



FINANCIAL STATEMENTS

of the

Government of Punjab

2015-2016





Financial Statements

of the

Government of Punjab

Financial Year 2015-16

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PREFACE

I am pleased to present the Financial Statements of the Government of Punjab for the year ended 30 June, 2016 together with the Auditor's Report thereon.

The Financial Statements of the Government of Punjab for the financial year 2015-16 have been prepared by the Accountant General Punjab under Section 5 of the Controller General of Accounts (Appointment, Functions and Powers) Ordinance, 2001 and are the responsibility of the Controller General of Accounts (CGA).

In response to the changing nature of stakeholder's 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, asset 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 the Provincial Assembly in the form of Budgetary Grants.

Finally, it is important to emphasize the value of sustained and dedicated efforts towards excellence in public sector financial accounting and reporting. Moving forward, management and staff of CGA are working closely to address the challenges and issues which can limit the quality, transparency and reliability of financial reports. Through excellent financial reporting we are committed to support the decision making critical to the nation's fiscal future.

Controller General of Accounts

Islamabad, Pakistan

Date:



Auditor General of Pakistan

Audit House, Constitution Avenue
Islamabad, Pakistan

Auditor's Report

I have audited the accompanying Financial Statements of the Government of Punjab, which comprise the statements of receipts and payments for the year ended 30th June 2016, statement of cash flows, statement of comparison of budget and actual amounts by function, statement of comparison of budget, actual expenditure by departments and statement of appropriation of grants by object for the year 30th June 2016 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and proper presentation of these financial statements in accordance with the applicable financial reporting framework.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit in accordance with the requirements of Article 169 & 170 (2) of the Constitution of the Islamic Republic of Pakistan read with Section 7 of the Auditor General's (Functions, Power and Conditions of Service) Ordinance 2001. I conducted my audit in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) and other guidelines issued by my department. These standards require that I perform procedures including risk assessment to obtain reasonable assurance whether the financial statements are free of material misstatement. The audit process includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. It also includes assessing the accounting policies used, as well as evaluating the overall financial statements presentation. I believe that my audit provides a reasonable basis for my opinion.

In my Opinion:

- a. These financial statements properly present, in all material respects, the financial position of the Government of the Punjab as at 30th June 2016 and the results of its operations, its cash flow and its expenditure and receipts, by appropriation for the year ended 30th June 2016 in accordance with the stated accounting policies of the Government of Punjab.
- 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.

Emphasis of matter

Expenditure of Rs. 16,345 million was incurred against the budget released by Finance Department in SAP R3 system during 2015-16. The same however, was not published in revised budget book. This caused excess expenditure against budget being shown in the accounts.

An expenditure of Rs. 11,080 million incurred through Assignment Accounts (ADB) was not recorded as consolidated fund expenditure due to non -budgeting of Donor Funded Assignment account releases. This caused under statement of consolidated fund by the above expenditure.

Cheques amounting to Rs. 32.378 million were issued to different banks and Drawing & Disbursing Officers unauthorizedly from the head "District Accounts Office Suspense". Further under head Sales Tax and Income Tax an amount of Rs. 14.871 million was paid to private vendors instead of Federal Treasury of Tax by Accountant General Punjab and District Accounts Offices. These matters are under investigation.

Under the object Pension Payments the National Bank, Main Branch Muzaffargarh overcharged an amount of Rs. 581.930 million from the Government of the Punjab through the Debit Scrolls booked to the District Account Office Muzaffargarh during July, 2013 to March, 2016, as compared to the actual pension payment disbursed to pensioners. The matter is under investigation in NAB. Further an amount of Rs. 221.496 million was paid during financial year 2015-16 by the National Bank Branches District Rawalpindi against the same PPO Numbers twice or thrice in the same month and amount of Rs. 10.548 million was paid by the bank without mentioning PPO Numbers on the pension payment vouchers. The matters are under investigation.

Under the object Contingent Payments, an amount of Rs. 55,416 was pointed out as double drawl through duplicate POL receipts by District Police Officer Bahawalpur during certification audit of District Account Officer Bahawalpur. Moreover, field audit team also raised the same observation during compliance with authority audit of District Police Officer Bahawalpur amounting to Rs. 1.583 million against six vouchers. The matter is under investigation.

An amount of Rs. 13.059 million was drawn unauthorizedly from the head "Forest Remittances" by the DFOs Bahawalpur, Jhang and Rawalpindi. The matter is under investigation.

