government of Khyber Pakhtunkhwa.



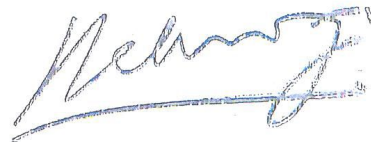
- b). The sums expended have been applied, in all material respects, for the purposes authorized by parliament and have in all material respects, been booked to the relevant grants and appropriations.

### 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: **29 DEC 2018**



(Javaid Jehangir)  
Auditor- General of Pakistan



**GOVERNMENT OF KHYBER PAKHTUNKHWA**  
**Statement of Cash Receipts and Payments**  
**For the Year Ended 30 June 2018**

PROVINCIAL CONSOLIDATED FUND	Note	2018		2017	
		Rupees in Million		Rupees in Million	
RECEIPTS		Receipt / Payment controlled by the Government	Receipt / Payment by Thlrd Parties	Receipt / Payment controlled by the Government	Receipt / Payment by Third Parties
<i>Taxation- Transfers from Federal Government</i>	8	341,217	-	292,940	-
<i>Taxation- Provincial Government's own collection</i>	9	17,020	-	15,516	-
<i>Non-Tax Revenue and Other Receipts</i>					
General Administration	10	4,536	-	4,011	-
Economic Services	11	1,208	-	1,197	-
Development Surcharge and Royalties	12	22,262	-	22,293	-
Interest on Loans and Advances	13	28	-	32	-
Dividend and Profit Share	14	44,771	-	24,520	-
Others	15	4,698	-	4,347	-
		77,503	-	56,400	-
<i>Grants and Aid</i>	16	14,952	10,855	17,907	7,960
<i>Borrowings</i>					
Foreign Debt	17	295	22,222	-	2,489
Domestic Debt	18	-	-	4,282	-
		295	22,222	4,282	2,489
<i>Capital Receipts</i>					
Investment Recovery	19	-	-	15,000	-
Recovery of Loans and Advances	20	77	-	267	-
		77	-	15,267	-
<i>Trading Activities</i>	21	11,062	-	12,260	-
<i>Receipts of District Governments</i>	22	1,015	-	455	-
<b>TOTAL RECEIPTS</b>		<b>463,141</b>	<b>33,077</b>	<b>415,027</b>	<b>10,449</b>



**GOVERNMENT OF KHYBER PAKHTUNKHWA**  
**Statement of Cash Receipts and Payments**  
**For the Year Ended 30 June 2018**

		2018		2017	
		Rupees		Rupees	
		in Million		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
PAYMENTS					
<i>Operations</i>					
Salaries and Employee Benefits	23	135,310	-	109,135	-
Operating Expenses	24	80,386	10,637	75,742	7,685
		215,696	10,637	184,877	7,685
<i>Transfers</i>					
Grants, Subsidies and Write-off of Loans	25	27,682	-	32,963	-
Other Transfer Payments	26	21,315	-	20,185	-
		48,997	-	53,148	-
<i>Expenditure on</i>					
Physical Assets	27	8,646	253	5,095	296
Civil Works	28	42,652	22,187	61,936	2,468
		51,298	22,440	67,031	2,764
<i>Debt and Interest Payments</i>					
Principal Repayment of Debt	29	6,719	-	9,516	-
Servicing of Debt	30	7,201	-	6,419	-
		13,920	-	15,935	-
<i>Other Payments</i>					
Loans and Advances	31	572	-	73	-
Investments	32	17,000	-	21,007	-
		17,572	-	21,080	-
<i>Payments of District Governments</i>	33	137,193	-	124,078	-
TOTAL PAYMENTS		484,676	33,077	466,149	10,449
NET PAYMENT OF PROVINCIAL CONSOLIDATED FUND		(21,535)	-	(51,122)	-
NET RECEIPT OF PUBLIC ACCOUNT	34	16,894	-	12,081	-
INCREASE / (DECREASE) IN CASH		(4,641)	-	(39,041)	-
CASH AT THE BEGINNING OF THE YEAR		34,456	-	73,497	-
INCREASE / (DECREASE) IN CASH		(4,641)	-	(39,041)	-
CASH AT THE END OF THE YEAR	35	29,815	-	34,456	-

