



Financial Statements

of the
Government of Punjab
2017-2018





Financial Statements

of the

Government of Punjab

Financial Year 2017-18

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PREFACE

I am pleased to present the Financial Statements of the Government of Punjab for the year ended 30 June, 2018 together with the Auditor's Report thereon.

The Financial Statements of the Government of Punjab for the financial year 2017-18 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 2018, 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 2018 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 the Article 169 & 170 (2) of the Constitution of the Islamic Republic of Pakistan read with Section 7 of the Auditor-General's (Functions, Powers and Conditions of Service) Ordinance, 2001 and Section 108(1) of the Punjab Local Government Act 2013. I conducted my audit in accordance with the International Standards 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 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 2018 and the results of its operations, its cash flow and its expenditure and receipts, by appropriation for the year ended 30th June 2018 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

“Statement of Cash Receipts and Payment” shows that an expenditure of Rs. 13,294 million was incurred excess than or without budgetary allocations during 2017-18, violating the safeguards envisaged in Paras 13.2 (ii) & 15.1 & 15.2 of Punjab Budget Manual that total expenditure incurred for any purpose should not exceed the grant or grants provided for that purpose and expenditure should not be incurred on a scheme/service without provision of funds.

“Statement of Comparison of Budget and Actual Amounts by Function” shows that an expenditure of Rs. 10,797 million incurred through Assignment Accounts (ADB) was not recorded as consolidated fund expenditure. This caused under statement of consolidated fund by the above expenditure.

Closing Cash Balance of District Government amounting to Rs.(9,941) million was appearing under Financial Statements Note 28 “Provincial Government” despite the fact that District Governments closed their functions on 31.12.2016. This balance showed non reconciliation of Cash Closing of District Governments Accounts (Account-IV) and also non reconciliation between NBP & SBP with reference to book balances.

Expenditure amounting to Rs.575.923 million under head sowing & planting for development schemes was incurred without tendering in violation of PPRA rules by Punjab forest Department. Non adherence of PPRA rules is tantamount to mismanagement of public finances.

Under the object Contingent Payments, an amount of Rs. 17.952 million was paid by the District Accounts Officer, Multan to Children Hospital Complex, Multan during 2015-18 against fake claims under head “Purchase of Drugs and Medicines”. Similarly, Rs. 267.179 million was paid by the Accountant General Punjab to Director Agriculture (Economics and Marketing) during 2015-18 against various fake claims. The matters are under investigation.

Under the object Pay & Allowances, an amount of Rs. 4.471 million was shown to be paid by the District Accounts Office, Multan to the fake employees of Punjab Constabulary, Multan. This matter is under investigation.

Under the head General Provident Fund Payments, an amount of Rs.2.463 million was paid by the District Accounts Officer Multan against GPF advances to non existing employees of Punjab Constabulary, Multan. The matter is under investigation.

Cheques amounting to Rs.110.812 million were issued by the District Accounts Offices, Hafizabad, Okara, Rawalpindi & Sargodha in favor of different banks on account of contingent objects instead of DDOs/vendors. The matter is under investigation.

Other Reports

Audit 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:

(Javaid Jehangir)
Auditor General of Pakistan

GOVERNMENT OF PUNJAB
Statement of Cash Receipts and Payments
For the Year Ended 30 June 2018