Other Reports

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

Islamabad, Pakistan

Dated:

Auditor General of Pakistan

GOVERNMENT OF PUNJAB
Statement of Cash Receipts and Payments
For the Year Ended 30 June 2016

	Note	2016 Rupees in Million		2015 Rupees in Million	
		Receipts Controlled by Provincial Government	Payments by Third Parties	Receipts Controlled by Provincial Government	Payments by Third Parties
PROVINCIAL CONSOLIDATED FUND					
RECEIPTS					
<i>Taxation - Transfers from Federal Government</i>	8.	896,202	-	719,340	-
<i>Taxation - Provincial Government's Own Collection</i>	9.	142,249	-	97,751	-
<i>Non-Tax Revenue and Other Receipts</i>					
General Administration Receipts	10.	9,646	-	9,123	-
Economic Services Receipts	11.	19,268	-	22,653	-
Development Surcharge and Royalties	12.	5,252	-	7,139	-
Other Receipts	13.	4,010	-	1,012	-
Interest on Loans and Advances	14.	233	-	157	-
Dividend and Profit Share		-	-	-	-
		38,409	-	40,084	-
<i>Grants and Aid</i>	15.	31,325	-	44,484	-
<i>Borrowings</i>					
Foreign Debt		18,898	37,000	30,061	9,640
Domestic Debt	16.	127,500	-	104,912	-
		146,398	37,000	134,973	9,640
<i>Capital Receipts</i>					
Recovery of loans and advances	17.	671	-	492	-
Recovery of investment		27	-	6	-
		698	-	498	-
<i>Trading Activities and Recoveries</i>	18.	101,996	-	76,754	-
<i>Receipts of District Government</i>	19.	3,575	-	4,241	-
TOTAL RECEIPTS		1,360,853	37,000	1,118,125	9,640

	Note	2016 Rupees in Million		2015 Rupees in Million	
		Payments Controlled by Provincial Government	Payments by Third Parties	Payments Controlled by Provincial Government	Payments by Third Parties
PAYMENTS					
<i>Operations</i>					
Salaries and employee benefits	20.	297,007	-	253,654	-
Operating expenses		67,018		60,056	153
		364,025	-	313,710	153
<i>Transfers</i>					
Grants, Subsidies and Write-off of Loans	21.	205,937	24,598	180,700	-
Other transfer payments		29,753	-	22,149	-
		235,690	24,598	202,849	-
<i>Expenditures on</i>					
Physical assets		158,011		129,772	
Civil works		124,138	12,402	91,387	9,487
Repairs and Maintenance		19,890	-	12,847	-
		302,039	12,402	234,006	9,487
<i>Debt and Interest Payments</i>					
Principal Repayments of Debts	22.	104,033	-	60,192	-
Servicing of Debts	23.	29,496	-	36,622	-
		133,529	-	96,814	-
<i>Other Payments</i>					
Loans and advances - Non financial institutions		15,428	-	15,412	-
Investments		1,034	-	5,000	-
		16,462	-	20,412	-
<i>Payments of District Government</i>	24.	316,141	-	271,417	-
TOTAL PAYMENTS		1,367,886	37,000	1,139,208	9,640
NET RECEIPT/(PAYMENT) OF PROVINCIAL CONSOLIDATED		(7,033)		(21,083)	
NET PAYMENT OF PUBLIC ACCOUNT	25.	21,749		20,705	
INCREASE/(DECREASE) IN CASH		14,716		(378)	
CASH AT BEGINNING OF THE YEAR		54,412		54,790	
INCREASE/(DECREASE) IN CASH		14,716		(378)	
CASH AT END OF THE YEAR	26.	69,128		54,412	
<i>The annexed notes 1 to 30 form an integral part of these financial statements.</i>					
Accountant General (Punjab)					

GOVERNMENT OF PUNJAB**Statement of Cash Flows****For the Year Ended 30 June 2016**