The annexed notes 1 to 40 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 2018**

	Note	2018 Rupees in Million	2017 Rupees in Million
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Taxation- Transfers from Federal Government	8	341,217	292,940
Taxation- Provincial Government's own collection	9	17,020	15,516
Non-Tax Revenue and Other Receipts		77,503	56,400
Grants and Aid - Receipts	16	25,807	25,867
Trading Activities - Receipts	21	11,062	12,260
Operations- Payments		(226,333)	(192,562)
Servicing of Debt - Payments	30	(7,201)	(6,419)
Transfers - Payments		(48,997)	(53,148)
District Governments-Receipts	22	1,015	455
District Governments- Revenue Expenditure	33.1	(132,585)	(119,205)
<b>Cash from Operating Activities</b>		<b>58,508</b>	<b>32,104</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investment Recovery	19	-	15,000
Recovery of Loans and Advances	20	77	267
Expenditure on Physical Assets	27	(8,899)	(5,391)
Expenditure on Civil Works	28	(64,839)	(64,404)
Payments of Loans and Advances	31	(572)	(73)
Investments	32	(17,000)	(21,007)
Payment of District Government - Capital Expenditure	33.2	(4,608)	(4,873)
<b>Cash used in Investing Activities</b>		<b>(95,841)</b>	<b>(80,481)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Receipt of Foreign Debt	17	22,517	2,489
Receipt of Domestic Debt	18	-	4,282
Principal Repayment of Debt	29	(6,719)	(9,516)
Net Receipt of Public Account	34	16,894	12,081
<b>Cash from Financing Activities</b>		<b>32,692</b>	<b>9,336</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(4,641)</b>	<b>(39,041)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>34,456</b>	<b>73,497</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	35	<b>29,815</b>	<b>34,456</b>

The annexed notes 1 to 40 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 2018

RECEIPTS	2018 (Rupees in Million)			2017 (Rupees in Million)		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
Note						
<u>Revenue</u>						
Taxation	389,211	379,879	358,237	349,071	340,268	308,456
Non-Taxation	222,908	144,183	114,372	194,409	117,115	94,527
Total revenue receipts	612,119	524,062	472,609	543,480	457,383	402,983
<u>Capital</u>						
Domestic Debt	15,000	-	-	27,200	15,000	4,282
Foreign Debt	52,558	22,333	22,517	9,120	2,522	2,489
Recoveries of Loans and Advances	10,250	250	77	250	418	267
Recoveries of Investments	15,000	15,000	-	15,000	15,000	15,000
Total capital receipts	92,808	37,583	22,594	51,570	32,940	22,038
<u>Others</u>						
Financing from past savings	-	-	-	11,855	25,000	-
<u>Receipts of District Governments</u>	124,257	138,078	138,326	-	-	130,400
TOTAL RECEIPTS	829,184	699,723	633,529	606,905	515,323	555,421
PAYMENTS						
<u>Revenue</u>						
General Public Service	250,525	253,836	226,498	223,943	232,629	206,845
Defence Services	107	107	106	15	15	51
Public Order and Safety Affairs	50,064	51,461	48,181	41,993	46,086	42,355
Economic Affairs	28,746	29,698	28,484	25,309	25,628	18,609
Environment Protection	206	206	101	167	170	81
Housing and Community Amenities	8,123	8,531	6,026	5,991	5,991	1,681
Health Affairs and Services	34,731	38,187	34,499	24,591	29,962	26,931
Recreation, Culture and Religion	2,947	3,006	3,610	2,765	2,765	2,168
Education Affairs and Services	38,048	38,048	28,799	28,920	31,646	28,840
Social Protection	8,175	8,175	2,794	7,683	7,683	2,826
Total revenue payments	421,672	431,255	379,098	361,377	382,575	330,387
<u>Capital</u>						
General Public Service	60,944	61,988	28,900	68,743	68,803	41,034
Public Order and Safety Affairs	472	472	328	1,589	1,589	1,117
Economic Affairs	172,947	180,314	66,965	125,367	145,935	66,310
Environment Protection	5,126	5,126	4,341	4,130	5,651	5,667
Housing and Community Amenities	14,097	19,280	20,182	15,260	15,918	9,821
Health Affairs and Services	7,710	7,710	5,470	11,224	11,654	6,638
Recreation, Culture and Religion	1,316	1,316	522	1,476	1,476	625
Education Affairs and Services	18,647	18,647	10,749	14,962	19,319	19,218
Social Protection	1,996	1,996	1,316	2,777	2,777	1,648
Total capital payments	283,255	296,849	138,773	245,528	273,121	152,078
<u>Payments of District Governments</u>	124,257	138,078	137,193	114,365	128,087	124,078
TOTAL PAYMENTS	829,184	866,182	655,064	721,270	783,783	606,543