	Note	2018 Rupees in Million		2017 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.	1,072,596	-	922,059	-
<i>Taxation - Provincial Government's Own Collectio</i>	9.	196,263	-	154,837	-
<i>Non-Tax Revenue and Other Receipts</i>					
General Administration Receipts	10.	14,428	-	18,692	-
Economic Services Receipts	11.	31,975	-	23,522	-
Development Surcharge and Royalties	12.	6,164	-	6,782	-
Other Receipts	13.	2,894	-	968	-
Interest on Loans and Advances	14.	299	-	283	-
Dividend and Profit Share		17,568	-	37,366	-
		73,328	-	87,613	-
<i>Grants and Aid</i>	15.	44,329	-	108,940	-
<i>Borrowings</i>					
Foreign Debt	16.	26,949	46,735	21,014	37,495
Domestic Debt		117,500	-	128,000	-
		144,449	46,735	149,014	37,495
<i>Capital Receipts</i>					
Recovery of loans and advances	17.	829	-	996	-
Recovery of investment		-	-	2	-
		829	-	998	-
<i>Trading Activities and Recoveries</i>	18.	70,756	-	128,790	-
<i>Receipts of District Government</i>	19.	-	-	3,471	-
<i>Receipts of District Authorities</i>	20.	1,337	-	6,827	-
TOTAL RECEIPTS		1,603,887	46,735	1,562,549	37,495

GOVERNMENT OF PUNJAB
Statement of Cash Receipts and Payments
For the Year Ended 30 June 2018

	Note	2018 Rupees in Million		2017 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	21.	428,338	-	357,579	-
Operating expenses		100,669	-	81,180	69
		529,007	-	438,759	69
<i>Transfers</i>					
Grants, Subsidies and Write-off of Loans	22.	332,586	44,157	309,653	28,983
Other transfer payments		44,698	-	46,015	45
		377,284	44,157	355,668	29,028
<i>Expenditures on</i>					
Physical assets		147,732	-	168,678	-
Civil works		178,307	2,578	164,399	8,398
Repairs and Maintenance		22,216	-	20,563	-
		348,255	2,578	353,640	8,398
<i>Debt and Interest Payments</i>					
Principal Repayments of Debts	23.	56,012	-	128,488	-
Servicing of Debts	24.	39,142	-	34,165	-
		95,154	-	162,653	-
<i>Other Payments</i>					
Loans and advances - Non financial institutions		13,011	-	27,268	-
Investments		15	-	6,535	-
		13,026	-	33,803	-
<i>Payments of District Government</i>	25.	-	-	180,121	-
<i>Payments of District Authorities</i>	26.	290,362	-	84,055	-
TOTAL PAYMENTS		1,653,088	46,735	1,608,699	37,495
NET PAYMENT OF PROVINCIAL		(49,201)	-	(46,150)	-
NET PAYMENT OF PUBLIC ACCOUNT	27.	(18,534)	-	34,876	-
INCREASE/(DECREASE) IN CASH		(67,735)	-	(11,274)	-
CASH AT BEGINNING OF THE YEAR		57,854	-	69,128	-
INCREASE/(DECREASE) IN CASH		(67,735)	-	(11,274)	-
CASH AT END OF THE YEAR	28.	(9,881)	-	57,854	-

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

Accountant General (Punjab)

GOVERNMENT OF PUNJAB
Statement of Cash Flows
For the Year Ended 30 June 2018

	<i>Notes</i>	2018 Rupees in Million	2017 Rupees in Million
CASH FLOWS FROM OPERATING ACTIVITIES			
Taxation - Transfers from Federal Government	8.	1,072,596	922,059
Taxation - Provincial Government's Own Collection	9.	196,263	154,837
Non-Tax Revenue & Other Receipts	10-14.	55,760	50,247
Grants and Aid - Receipts	15.	44,329	108,940
Trading Activities - Receipts	18.	70,756	128,790
Servicing of Debt - Payments	24.	(39,142)	(34,165)
Transfers - Payments		(377,284)	(355,668)
Operations - Payments		(529,007)	(438,759)
Receipts of District Governments	19	-	3,471
Receipts of District Authorities		1,337	6,827
Payments of District Governments - Revenue Expenditure	25.1	-	(177,233)
Payments of District Authorities		(290,362)	(84,055)
<i>Cash from Operating Activities</i>		205,246	285,291
CASH FLOWS FROM INVESTING ACTIVITIES			
Recovery of Loans and Advances	17.	829	996
Recovery of Investment		-	2
Dividend and Profit Share		17,568	37,366
Investments		(15)	(6,535)
Expenditure on Physical Assets, Civil Works and Others		(348,255)	(353,640)
Payments of District Governments - Capital Expenditure	25.2.	-	(2,888)
Payments of Loans and Advances		(13,011)	(27,268)
<i>Cash used in Investing Activities</i>		(342,884)	(351,967)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of Foreign Debt	16.1	26,949	21,014
Receipt of Domestic Debt	16.2	117,500	128,000
Principal Repayments of Debt	23.	(56,012)	(128,488)
Net Receipt/Payment of Public Account	27.	(18,534)	34,876
<i>Cash from Financing Activities</i>		69,903	55,402
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(67,735)	(11,274)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		57,854	69,128
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		(9,881)	57,854