	<i>Notes</i>	2016	2015
		Rupees in Million	Rupees in Million
CASH FLOWS FROM OPERATING ACTIVITIES			
Taxation - Transfers from Federal Government	8.	896,202	719,340
Taxation - Provincial Government's Own Collection	9.	142,249	97,751
Non-Tax Revenue & Other Receipts	10-14.	38,409	40,084
Grants and Aid - Receipts	15.	31,325	44,484
Trading Activities - Receipts	18.	101,996	76,754
Servicing of Debt - Payments	23.	(29,496)	(36,622)
Transfers - Payments		(235,690)	(202,849)
Operations - Payments		(364,025)	(313,710)
Receipts of District Governments	19	3,575	4,241
Payments of District Governments - Revenue Expenditure	24.1	(306,309)	(265,107)
<i>Cash from Operating Activities</i>		278,237	164,366
CASH FLOWS FROM INVESTING ACTIVITIES			
Recovery of Loans and Advances	17.	671	492
Recovery of Investment		27	6
Dividend and Profit Share		-	-
Investments		(1,034)	(5,000)
Expenditure on Physical Assets, Civil Works and Others		(302,039)	(234,006)
Payments of District Governments - Capital Expenditure	24.2.	(9,832)	(6,310)
Payments of Loans and Advances		(15,428)	(15,412)
<i>Cash used in Investing Activities</i>		(327,635)	(260,230)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of Foreign Debt		18,898	30,061
Receipt of Domestic Debt	16.	127,500	104,912
Principal Repayments of Debt	22.	(104,033)	(60,192)
Net Receipt/Payment of Public Account	25.	21,749	20,705
<i>Cash from Financing Activities</i>		64,114	95,486
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		14,716	(378)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		54,412	54,790
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		69,128	54,412

The annexed notes 1 to 30 form an integral part of these financial statements.

Accountant General (Punjab)

GOVERNMENT OF PUNJAB
Statement of Comparison of Budget and Actual Amounts by Function
For the Year Ended 30 June 2016

	Note	2015-2016 (Rupees in million)			2014-2015 (Rupees in million)		
		Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
		Original	Revised		Original	Revised	
RECEIPTS							
<i>Revenue</i>							
Taxation		1,049,079	1,041,877	1,038,451	804,196	746,029	817,091
Non-Taxation		95,479	93,894	69,735	228,878	215,749	84,568
Total revenue receipt		1,144,558	1,135,771	1,108,186	1,033,074	961,778	901,659
<i>Capital</i>							
Domestic Debt		114,082	130,206	127,500	120,169	120,267	104,912
Foreign Debt		48,876	78,696	18,898	59,552	53,395	30,061
Recoveries of Loans and Advances		950	589	671	2,498	562	492
Recoveries others		138,775	107,594	102,023	134,111	78,524	76,760
Total capital receipt		302,683	317,085	249,092	316,330	252,748	212,225
Receipt of District Government		309,815	318,945	303,488	291,231	299,770	293,173
TOTAL RECEIPTS	28	1,757,056	1,771,801	1,660,766	1,640,635	1,514,296	1,407,057
PAYMENTS							
<i>Revenue</i>							
General Public Service		436,135	505,700	477,945	438,875	437,245	451,667
Economic Affairs		299,420	341,290	288,329	115,954	78,529	87,835
Public Order and Safety Affairs		124,897	112,002	110,811	114,389	101,127	98,944
Education Affairs and Services		103,595	70,181	63,925	84,925	56,330	54,465
Health Affairs and Services		82,505	94,968	87,487	73,222	76,084	66,611
Housing and Community Amenities		61,263	66,119	55,981	77,635	100,684	88,904
Recreation, Culture and Religion		6,575	4,510	4,370	4,271	3,612	3,059
Social Protection		7,878	29,199	28,691	6,946	22,942	22,875
Environment Protection		228	203	194	330	172	185
Total revenue payment		1,122,496	1,224,172	1,117,733	916,547	876,725	874,545
<i>Capital</i>							
General Public Service		145,462	93,952	117,424	151,469	91,287	157,358
Economic Affairs		177,018	133,045	115,162	279,319	243,625	122,541
Housing and Community Amenities		500	237	226	500	408	367
Social Protection		1,767	1,451	1,113	1,569	2,481	1,912
Total capital payments		324,746	228,684	233,925	432,857	337,801	282,178
Payments of District Governments		323,200	355,842	316,141	293,658	318,656	271,417
TOTAL PAYMENTS	28	1,770,442	1,808,698	1,667,800	1,643,062	1,533,182	1,428,140

The annexed notes 1 to 30 form an integral part of these financial statements.