The annexed notes 1 to 40 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 2018

DEPARTMENTS	2018 Rupees in Million			2017 Rupees in Million		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
Note						
Agriculture, Livestock & Cooperation	9,291	9,291	4,780	9,804	9,806	4,606
Board of Revenue	1,787	1,787	1,024	1,796	1,797	1,254
Education	43,278	43,278	27,092	33,321	37,198	35,265
Environment, Forestry, Wild life	4,983	6,221	6,041	4,505	4,637	4,389
Excise and Taxation	1,074	1,074	679	619	655	585
Finance	282,615	286,299	231,422	269,672	277,536	228,941
Food	90,559	90,559	13,438	90,537	90,537	21,375
Health	51,008	54,464	48,791	42,411	51,365	42,753
Home and Tribal Affairs	43,167	43,167	41,661	36,033	39,518	36,561
Industries	10,015	10,037	5,654	6,923	6,953	6,026
Information	539	1,487	1,238	506	506	411
Irrigation and Power	11,646	13,005	12,828	10,652	15,339	14,729
Law	1,810	1,841	1,718	1,453	2,061	1,332
High Court	4,228	5,593	5,058	3,797	3,797	3,977
Local Governance	37,325	43,147	30,347	36,581	38,003	25,797
Population, Planning and Welfare Department	776	776	293	685	685	255
Planning and Development	2,681	2,686	2,468	4,121	4,121	1,894
Provincial Assembly	1,070	1,072	978	863	927	820
Administration and Establishment	5,862	5,862	4,124	4,700	4,700	2,921
Works and Services	37,285	42,464	39,734	28,356	45,936	41,540
Zakat and Ushr	1,430	1,430	688	1,399	1,399	687
Science and Information Technology	706	706	387	690	690	619
Sports, Culture, Archeology & Museum	3,661	3,661	3,016	3,555	3,600	2,609
Auqaf, Hajj, Religious and Minority Affairs	720	779	416	459	459	223
Inter Provincial Coordination	57	57	37	44	44	28
Relief Rehabilitation and Settlement	7,185	7,185	5,317	6,983	6,983	2,272
Housing Department	4,275	4,275	1,957	27	27	24
Energy and Power	68	75	41	49	53	37
Transport	45,826	45,826	26,644	6,364	6,364	535
	704,927	728,104	517,871	606,905	655,696	482,465
Payments of District Governments	124,257	138,078	137,193	114,365	128,087	124,078
TOTAL	829,184	866,182	655,064	721,270	783,783	606,543

The annexed notes 1 to 40 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 2018

#### 1 REPORTING ENTITY

Provincial Government - Khyber Pakhtunkhwa (the Government) conducts its operations under the Rules of Business 1985. 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.

The District Governments established under Khyber Pakhtunkhwa Local Government Act, 2013 which consists of District Council and District Administration. Auditor General of Pakistan has prescribed Local Government Accounts Manual for District Governments. This Manual requires preparation of annual Finance and Appropriation Accounts by each District Government. The 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 Karakoram      |
| 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 Lower |
| 25- District Government Tor Ghar         | 26- District Government Kohistan Upper |
- These Financial Statements include all Centralized Entities, Self Accounting Entities and District Governments.



## **2 BASIS OF CONSOLIDATION**

These Financial Statements have been prepared by consolidating the accounts of all Centralized and Self Accounting Entities and twenty five (26) 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 2017-18 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 2017-2018 from 1 July, 2017 to 30 June, 2018).