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 2018

Note	2017-2018 (Rupees in million)			2016-2017 (Rupees in million)		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
RECEIPTS						
<i>Revenue</i>						
Taxation	1,385,171	1,339,450	1,268,859	1,224,347	1,188,286	1,076,896
Non-Taxation	117,321	186,032	117,658	95,619	217,180	196,553
Total revenue receipt	1,502,492	1,525,482	1,386,517	1,319,966	1,405,466	1,273,449
<i>Capital</i>						
Domestic Debt	155,204	179,193	117,500	113,816	130,306	128,000
Foreign Debt	132,705	100,707	73,684	131,020	69,688	21,014
Recoveries of Loans and Advances	50,545	819	829	1,084	16,613	996
Recoveries others	129,754	92,139	70,756	115,530	132,982	128,792
Total capital receipt	468,208	372,858	262,769	361,450	349,589	278,802
<i>Receipt of District Government</i>	-	-	-	-	-	138,762
<i>Receipt of District Authorities</i>	-	-	256,883	-	-	119,590
TOTAL RECEIPTS	1,970,700	1,898,340	1,906,169	1,681,416	1,755,055	1,810,603
PAYMENTS						
<i>Revenue</i>						
General Public Service	691,726	656,451	618,588	503,218	606,481	579,311
Economic Affairs	259,633	213,212	158,244	424,198	346,782	129,771
Public Order and Safety Affairs	148,955	153,332	150,091	145,471	140,649	123,500
Education Affairs and Services	105,772	104,984	93,030	127,579	94,111	86,731
Health Affairs and Services	153,176	184,826	151,527	101,834	148,580	127,665
Housing and Community Amenities	95,755	102,242	91,593	81,187	77,875	69,235
Recreation, Culture and Religion	11,549	8,864	7,219	6,231	4,272	3,209
Social Protection	8,046	10,108	7,671	9,852	12,945	10,940
Environment Protection	942	532	418	378	435	331
Total revenue payment	1,475,554	1,434,551	1,278,381	1,399,948	1,432,130	1,130,693
<i>Capital</i>						
General Public Service	150,319	110,357	67,988	134,324	162,498	289,054
Economic Affairs	344,222	355,066	318,471	147,145	160,427	172,444
Housing and Community Amenities	451	15	13	-	-	160
Social Protection	154	678	156	-	-	226
Total capital payments	495,146	466,116	386,627	281,469	322,925	461,884
<i>Payments of District Governments</i>	-	-	-	304,309	321,131	180,121
<i>Payments of District Authorities</i>	-	-	290,361	148,007	148,151	84,055
TOTAL PAYMENTS	1,970,700	1,900,667	1,955,369	2,133,733	2,224,337	1,856,753