Accountant General (Punjab)

GOVERNMENT OF PUNJAB

**Statement of Comparison of Budget and Actual Expenditure by Department
For the Year Ended 30 June 2016**

		2015-2016 (Rupees in million)			2014-2015 (Rupees in million)		
Departments	Note	Budgeted Amounts		Actual	Budgeted Amounts		Actual
		Original	Revised	Amounts	Original	Revised	Amounts
Agric	Agriculture Department	18,999	23,555	22,875	14,866	7,586	7,367
Chief	Chief Minister Inspection Team	67	56	55	60	58	57
Chief	Chief Minister Secretariat	344	572	566	220	450	448
Board	Board of Revenue	13,655	8,939	9,203	13,040	7,803	8,290
Co-Op	Co-Operative	237	306	263	292	279	261
Comm	Communication and Works	141,557	108,827	106,663	90,237	69,009	64,182
Energy	Energy Development	31,447	11,942	9,203	31,333	11,381	20,833
Envir	Environment Protection	12,698	12,460	9,805	10,580	14,164	13,161
Excis	Excise and Taxation Department	938	1,356	1,214	268	515	515
Food	Food Department	276,611	248,500	239,212	277,543	217,218	188,189
Finan	Finance Department	435,513	486,818	486,773	439,079	437,530	463,698
Fores	Forest Department	3,241	3,178	3,053	3,219	2,796	2,877
Fores	Forestry, Wildlife & Fisheries	2,472	1,640	1,600	2,397	1,484	1,415
Gover	Governor's Secretariat	242	243	241	224	270	267
Health	Health	83,741	92,696	85,211	74,395	72,768	63,735
High	Higher Education	36,542	32,467	29,008	31,971	26,232	26,158
Home	Home Department	108,105	95,717	95,175	102,074	89,259	88,157
Housi	Housing and Physical Planning Department	41,014	45,112	39,408	59,929	67,990	60,933
Indus	Industries Department	16,942	11,272	11,175	15,149	11,062	10,448
Infor	Information Technology	-	-	-	-	165	165
Infor	Information, Culture & Youth Affairs	7,004	4,650	4,468	4,757	3,741	3,375
Irrig	Irrigation and Power	51,120	52,641	37,722	50,924	46,706	26,548
Labou	Labour	914	496	479	841	400	370
Law a	Law and Parliamentary Affairs	1,482	1,309	1,243	1,109	1,077	1,013
Liter	Literacy & Non Formal Basic Education	1,880	223	236	2,386	269	239
Live	Live Stock and Dairy Development	9,421	6,297	6,178	8,789	4,253	4,498
Local	Local Government And Rural Development	16,051	18,752	16,921	13,735	26,558	22,313
Manag	Management & Professional Development	188	125	122	185	103	101
Mines	Mines & Minerals Department	1,771	2,180	2,072	18,078	12,826	1,797
Plann	Planning & Development	13,973	4,642	4,484	11,810	8,005	6,196
Popul	Population Welfare	660	3,951	3,862	554	4,790	4,329
Provi	Provincial Assembly	1,334	1,052	1,026	1,070	880	847
Relie	Relief	1,492	22,101	22,081	387	18,967	18,550
Relig	Religious Affairs & Auqaf Department	340	145	140	323	114	95
S & G	S & G A. Department	18,682	19,594	18,708	13,685	13,900	12,994
Schoo	School Education	62,234	35,033	32,380	47,969	27,805	26,423
Socia	Social Welfare Department	1,911	776	718	829	669	622
Speci	Special Education	564	365	319	590	254	210
Trans	Transport	29,988	91,422	46,411	1,340	3,764	3,698
Wome	Women Development Department	624	271	220	1,942	217	180
Zakat	Zakat and Ushr Department	1,246	1,176	1,165	1,224	1,209	1,172
		1,447,242	1,452,856	1,351,659	1,349,404	1,214,526	1,156,723
	<i>Payments of District Governments</i>	323,200	355,842	316,141	293,658	318,656	271,417
	TOTAL PAYMENTS	28	1,770,442	1,808,698	1,643,062	1,533,182	1,428,140

The annexed notes 1 to 30 form an integral part of these financial statements.