## **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	2018 Rupees in Million	2017 Rupees in Million
8 TAXATION - TRANSFER FROM FEDERAL GOVERNMENT			
Income tax		129,430	117,580
Capital Value Tax		428	171
		129,858	117,751
<i>Indirect Taxes</i>			
Sales tax		134,991	114,985
Custom duty		55,398	43,744
Federal excise		19,112	15,255
Federal excise on Natural Gas		1,858	1,205
		211,359	175,189
		<u>341,217</u>	<u>292,940</u>
9 TAXATION - PROVINCIAL GOVERNMENT'S OWN COLLECTION			
<i>Direct Taxes</i>			
Income tax - Agriculture		66	69
Property Tax		314	291
Land Revenue		1,351	1,221
Tax on Profession, Trade and Callings		307	244
Capital Value Tax on Immoveable Property		394	358
		2,432	2,183
<i>Indirect Taxes</i>			
Receipts Under Motor Vehicles Act		1,657	1,535
Sales Tax		10,917	10,274
Stamp Duties		1,236	956
Provincial Excise		25	24
Others Indirect Taxes		753	544
		14,588	13,333
		<u>17,020</u>	<u>15,516</u>
10 GENERAL ADMINISTRATION RECEIPTS			
Fiscal Administration		242	315
Community Services		621	670
Social Services		1,367	1,190
Economic Regulations		20	19
Law and Order		2,107	1,738
Organs of State		179	79
		<u>4,536</u>	<u>4,011</u>



	Note	2018 Rupees in Million	2017 Rupees in Million
<b>11 ECONOMIC SERVICES RECEIPTS</b>			
Cooperation, Irrigation, Embankment-Drainage		351	312
Food and Agriculture		174	164
Fisheries and Animal Husbandry		188	182
Forest		220	280
Others		275	259
		<u>1,208</u>	<u>1,197</u>

## 12 DEVELOPMENT SURCHARGE AND ROYALTIES

Development Surcharge on Gas	12.1	2,261	7,578
Royalty on Crude Oil	12.2	12,236	9,731
Royalty on Natural Gas	12.2	7,764	4,982
Discount on Local Crude Oil		1	2
		<u>22,262</u>	<u>22,293</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	2018 Rupees in Million	2017 Rupees in Million
<b>13 INTEREST ON LOANS AND ADVANCES</b>			
Interest on Loans and Advances to Govt. Servants		-	2
Interest - Others		28	30
		<u>28</u>	<u>32</u>

## 14 DIVIDEND AND PROFIT SHARE

Dividends Receipts	14.1	1,057	1,057
Profit share	14.2	43,714	23,463
		<u>44,771</u>	<u>24,520</u>

### 14.1 Dividends Receipts

Non-Financial Institution		1,057	1,057
		<u>1,057</u>	<u>1,057</u>



	Note	2018 Rupees in Million	2017 Rupees in Million
<b>14.2 Profit share</b>			
Electricity		31,554	21,715
Others		12,160	1,748
		<u>43,714</u>	<u>23,463</u>
<b>15 OTHER RECEIPTS</b>			
Unclaimed deposits		882	683
Rent, Rates and Taxes		22	19
Realizations under the Monopolies & Restrictive		73	-
Receipts under the Mines, Oil-fields and Mineral		1,626	2,085
Arms License Fees		500	516
Recoveries of Overpayments		86	48
Tourism Receipts		47	30
Sand and quarry fees		293	114
Recoveries made by NAB from defaulters		182	338
Sugarcane development cess		114	115
Sugarcane cess collection charges		5	7
Fees, Fines, Penalties		41	5
Local Government		4	(20)
Renewal of licenses of Private Security Co		5	5
Fee For Registration/Renewal of Newspapers/Presses		3	3
5% Collection Charges on Federal Taxes		1	1
Miscellaneous Receipts		814	398
		<u>4,698</u>	<u>4,347</u>
<b>16 GRANTS AND AID</b>			
Controlled by Govt:	16.1	14,952	17,907
Third Party Receipts	16.2	10,855	7,960
		<u>25,807</u>	<u>25,867</u>
<b>16.1 Controlled by Govt:</b>			
Development Grants		14,109	17,857
Non-Development Grants		48	50
Other Grants (Foreign)		795	-
		<u>14,952</u>	<u>17,907</u>
<b>16.2 Third Party Receipts</b>			
Development Grants		10,855	7,960
		<u>10,855</u>	<u>7,960</u>
<b>17 FOREIGN DEBT - RECEIPTS</b>			
Controlled by Govt:		295	-
Third Party Receipts		22,222	2,489
		<u>22,517</u>	<u>2,489</u>