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 2018

Departments	2017-2018 (Rupees in million)			2016-2017 (Rupees in million)		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
Agriculture Department	34,706	33,082	27,383	28,055	22,030	20,157
Chief Minister Inspection Team	67	81	81	68	82	83
Chief Minister Secretariat	492	799	802	424	721	716
Board of Revenue	12,452	61,570	59,311	11,896	50,505	43,931
Co-Operatives	1,183	1,308	1,321	376	1,068	787
Communication and Works	156,380	164,732	148,754	128,549	156,785	142,682
Energy Development	8,772	10,148	5,530	10,996	4,885	5,613
Environment Protection	994	578	463	431	492	382
Excise and Taxation Department	2,331	2,067	1,635	1,049	1,170	903
Food Department	293,325	249,212	181,133	295,394	299,844	290,777
Finance Department	613,704	603,911	567,435	473,594	543,360	527,688
Forest Department	5,359	5,288	5,157	4,942	4,685	4,595
Forestry, Wildlife & Fisheries	14,305	1,996	1,804	3,166	1,764	1,664
Governor's Secretariat	327	338	336	265	299	298
Health	151,089	182,287	149,853	103,620	146,628	127,811
Higher Education	38,225	38,214	34,226	41,944	41,133	39,549
Home Department	119,871	125,172	123,204	125,847	120,610	104,640
Housing and Physical Planning Department	87,365	76,692	69,032	75,792	64,626	60,803
Industries Department	23,556	13,125	10,485	18,521	14,728	14,448
Information Technology	-	-	-	-	-	-
Information, Culture & Youth Affairs	11,279	8,551	6,949	6,663	3,789	2,905
Irrigation and Power	59,175	66,504	59,136	57,684	52,507	35,008
Labour	1,267	994	952	983	916	806
Law and Parliamentary Affairs	1,773	1,636	1,545	1,540	1,478	1,431
Literacy & Non Formal Basic Education	1,723	408	406	1,944	451	454
Live Stock and Dairy Development	18,523	18,662	17,905	13,161	14,554	13,388
Local Government And Rural Development	9,170	38,215	33,205	13,060	28,468	23,790
Management & Professional Development	189	161	156	187	134	132
Mines & Minerals Department	1,701	1,202	1,146	2,292	2,159	2,135
Planning & Development	90,741	14,960	12,379	50,997	16,377	12,927
Population Welfare	5,653	5,609	5,236	1,419	5,287	4,655
Provincial Assembly	1,415	1,237	1,186	1,321	1,169	1,152
Relief	1,609	1,295	608	1,558	1,684	1,082
Religious Affairs & Auqaf Department	443	229	56	342	155	124
Service & General Administration Department	36,683	35,261	33,356	23,951	29,818	28,330
School Education	61,412	64,767	56,379	79,219	59,548	52,309
Social Welfare Department	2,639	2,366	2,042	2,036	2,152	1,952
Special Education	779	322	276	865	378	358
Transport	98,955	65,173	42,612	94,239	53,843	17,379
Women Development Department	815	445	390	772	550	523
Zakat and Ushr Department	253	2,070	1,143	2,255	4,223	4,210
	1,970,700	1,900,667	1,665,008	1,681,417	1,755,055	1,592,577
Payments of District Governments			-	304,309	321,131	180,121
Payments of District Authorities			290,361	148,007	148,151	84,055
TOTAL PAYMENTS	1,970,700	1,900,667	1,955,369	2,133,733	2,224,337	1,856,753

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 2018

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 envisage Provincial Government as comprising of departments and their attached departments. Financial procedures of the Constitution describe 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 required preparation of Annual Finance and Appropriation Accounts by each District Government. Besides Appropriation Accounts, from the financial year 2008-09 the District Governments were also preparing Finance Accounts and Financial Statements based on the format of Cash Based IPSAS. The Punjab Local Government Act 2013 (XVIII of 2013) was promulgated in 2013, which repealed Punjab Local Government Ordinance, 2001 in December 2016 through enactment vide Finance Department, Punjab notification no. Sd (TT) 6-1/2013 dated December 29, 2016 after Local bodies election. The Act prescribes Local Governments as Metropolitan Corporation, Municipal Corporation, a Municipal Committee, a Union Council and a District Council or an Authority.

Local Government Accounts Manual also required consolidation of Accounts of the District Governments in the Financial Statements of the Province. In these Financial Statements, Accounts of the following District Governments and District Education and Health Authorities have been consolidated.