Accountant General (Punjab)

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Year Ended 30 June 2016

1. REPORTING ENTITY

Provincial Government - Punjab (the government) conducts its operations under the Rules of Business 1974. These rules were made pursuant to Article 139 of the Constitution of the Islamic Republic of Pakistan, 1973 (the Constitution) and 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 accounts of the Province to the Auditor General of Pakistan which describes Provincial Government as an accounting and reporting entity comprising of;

- a) Centralized Accounting Entities; for which the Accountant General Punjab has the primary responsibility of accounting and reporting.
- b) Self Accounting Entities; for which the Principal Accounting Officer has the primary responsibility of accounting and reporting. The Self Accounting Entity is Forest Department.
- c) Exempt Entities; special purpose authorities/organizations and all the government owned corporations/ companies which are required to prepare their financial statements under their specific statute or Companies Ordinance, 1984 are classified as exempt entities. Financial statements of these entities are not consolidated in the financial statements of the Provincial Government. New investments by the Provincial Government in such entities are capitalized and any grants to the entities are classified as an expense of the Provincial Government, if any, in the financial year to which they pertain. Return from these entities in the form of dividends or interest is classified as non-tax-revenue.

Under Punjab Local Government Ordinance, 2001 District Governments were established. The District Government consists of Zila Nazim and District Administration. Auditor General of Pakistan under section 14 of the said Ordinance prescribed Local Government Accounts Manual for District Governments. This manual requires preparation of annual finance and appropriation accounts by each District Government. Besides Appropriation Accounts, from the financial year 2008-09 the district governments are also preparing finance accounts and financial Statements based on the format of Cash Based IPSAS. 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	Attock	19	M.B.Din
2	Bhakkar	20	Multan
3	Bhawalpur	21	Mianwalli
4	Bhawalnagar	22	Muzaffargarh
5	Chakwal	23	Nankana Sahib
6	D.G.Khan	24	Narowal
7	Faisalabad	25	Okara
8	Gujranwala	26	Pakpattan
9	Gujrat	27	Rawalpindi
10	Hafizabad	28	Rajanpur
11	Jhelum	29	Rahim Yar Khan
12	Jhang	30	Sheikhupura
13	Kasur	31	Sialkot
14	Khanewal	32	Sahiwal
15	Khushab	33	Sargodha
16	Lahore	34	T.T.Singh
17	Layyah	35	Vehari
18	Lodhran	36	Chiniot

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 thirty six (36) district governments. The assets, liabilities, receipts and expenditure are added together line by line using the same functional/object classification. Material inter government transactions such as transfers from provincial governments which comprises, receipts of district governments are eliminated in consolidation.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared with the New Accounting Model (NAM). In December 2000, Auditor General of Pakistan prescribed NAM with the approval of the President of Pakistan under Article 170 of the Constitution of Islamic Republic of Pakistan and the implementation of NAM is an ongoing process. Commitment, asset and liability accounting practices have not yet been implemented and memorandum register for assets and commitments 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 Government is moving towards full implementation of Cash Basis IPSAS - Financial Reporting under the Cash Basis of Accounting. The statement of cash receipts and payments, statement of comparison of budget and actual amounts by function, statement of comparison of budget and actual expenditure by department and notes forming parts thereof have been prepared on the format of Cash Basis IPSAS - Financial Reporting under the Cash Basis of Accounting. The statement of cash flows as required by IPSAS 2 - Cash Flow Statements has also been presented, as encouraged by Cash Basis IPSAS.

The Financial Statements for the financial year 2015-16 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 consolidated financial statements is the financial year 2015-16. (from 1 July, 2015 to 30 June 2016).

6. REPORTING CURRENCY

The reporting currency of these consolidated financial statements is Pak Rupees.

7. SIGNIFICANT ACCOUNTING POLICIES

7.1 Revenue recognition

Revenue is recognized on the date of receipt of money by the bank or 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

Expenditure is recognized on the date, payment advice is issued to the bank.

d) Direct payments by State Bank of Pakistan (SBP)

Expenditure is recognized on the date when State Bank of Pakistan advises repayment of loans and other direct payments to the relevant accounting office.

e) Imprest payments

Expenditure is recognized when the required claim vouchers are submitted and imprest account is reimbursed.

7.3 Foreign currency

Transactions in foreign currencies are recorded in the books at the rates of exchange prevailing on the date of transaction. Exchange differences arising on settlement of these transactions are recognized in the Statement of Receipts and Payments, but are not disclosed separately .

7.4 Employee benefits

The government has following plans for its employees:

a) General Provident Fund

An employee compulsory subscribe to the General Provident Fund from the date of appointment and monthly subscription is by way of deduction from monthly payroll at a uniform rate of subscription, as advised by the Government for a financial year as laid in the Provident Funds Act (XIX of 1925) and General Provident Fund Rules. The Government pays interest on provident fund balance and is recorded as expenditure in the financial year.

b) **Pension**

This is entitlement of government employees to a stream of payments after they retire from service. No liability for pension is recognized in the financial statements and pension payments made during the year are recorded as expenditure.

c) **Encashment of leave**

This represents liability arising from entitlements to 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 acquired by the Provincial Government are initially measured at cost being the fair value of consideration given plus transaction costs that are directly attributable to their acquisition.