	Note	2018 Rupees in Million	2017 Rupees in Million
17.1 Controlled by Govt:			
Federal Government		295	-
		<u>295</u>	<u>-</u>
Third Party Receipts			
Foreign Lenders- JICA		361	2,489
ADB Loan		21,861	-
		<u>22,222</u>	<u>2,489</u>
18 DOMESTIC DEBT - RECEIPTS			
Floating Debt		-	4,282
		<u>-</u>	<u>4,282</u>
19 RECOVERY OF INVESTMENTS			
Hydal Development Fund		-	15,000
		<u>-</u>	<u>15,000</u>
20 RECOVERY OF LOANS AND ADVANCES			
Financial Institution		-	204
Non-Financial Institution		11	-
Government Servants		66	63
		<u>77</u>	<u>267</u>
21 TRADING ACTIVITIES - RECEIPTS			
Sale of wheat		7,138	9,045
Subsidies on wheat		2,900	2,900
Subsidy on wheat (from Federal Govt)		300	300
Sale of Others		724	15
		<u>11,062</u>	<u>12,260</u>
22 RECEIPTS OF DISTRICT GOVERNMENT			
Direct taxes		98	68
Indirect taxes		-	5
General Administration receipts		24	17
Share from Provincial allocable amounts		730	173
Grants from Provincial Government		137,311	129,945
Miscellaneous receipts		161	188
Loans and Advances		<u>2</u>	<u>4</u>
		138,326	130,400
Less: Grants from Provincial Government - KP	22.1	137,311	129,945
		<u>1,015</u>	<u>455</u>



22.1 In these Consolidated Financial Statements, in order to avoid the duplicate effect of receipts and payments, grants received from Government of Khyber Pakhtunkhwa have been eliminated against transfers to District Governments.

	Note	2018 Rupees in Million	2017 Rupees in Million
<b>23 SALARIES AND EMPLOYEE BENEFITS</b>			
Pay of Officers		13,563	10,192
Pay of Other Staff		29,204	22,001
Allowances		36,075	32,406
Retirement Benefits		56,468	44,536
		<u>135,310</u>	<u>109,135</u>
<b>24 OPERATING EXPENSES</b>			
Controlled by Govt:	24.1	80,386	75,742
Thrd Party Payments	24.2	10,637	7,685
		<u>91,023</u>	<u>83,427</u>
<b>24.1 Controlled by Govt:</b>			
Research Surveys and Exploratory Operations		3	1
Fees		2	-
Communication		247	234
Utilities		3,687	1,765
Occupancy Costs		192	163
Operating Leases		1	-
Motor Vehicles		39	75
Travel and Transporation		2,824	3,454
Scholarships, Bonuses and Other Awards		85	82
Entertainments and Gifts		173	182
Commodity Purchases (State Trading)		9,806	17,502
Repair & Maintenance		5,615	3,562
General Operating Expenses		57,712	48,722
		<u>80,386</u>	<u>75,742</u>
<b>24.2 Third Party Payments</b>			
General Operating Expenses		10,637	7,685
		<u>10,637</u>	<u>7,685</u>
<b>25 GRANTS, SUBSIDIES AND WRITE-OFF OF LOANS</b>			
Grants, Subsidies and Write-off of Loans		164,993	162,908
Less: Transfers to District Governments	22.1	137,311	129,945
		<u>27,682</u>	<u>32,963</u>
<b>26</b>			
Other Transfer Payments		21,315	20,185
		<u>21,315</u>	<u>20,185</u>