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Year Ended 30 June 2018

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

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 and seventy two (72) District Education and Health Authorities. 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 comprise receipts of District Governments and District Authorities are eliminated in consolidation.

3. STATEMENT OF COMPLIANCE

These Financial Statements have been prepared in accordance 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.

GOVERNMENT OF PUNJAB

Notes to the Financial Statements

For the Year Ended 30 June 2018

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 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 consolidated Financial Statements is the financial year 2017-18. (from 1 July, 2017 to 30 June 2018).

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:

GOVERNMENT OF PUNJAB

Notes to the Financial Statements

For the Year Ended 30 June 2018

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 compulsorily subscribes 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.

GOVERNMENT OF PUNJAB

Notes to the Financial Statements

For the Year Ended 30 June 2018

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 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 comprises cash inflows from banks, similar lending agencies, commercial institutions and amounts owed 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 2018

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 includes loan and advances due from autonomous bodies, financial and non-financial institutions, to government servants for house building and purchase of conveyances and other loans. Loans to government servants are interest bearing and interest are 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 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, if any, are disclosed in the payments by third parties column on the face of statement of cash receipts and payments and notes to the financial statements.

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Year Ended 30 June 2018

<i>Note</i>	2018 Rupees in million	2017 Rupees in million
8. TAXATION - TRANSFERS FROM FEDERAL GOVERNMENT		
<i>Direct Taxes</i>		
Income Tax	408,917	371,479
Wealth Tax	-	-
Capital Value Tax	1,353	540
	410,270	372,019
<i>Indirect Taxes</i>		
Sales Tax	426,485	363,281
Custom Duty	175,023	138,203
Federal Excise	60,818	48,556
	662,326	550,040
	1,072,596	922,059
9. TAXATION - PROVINCIAL GOVERNMENT'S OWN COLLECTION		
<i>Direct Taxes</i>		
Income Tax - Agriculture	913	876
Property Tax	2,291	4,661
Land Revenue	12,097	11,862
Tax on profession, Trade and Callings	729	663
Others	464	10,460
	16,494	28,522
<i>Indirect Taxes</i>		
Receipts Under Motor Vehicles Act	14,529	12,922
Stamp Duties	51,691	28,782
Provincial Excise	3,473	2,706
Others	110,076	81,905
	179,769	126,315
	196,263	154,837
10. GENERAL ADMINISTRATION RECEIPTS		
Organs of State	254	177
Fiscal Administration	412	368
Economic Regulations	163	151
Law and Order	5,400	3,931
Community Services	4,390	10,733
Social Services	3,809	3,332
	14,428	18,692

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Year Ended 30 June 2018

<i>Note</i>	2018 Rupees in million	2017 Rupees in million
11. ECONOMIC SERVICES RECEIPTS		
Food and Agriculture	1,238	926
Fisheries and Animal Husbandry	1,821	1,535
Forest	858	838
Cooperation, Irrigation, Embankment-Drainage	1,501	1,411
Others	26,557	18,812
	<u>31,975</u>	<u>23,522</u>
12. DEVELOPMENT SURCHARGE AND ROYALTIES		
Development Surcharge on Gas	12.1 1,240	3,607
Royalty on Crude Oil	12.2 3,387	2,047
Royalty on Natural Gas	12.2 1,537	1,128
	<u>6,164</u>	<u>6,782</u>

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

<i>Note</i>	2018 Rupees in million	2017 Rupees in million
13. OTHER RECEIPTS		
Sale of Other Government Assets	4	10
Sale of Land	317	308
Fees, Fines and Forfeitures	1	8
Sale and Rent of Urban property and Agriculture land	2,018	619
Others	554	23
	<u>2,894</u>	<u>968</u>
14. INTEREST ON LOANS AND ADVANCES		
Interest on Loans and Advances to Govt. Servants	-	1
Loans and Advances - Others	299	282
	<u>299</u>	<u>283</u>