Subsequent to initial recognition, investments are carried at historical cost. Any dividends received against investments are recognized when received in the provincial consolidated fund.

7.6 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash with State Bank of Pakistan.

7.7 Liability

Liabilities are future sacrifices of economic benefits that the government is presently obliged to make as a result of the past 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.

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Year Ended 30 June 2016

	<i>Note</i>	2016 Rupees in million	2015 Rupees in million
8. TAXATION - TRANSFERS FROM FEDERAL GOVERNMENT			
<i>Direct Taxes</i>			
Income Tax		338,969	279,911
Wealth Tax		(12)	(2)
Capital Value Tax		617	267
		339,574	280,176
<i>Indirect Taxes</i>			
Sales Tax		385,927	310,350
Custom Duty		118,107	86,027
Federal Excise		52,594	42,787
		556,628	439,164
		896,202	719,340
9. TAXATION - PROVINCIAL GOVERNMENT'S OWN COLLECTION			
<i>Direct Taxes</i>			
Income Tax - Agriculture		1,388	1,027
Property Tax		2,040	2,588
Land Revenue		12,008	10,934
Tax on profession, Trade and Callings		637	603
Others		11,057	5,409
		27,130	20,561
<i>Indirect Taxes</i>			
Receipts Under Motor Vehicles Act		11,800	10,098
Stamp Duties		27,172	21,845
Provincial Excise		2,655	1,816
Others		73,492	43,431
		115,119	77,190
		142,249	97,751
9.1 Receipts of Rs. 12.084 million was received on account of Sales of Stamps Paper by Sub Treasury officer Kharian District Gujrat The same was not deposited into Government Treasury. The matter is under investigation.			
10. GENERAL ADMINISTRATION RECEIPTS			
Organs of State		185	244
Fiscal Administration		201	165
Economic Regulations		147	126
Law and Order		3,907	3,833
Community Services		2,257	2,096
Social Services		2,949	2,659
		9,646	9,123

	<i>Note</i>	2016 Rupees in million	2015 Rupees in million
11. ECONOMIC SERVICES RECEIPTS			
Food and Agriculture		662	633
Fisheries and Animal Husbandry		1,372	1,259
Forest		915	1,013
Cooperation, Irrigation, Embankment-Drainage		1,374	1,384
Others		14,946	18,364
		19,268	22,653
12. DEVELOPMENT SURCHARGE AND ROYALTIES			
Development Surcharge on Gas	<i>12.1</i>	1,559	1,591
Royalty on Crude Oil	<i>12.2</i>	2,396	4,339
Royalty on Natural Gas	<i>12.2</i>	1,297	1,209
		5,252	7,139
<p>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.</p>			
<p>12.2 Royalty on crude oil and natural gas is received under Pakistan Petroleum Production Rules, 1949 at the rate of 12.5% on the well head value of production. Federal Government collects royalty on crude oil and natural gas which is transferred to the provinces on oil well head production basis after deduction of 2% collection charges.</p>			
	<i>Note</i>	2016 Rupees in million	2015 Rupees in million
13. OTHER RECEIPTS			
Sale of Other Government Assets		51	3
Sale of Land		3,925	560
Fees, Fines and Forfeitures		4	11
Sale and Rent of Urban property and Agriculture land		-	426
Others		30	12
		4,010	1,012
14. INTEREST ON LOANS AND ADVANCES			
Interest on Loans and Advances to Govt. Servants		-	1
Loans and Advances - Others		233	156
		233	157

			2016	2015
		<i>Note</i>	Rupees in million	Rupees in million
15. GRANTS AND AIDS				
Foreign through Federal Government			6,824	10,445
Federal Government		15.1	24,501	34,039
			31,325	44,484
15.1 Federal Government Grants				
Development			22,767	22,433
Non- Development			1,735	11,606
			24,501	34,039
16. DOMESTIC DEBT - RECEIPTS				
Permanent Debt		16.1	-	-
Floating Debt		16.2	127,500	104,912
			127,500	104,912
16.1	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.			
16.2	Floating debt represents the borrowings of temporary nature such as ways and means Advance or Cash Credit Accommodation from the State Bank of Pakistan. These are repayable in twelve months.			
			2016	2015
		<i>Note</i>	Rupees in million	Rupees in million
17. RECOVERY OF LOANS AND ADVANCES				
Non-Financial Institution			642	381
Government Servants			28	31
Others			1	80
			671	492