	Note	2018 Rupees in Million	2017 Rupees in Million
<b>27 PHYSICAL ASSETS</b>			
Controlled by Govt:	27.1	8,646	5,095
Third Party Payments	27.2	<u>253</u>	<u>296</u>
		<u>8,899</u>	<u>5,391</u>
<b>27.1 Controlled by Govt:</b>			
Purchase of Building		259	363
Computer Equipment		590	92
Other Stores and Stocks		5	4
Purchase of Transport		795	567
Purchase of Plant & Machinery		3,840	2,162
Purchase of Furniture and Fixtures		264	136
Purchase of Other Assets		202	61
Feasibility Studies		<u>2,691</u>	<u>1,710</u>
		<u>8,646</u>	<u>5,095</u>
<b>27.2 Third Party Payments</b>			
Feasibility Studies		<u>253</u>	<u>296</u>
		<u>253</u>	<u>296</u>
<b>28 CIVIL WORKS</b>			
Controlled by Govt:	28.1	42,652	61,936
Third Party Payments	28.2	<u>22,187</u>	<u>2,468</u>
		<u>64,839</u>	<u>64,404</u>
<b>28.1 Controlled by Govt:</b>			
Roads, Highways and Bridges		15,270	30,259
Irrigation Works		3,457	5,489
Embankments and Drainage Works		2,611	3,235
Building and Structure		20,682	22,108
Other Works		<u>632</u>	<u>845</u>
		<u>42,652</u>	<u>61,936</u>
<b>28.2 Third Party Payments</b>			
Building and Structure		21,813	1
Other Works		<u>374</u>	<u>2,467</u>
		<u>22,187</u>	<u>2,468</u>
<b>29 PRINCIPAL REPAYMENT OF DEBT</b>			
Foreign Debt		6,719	5,167
Domestic Debt	29.1	<u>-</u>	<u>4,349</u>
		<u>6,719</u>	<u>9,516</u>



	Note	2018 Rupees in Million	2017 Rupees in Million
<b>29.1 Domestic Debt</b>			
Floating Debt		-	4,349
		<u>-</u>	<u>4,349</u>

### 30 SERVICING OF DEBT

Foreign Debt		1,033	-
Federal Government		6,168	714
Domestic Loans		-	5,705
		<u>7,201</u>	<u>6,419</u>

### 31 LOANS AND ADVANCES

Financial Institutions		500	-
Government Employees	31.1	<u>72</u>	<u>73</u>
		<u>572</u>	<u>73</u>

#### 31.1 Government Employees

House Building Advance		58	73
Motor Car Advance		<u>14</u>	<u>-</u>
	31.1.1	<u>72</u>	<u>73</u>

31.1.1 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	2018 Rupees in Million	2017 Rupees in Million
<b>32 INVESTMENTS</b>			
General Provident Investment Fund	32.1	1,000	1,000
Pension Fund	32.2	1,000	1,000
Hydal Development Fund	32.3	15,000	15,000
Others		-	4,007
		<u>17,000</u>	<u>21,007</u>

32.1 The General Provident Investment Fund was established under Khyber Pakhtunkhwa, General Provident Investment Fund Act, 1999. The fund is governed by a management board, headed by the Chief Secretary to Government of Khyber Pakhtunkhwa. The fund is increased quarterly through the net receipt of the General Provident Fund contributions. The board shall invest the fund in Government Securities, National Saving Schemes, Profit Bearing Deposits in banks or as the board may think beneficial.

32.2 The Pension Fund established under Khyber Pakhtunkhwa, Pension Fund Act, 1999 is governed by a management board headed by the Chief Secretary to the Government of Khyber Pakhtunkhwa. It is enhanced each year with reference to the Governments liability towards its pensioners.

32.3 The Government of Khyber Pakhtunkhwa established Hydel Development Fund during 1992 for the development of hydel electricity in the province. The fund was provided legal cover through Khyber Pakhtunkhwa, Hydel Development Fund Ordinance 2001. The Government makes annual contributions to the fund. The fund is governed by a management board headed by the Chief Minister, Khyber Pakhtunkhwa.