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Year Ended 30 June 2018

		2018 Rupees in million	2017 Rupees in million
	<i>Note</i>		
15. GRANTS AND AIDS			
Foreign Grants through Federal Government		11,607	8,689
Federal Government Grants	15.1	32,722	100,234
Grants from District Governments		-	17
		<u>44,329</u>	<u>108,940</u>
15.1 Federal Government Grants			
Development		32,255	48,643
Non- Development		467	51,591
		<u>32,722</u>	<u>100,234</u>
16 BORROWINGS			
16.1 FORIGEN DEBT - RECEIPTS			
Loan (Cash)			
Asian Development Bank		5,067	2,930
Exim Bank.China		-	-
International Bank for Reconstruction and Development		16,314	8,401
International Development Association - World Bank		5,476	8,767
International Fund for Agricultural Development		92	916
JBIC Japan Bank for International Cooperation		-	-
		<u>26,949</u>	<u>21,014</u>
Loan (Direct Payment)			
Asian Development Bank		6,547	8,967
Exim Bank.China		38,605	28,160
International Bank for Reconstruction and Development		-	323
International Development Association - World Bank		1,574	45
International Fund for Agricultural Development		-	-
JBIC Japan Bank for International Cooperation		9	-
		<u>46,735</u>	<u>37,495</u>
		<u>73,684</u>	<u>58,509</u>
16.2 DOMESTIC DEBT - RECEIPTS			
Permanent Debt	16.1	-	-
Floating Debt	16.2	117,500	128,000
		<u>117,500</u>	<u>128,000</u>

16.1 This represents borrowings from Federal Government. Repayment period and interest rate for these borrowings are 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.

		2018 Rupees in million	2017 Rupees in million
	<i>Note</i>		
17. RECOVERY OF LOANS AND ADVANCES			
Non-Financial Institution		808	829
Government Servants		21	28
Others		-	139
		<u>829</u>	<u>996</u>

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Year Ended 30 June 2018

<i>Note</i>	2018 Rupees in million	2017 Rupees in million
18. TRADING ACTIVITIES AND RECOVERIES		
Sale of wheat	70,756	128,790
	<u>70,756</u>	<u>128,790</u>
19. RECEIPTS OF DISTRICT GOVERNMENTS		
Direct Taxes	-	4
Indirect Taxes	-	19
Receipts from civil Administration and Other Functions	-	390
Miscellaneous Receipts	-	138,349
Recoveries of Loans and Advances	-	-
	-	138,762
Less: Grants from Provincial Government - Punjab	-	(135,291)
	<u>-</u>	<u>3,471</u>
20. RECEIPTS OF DISTRICT AUTHORITIES		
20.1 Education Authorities		
Direct Taxes	9	11
Indirect Taxes	14	13
Receipts from civil Administration and Other Functions	1,659	225
Miscellaneous Receipts	201,705	99,488
Recoveries of Loans and Advances	-	1
	203,387	99,738
Less: Grants from Provincial Government - Punjab	(202,159)	(93,974)
	<u>1,228</u>	<u>5,764</u>
20.2 Health Authorities		
Direct Taxes	1	1
Indirect Taxes	8	5
Receipts from civil Administration and Other Functions	246	34
Miscellaneous Receipts	53,250	19,812
Recoveries of Loans and Advances	(9)	-
	53,496	19,852
Less: Grants from Provincial Government - Punjab	(53,387)	(18,789)
	<u>109</u>	<u>1,063</u>
	<u>1,337</u>	<u>6,827</u>
21. SALARIES AND EMPLOYEE BENEFITS		
Pay of Officers	49,291	39,257
Pay of Other Staff	93,829	74,302
Allowances	106,723	99,143
Retirement Benefits	178,495	144,877
	<u>428,338</u>	<u>357,579</u>

21.1 Statement of Cash Receipts and Payment” shows that an expenditure of Rs. 13,294 million was incurred excess than or without budgetary allocations during 2017-18. Out of this, Rs.6,899 million pertained to the payment of contingency, for which budget was available on SAP system but the same was not published in the revised Budget Book. Remaining Rs.6,395 million comprised mandatory payments of pay & allowances and pension.