	<i>Note</i>	2016 Rupees in million	2015 Rupees in million
18. TRADING ACTIVITIES AND RECOVERIES			
Sale of wheat		101,996	76,754
		101,996	76,754
19. RECEIPTS OF DISTRICT GOVERNMENTS			
Direct Taxes		11	-
Indirect Taxes		83	43
Receipts from civil Administration and Other Functions		663	583
Miscellaneous Receipts		302,729	292,545
Recoveries of Loans and Advances		2	2
		303,488	293,173
Less: Grants from Provincial Government - Punjab		(299,913)	(288,932)
		3,575	4,241
20. SALARIES AND EMPLOYEE BENEFITS			
Pay of Officers		28,913	21,428
Pay of Other Staff		56,321	43,137
Allowances		95,644	98,861
Retirement Benefits		116,129	90,228
		297,007	253,654
20.1	Under the object Pension Payments the National Bank, Main Branch Muzaffargarh overcharged an amount of Rs. 581.930 million from the Government of the Punjab through the Debit Scrolls booked to the District Account Office during July,2013 to March,2016, compared to the actual pension payment disbursed to pensioners. The matter is under investigation in NAB. Further an amount of Rs.221.496 million was paid during financial year 2015-16 by the National Banks District Rawalpindi against the same PPO Numbers twice or thrice in the same month and amount of Rs.10.548 million was paid by the bank without mentioning PPO Numbers on the pension payment vouchers. The matters are under investigation.		
20.2	Under the object Contingent Payment an amount of Rs.55,416 was pointed out as double drawl through duplicate POL receipts by District Police Officer Bahawalpur during certification audit of District Account Officer Bahawalpur. Moreover, field audit team also raised the same observation during audit compliance with authority audit of District Police Officer Bahawalpur amounting to Rs.1.583 million against six vouchers. The matter is under investigation.		
20.3	Expenditure of Rs. 16,345 million was incurred against the budget released by Finance Department in SAP R3 system during 2015-16. The same however, was not published in revised budget book. This caused excess expenditure against budget being shown in the accounts.		
21. GRANTS, SUBSIDIES AND WRITE OFF OF LOANS			
Grants, Subsidies and write-off of Loans		505,850	469,632
Less: Transfers to District Governments	21.1	(299,913)	(288,932)
		205,937	180,700
21.1	Provincial Grants and subsidies amounting to Rs. 505,850 million (2015: Rs. 469,632 million) have been reduced by eliminating the transfers made to Districts /TMAs amounting to Rs. 299,913 million (2015: Rs.288,932 million) and similar amount has been eliminated from the receipt of District Governments. This treatment has been done to avoid the double effect of inter government transfer payments.		

	<i>Note</i>	2016 Rupees in million	2015 Rupees in million
22. PRINCIPAL REPAYMENTS OF DEBT			
Foreign Debt		24,021	16,830
Domestic Debt	22.1	80,012	43,362
		104,033	60,192
22.1 Domestic Debt			
Permanent Debt	16.1	4,780	4,264
Floating Debt	16.2	75,232	39,098
		80,012	43,362
23. SERVICING OF DEBT			
Domestic Debt		11,004	32,644
Foreign Debt		18,492	3,978
		29,496	36,622
24. PAYMENTS DISTRICT GOVERNMENTS			
Revenue Expenditure	24.1	306,309	265,107
Capital Expenditure	24.2	9,832	6,310
		316,141	271,417
24.1 Revenue Expenditure			
General Public Service		18,889	11,227
Public Order and Safety Affairs		619	489
Economic Affairs		51,410	42,507
Environment Protection		8,595	8,516
Housing and Community Amenities		3,562	1,929
Health Affairs and Services		39,695	33,540
Recreation, Culture and Religion		822	938
Education Affairs and Services		181,007	164,654
Social Protection		1,710	1,307
		306,309	265,107
24.2 Capital Expenditure			
General Public Service			33
Economic Affairs		8,719	5,297
Education Affairs and Services		1,113	980
		9,832	6,310
25. NET RECEIPT/ (PAYMENT) OF PUBLIC ACCOUNT			
Receipts			
Trust and Other Public Accounts		1,402,690	1,139,138
Special Deposits		182,885	135,343
State Provident Fund		17,874	17,772
		1,603,449	1,292,254