	Note	2018 Rupees in Million	2017 Rupees in Million
<b>33 PAYMENTS OF DISTRICT GOVERNMENTS</b>			
Revenue Expenditure	33.1	132,585	119,205
Capital Expenditure	33.2	4,608	4,873
		<u>137,193</u>	<u>124,078</u>
<b>33.1 Revenue Expenditure</b>			
General Public Service		4,054	3,656
Defense Services		-	14
Public Order and Safety Affairs		10	20
Economic Affairs		4,272	5,111
Housing and Community Amenities		1,411	4,174
Health Affairs and Services		17,648	14,309
Recreation, Culture and Religion		166	101
Education Affairs and Services		103,303	90,384
Social Protection		1,721	1,436
		<u>132,585</u>	<u>119,205</u>
<b>33.2 Capital Expenditure</b>			
General Public Service		687	915
Public Order and Safety Affairs		45	18
Economic Affairs		825	1,390
Environment Protection		102	23
Housing and Community Amenities		1,656	1,765
Health		178	161
Recreation Culture and Religion		235	74
Education Affairs and Services		697	414
Social Protection		183	113
		<u>4,608</u>	<u>4,873</u>
<b>34 NET RECEIPT / (PAYMENT) OF PUBLIC ACCOUNT</b>			
<i>Receipts</i>			
Trust & other Public Accounts		702,898	599,132
Special Deposits		64,542	52,685
State Provident Fund		26,414	17,913
		<u>793,854</u>	<u>669,730</u>
<i>Payments</i>			
Trust & other Public Accounts		(700,263)	(601,641)
Special Deposits		(58,236)	(45,051)
State Provident Fund		(18,461)	(10,957)
		<u>(776,960)</u>	<u>(657,649)</u>
	34.1	<u>16,894</u>	<u>12,081</u>

- 34.1** 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	2018 Rupees in Million	2017 Rupees in Million
<b>35 CASH AND BANK</b>			
Provincial Governments Balance	35.1	16,940	23,633
District Governments Balance		12,875	10,823
		<u>29,815</u>	<u>34,456</u>
<b>35.1 Provincial Government's Balance</b>			
Public Account Balance		134,604	118,629
Consolidated Fund Balance		(117,664)	(94,996)
		<u>16,940</u>	<u>23,633</u>

### 36 ASSETS AND LIABILITIES

#### Assets

Long Term Assets		620,212	541,867
Investments		75,560	58,560
Loans and Advances		17,596	17,096
Current Assets		9,360	10,349
Cash and Bank		29,815	34,456
	36.1	<u>752,543</u>	<u>662,328</u>

#### Liabilities and equity

Public Debt	37	14,910	(888)
Special Deposits and Trust Accounts		83,875	76,643
Deferred Liabilities		67,148	58,469
Residual Equity		586,610	528,104
	36.1	<u>752,543</u>	<u>662,328</u>

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

	Note	2018 Rupees in Million	2017 Rupees in Million
<b>37 PUBLIC DEBT</b>			
<b>Domestic Debt</b>			
Opening Balance		(13,822)	(13,755)
Add: Debt Receipts	18	-	4,282
Less: Principal Repayments of Debt	29.1	-	(4,349)
Closing Balance		(13,822)	(13,822)
<b>Foreign Debt</b>			
Opening Balance		12,934	15,612
Add: Debt Receipts	17	22,517	2,489
Less: Principal Repayments of Debt	29	(6,719)	(5,167)
Closing Balance		28,732	12,934
	37.1	<u>14,910</u>	<u>(888)</u>

- 37.1 The foreign debts are 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.

### 38 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 22.1 for which a reconciliation is presented below.

	Note	2018 Rupees in Million	2017 Rupees in Million
<i>Receipts</i>			
Actual Receipts in Statement of Comparison of Budget and Actual Amounts by Function		633,529	555,421
Less : Grants from Provincial Government - KP	22.1	137,311	129,945
Actual Receipts in Statement of Cash Receipts and Payments		496,218	425,476
<i>Payments</i>			
Actual payments in Statements of Comparison of Budget and Actual Amounts by Function and Actual Expenditure by Department		655,064	606,543
Less: Transfers to District Governments - KP	25	137,311	129,945
Actual payments in Statement of Cash Receipts and Payments		517,753	476,598

### 39 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

29 DEC 2018

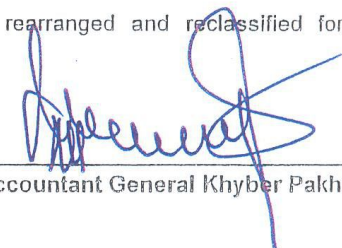
### 40 GENERAL

#### 40.1 Level of Precision

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

#### 40.2 Corresponding Figures

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

  
Accountant General Khyber Pakhtunkhwa