21.2 Under the object Pay & Allowances, an amount of Rs. 4,471 million was shown to be paid by the District Accounts Office, Multan to the fake employees of Punjab Constabulary, Multan. This matter is under investigation.

21.3 Under the object Contingent Payments, an amount of Rs. 17.952 million was paid by the District Accounts Officer, Multan to Children Hospital Complex, Multan during 2015-18 against fake claims under head “Purchase of Drugs and Medicines”. Similarly, Rs. 267.179 million was paid by the Accountant General Punjab to Director Agriculture (Economics and Marketing) during 2015-18 against various fake claims. The matters are under investigation.

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Year Ended 30 June 2018

22. GRANTS, SUBSIDIES AND WRITE OFF OF LOANS

Grants, Subsidies and write-off of Loans		588,132	557,707
Less: Transfers to District Governments	21.1	-	(135,291)
Less: Transfers to District Authorities	21.2	<u>(255,546)</u>	<u>(112,763)</u>
		<u>332,586</u>	<u>309,653</u>

- 22.1** No amount has been eliminated from provincial grants and subsidies in respect of transfers made to district governments to avoid double effect of inter-government transfer payments (2017: 135,291 million) as district governments had ceased to exist on December 2016 as explained in note 1.
- 22.2** Provincial Grants and subsidies amounting to Rs. 588,132 million (2017: Rs. 557,707 million) have been reduced by eliminating the transfers made to district authorities amounting to Rs. 255,546 million (2017: 112,763) and similar amount has been eliminated from the receipt of District Authorities. This treatment has been done to avoid the double effect of inter-government transfer payments.
- 22.3** Statement of Comparison of Budget and Actual Amounts by Function” shows that an expenditure of Rs. 10,797 million incurred through Assignment Accounts (ADB) was not recorded as consolidated fund expenditure. This caused under statement of consolidated fund by the above expenditure.

		2018	2017
		Rupees in million	Rupees in million
	<i>Note</i>		
23. PRINCIPAL REPAYMENTS OF DEBT			
Foreign Debt		29,788	24,822
Domestic Debt	23.1	<u>26,224</u>	<u>103,666</u>
		<u>56,012</u>	<u>128,488</u>
23.1 Domestic Debt			
Permanent Debt	16.1	3,247	2,926
Floating Debt	16.2	<u>22,977</u>	<u>100,740</u>
		<u>26,224</u>	<u>103,666</u>
24. SERVICING OF DEBT			
Domestic Debt		31,508	27,712
Foreign Debt		<u>7,634</u>	<u>6,453</u>
		<u>39,142</u>	<u>34,165</u>

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Year Ended 30 June 2018

25. PAYMENTS DISTRICT GOVERNMENTS

Revenue Expenditure	25.1	-	177,233
Capital Expenditure	25.2	-	2,888
		<u>-</u>	<u>180,121</u>
25.1 Revenue Expenditure			
General Public Service		-	7,228
Public Order and Safety Affairs		-	386
Economic Affairs		-	17,997
Environment Protection		-	2,319
Housing and Community Amenities		-	430
Health Affairs and Services		-	24,418
Recreation, Culture and Religion		-	300
Education Affairs and Services		-	123,247
Social Protection		-	908
		<u>-</u>	<u>177,233</u>
25.2 Capital Expenditure			
General Public Service		-	22
Economic Affairs		-	2,672
Education Affairs and Services		-	194
		<u>-</u>	<u>2,888</u>

26. PAYMENTS DISTRICT AUTHORITIES

Education Authorities Expenditure	26.1	234,916	69,111
Health Authorities Expenditure	26.2	55,446	14,944
		<u>290,362</u>	<u>84,055</u>
26.1 Education Authorities Expenditure			
Education Affairs and Services		<u>234,916</u>	<u>69,111</u>
		<u>234,916</u>	<u>69,111</u>
26.2 Health Authorities Expenditure			
Health Affairs and Services		54,290	14,579
Education Affairs and Services		1,156	365
		<u>55,446</u>	<u>14,944</u>