			2016	2015
		<i>Note</i>	Rupees in million	Rupees in million
Payments				
	Trust and Other Public Accounts		1,392,501	1,132,213
	Special Deposits		173,310	125,532
	State Provident Fund		15,890	13,804
			1,581,701	1,271,549
			21,749	20,705
25.1	The public account consist 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 Government, unless provided under an Act of Provincial Assembly or Rules made by the 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.			
25.2	Cheques amounting to Rs.32.378 million were issued to different banks and Drawing & Disbursing Officers unauthorizedly from the head "District Accounts Office Suspense". Further under head Sales Tax and Income Tax an amount of Rs.14.871 million was paid to private vendors instead of Federal Treasury of Tax by Accountant General Punjab and District Accounts Offices. These matters are under investigation.			
25.3	An amount of Rs.13.059 million was drawn against from the head "Forest Remittances" by the DFOs Bahawalpur, Jhang and Rawalpindi. The matter is under investigation.			
			2016	2015
		<i>Note</i>	Rupees in million	Rupees in million
26. CASH AND BANK				
	Provincial Government Balance		31,850	8,340
	District Government Balance		37,278	46,072
		26.1	69,128	54,412
26.1 Provincial and District Governments' Balance				
	Consolidated Fund Balance		(68,789)	(61,980)
	Public Account Balance		137,917	116,392
			69,128	54,412
27. ASSETS AND LIABILITIES				
<i>Assets</i>				
	Long Term Assets		1,102,289	924,333
	Loans and Advances		86,232	72,696
	Current Assets		69,196	67,460
	Cash & Bank and Treasuries		69,128	54,412
		27.1	1,326,845	1,118,901
<i>Liabilities and Equity</i>				
	Public Debt		418,872	376,508
	Special Deposits		65,427	55,851
	Trust Account		72,769	65,816
	Current Liabilities		62,961	58,196
	Residual Equity		706,816	562,530
		27.1	1,326,845	1,118,901
27.1	These financial statements have been prepared under cash basis of accounting, the information of assets and liabilities have been presented on the basis of limited records as explained in note 3 and these are not mandatory but encouraged disclosures as per international standards.			
27.2	Loans and Advances for the financial year 2014-15 include an amount of Rs. 200 million which were given as loan to Inland Water Transport Development Company vide Finance Department audit copy No. FD (L) 1-370/ 2014 dated 20-11-2014 however, vide Finance Department Letter No. FD (L) 1-370/ 2014 dated 11-09-2015 the loan has been converted into the equity			
27.3	An expenditure of Rs. 11,080 million incurred through Assignment Accounts (ADB) was not recorded as consolidated fund expenditure due to non-budgeting of Donor Funded Assignment account releases. This caused under statement of consolidated fund by the above expenditure.			

28. 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 the consolidated financial statements – as identified in note 1 above.

The statements of comparison of budgeted and actual amounts by function and by department are presented on gross basis. Grants received by district governments from provincial government have been eliminated against transfers to district governments in Statement of Cash Receipts and Payment as explained in note 2 and 23.1 for which a reconciliation is presented below.

	<i>Note</i>	2016 Rupees in million	2015 Rupees in million
Receipts			
Actual receipts in Statement of Comparison of Budget and Actual Amounts by Function		1,660,766	1,407,057
Less: Grants from Provincial Government	19.	(299,913)	(288,932)
Actual receipts in Statement of Cash Receipts and Payments		1,360,853	1,118,125
Payments			
Actual payments in Statement of Comparison of Budget and Actual Amounts by Function and Actual Expenditure by Department		1,667,800	1,428,140
Less: Transfers to District Government	21.	(299,913)	(288,932)
Actual payments in Statement of Cash Receipts and Payments		1,367,887	1,139,208

29. AUTHORIZATION FOR ISSUE

Under section 7 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, read with Article 171 of the Constitution of Islamic Republic of Pakistan, the Auditor-General submits the certified Financial Statements of the Government of Punjab together with the audit reports on these Financial Statements to the Governor of Punjab who shall cause them to be laid before the Provincial Assembly. These consolidated financial statements have been authorized for issue on _____.

30. GENERAL

30.1 Level of Precision

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

30.2 Corresponding Figures

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

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