27. NET RECEIPT/ (PAYMENT) OF PUBLIC ACCOUNT

Receipts			
Trust and Other Public Accounts		2,103,396	1,721,798
Special Deposits		121,024	151,354
State Provident Fund		27,529	21,500
		<u>2,251,949</u>	<u>1,894,652</u>

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Year Ended 30 June 2018

Payments		
Trust and Other Public Accounts	2,116,896	1,691,420
Special Deposits	134,313	151,179
State Provident Fund	19,274	17,177
	2,270,483	1,859,776
27.1	(18,534)	34,876

- 27.1** 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.
- 27.2** Under the head General Provident Fund Payments, an amount of Rs.2.463 million was paid by the District Accounts Officer Multan against GPF advances to non existing employees of Punjab Constabulary, Multan. The matter is under investigation.
- 27.3** Cheques amounting to Rs.110.812 million were issued by the District Accounts Offices, Hafizabad, Okara, Rawalpindi & Sargodha in favor of different banks on account of contingent objects instead of DDOs/vendors. The matter is under investigation.
- 27.4** Expenditure amounting to Rs.575.923 million under head sowing & planting for development schemes was incurred without tendering in violation of PPRA rules by Punjab Forest Department.

<i>Note</i>	2018 Rupees in million	2017 Rupees in million
28. CASH AND BANK		
Provincial Government Balance	(6,406)	28,941
District Government Balance	(9,941)	(9,941)
District Authorities Balance	6,466	38,854
28.2	(9,881)	57,854

- 28.1** The figure of Rs.(9,941) million shows un-reconciled Cash Balance of District Governments Account-IV which closed their functions on 31.12.2016. This figure is reflected in the Accounts as the activity of transfer of balances from Account-IV to Account-I is still under process.

28.2 Provincial, District Governments' & District Authorities Balance		
Consolidated Fund Balance	(164,139)	(114,940)
Public Account Balance	154,258	172,794
	(9,881)	57,854

29. ASSETS AND LIABILITIES

<i>Assets</i>		
Long Term Assets	1,525,890	1,278,006
Loans and Advances	134,918	123,727
Current Assets	58,474	60,879
Cash & Bank and Treasuries	(9,881)	57,854
29.1	1,709,401	1,520,466
<i>Liabilities and Equity</i>		
Public Debt	574,605	439,398
Special Deposits	51,691	64,555
Trust Account	115,486	106,781
Current Liabilities	46,318	63,099
Residual Equity	921,301	846,633
29.1	1,709,401	1,520,466

- 29.1** 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.

GOVERNMENT OF PUNJAB
Notes to the Financial Statements
For the Year Ended 30 June 2018

30. 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.

The format of Statement of Comparison of Budget and Actual Expenditure by Department has been revised due to increase in number of departments being presented in Appropriation Accounts.

<i>Note</i>	2018 Rupees in million	2017 Rupees in million
Receipts		
<i>Actual receipts in Statement of Comparison of Budget and Actual</i>		
Amounts by Function	1,906,169	1,810,603
Less: Grants from Provincial Government 22	(255,546)	(248,054)
Less: Payments by third parties 7.11	(46,735)	-
Actual receipts in Statement of Cash Receipts and Paym	<u>1,603,888</u>	<u>1,562,549</u>
Payments		
<i>Actual payments in Statement of Comparison of Budget and Actual</i>		
Amounts by Function and Actual Expenditure by Depart	1,955,369	1,856,753
Less: Transfers to District Government & At 22	(255,546)	(248,054)
Less: Payments by Third Parties 7.11	(46,735)	-
Actual payments in Statement of Cash Receipts and Pay:	<u>1,653,088</u>	<u>1,608,699</u>

31. 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 _____.

32. GENERAL

32.1 Level of Precision

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

32.2 Corresponding Figures

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

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