

## **PREFACE**

I am pleased to present the Financial Statements of the Government of North West Frontier Province for the year ended 30 June, 2009 together with the Auditors' Reports thereon.

The Financial Statements of the Government of North West Frontier Province for the financial year 2008-09 have been prepared by the Accountant General North West Frontier Province 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 not 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, through cash basis of accounting is followed, the following additional concepts were introduced:

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

Commitment, assets and liability accounting practices are not yet implemented and these financial statements have been prepared on cash basis of accounting and do not include accrued receipts and liabilities.

The current year's Financial Statements have been prepared under NAM and the format of International Public Sector Accounting Standards (IPSAS) Cash Basis – Financial Reporting under the Cash Basis of Accounting has been adopted for the preparation of these Financial Statements.

These Financial Statements focus on reporting the budgetary activity of the Government for the financial year as laid down in the financial procedures of the Constitution which describes the Government as Provincial Consolidated Fund and Public Account for which Annual Budget Statement is authorized by Provincial Assembly in the form of Budgetary Grants.

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

**Islamabad, Pakistan**  
**Date: 2<sup>nd</sup> January, 2010**

*Sd/-*  
**Controller General of Accounts**

## **Auditor's Report**

The office of the Auditor General of Pakistan has audited the accompanying Financial Statement of the Government of North West Frontier Province (NWFP), which comprise the statement of cash receipts and payments for the year ended 30 June, 2009, statement of cash flows, statement of comparison of budget and actual amounts by function, statement of comparison of budget and actual expenditure by department for the year ended and summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

The responsibility of the Auditor General's office is to express an opinion on these financial Statements based on the audit in accordance with the requirement of Article 169 of the Constitution of the Islamic Republic of Pakistan read with Section 7 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001.

### **Basis of Opinion**

The audit was conducted in accordance with auditing standards issued by the International Organization of Supreme Audit Institution. These standards require that audit is planned and performed to obtain reasonable assurance to the effect that the Financial Statements are free of material misstatement. The audit process includes examining, on a test check basis, evidence supporting the amounts and disclosures in the Financial Statements. It also includes assessing the accounting principles used, as well as evaluating overall presentation of the Financial Statements. The audit results provide a reasonable basis for our opinion.

### **In our opinion"**

- a). These Financial Statements present fairly, in all material respects, the financial performance of the Government of NWFP for the year ended 30 June 2009, its cash flows, comparison of budget and actual amounts by function and comparison of budget and actual expenditure by department for the year then ended in accordance with the stated accounting policies of the Government of NWFP.

- B). The sums expended have been applied, in all material respects, for the purposes authorized by the provincial Assembly.

**Emphasis of Matter**

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

**Other Reports**

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

Islamabad, Pakistan  
Date: 12<sup>th</sup> January, 2010

*Sd/-*  
\_\_\_\_\_  
Auditor General of Pakistan

# GOVERNMENT OF NORTH WEST FRONTIER PROVINCE

## Statement of Cash Receipts and Payments

For the Year Ended 30 June 2009

	Note	2009		2008	
		Rupees in Million		Rupees in Million	
PROVINCIAL CONSOLIDATED FUND					
		Receipt / Payment controlled by the Government	Payments by Third Parties	Receipt / Payment controlled by the Government	Payments by Third Parties
<b>RECEIPTS</b>					
<i>Taxation- Transfers from Federal Government</i>	8	61,341	-	52,556	-
<i>Taxation- Provincial Government's own collection</i>	9	2,302	-	2,249	-
<i>Non-Tax Revenue and Other Receipts</i>					
General Administration	10	901	-	770	-
Economic Services	11	1,052	-	2,271	-
Development Surcharge and Royalties	12	4,091	-	3,983	-
Interest on Loans and Advances	13	116	-	76	-
Dividend and Profit Share	14	3,507	-	7,808	-
Others	15	757	-	-	-
		10,424	-	14,908	-
<i>Grants and Aid</i>	16	20,397	-	16,584	-
<i>Borrowings</i>					
Foreign Debt	17	2,926	-	2,778	-
Domestic Debt	18	77	-	2,059	-
		3,003	-	4,837	-
<i>Capital Receipts</i>					
Investment Recovery		23	-	-	-
Recovery of Loans and Advances	19	104	-	61	-
		127	-	61	-
<i>Trading Activities</i>	20	15,377	-	12,677	-
<i>Receipts of District Governments</i>	21	463	-	518	-
<b>TOTAL RECEIPTS</b>		<b>113,434</b>	<b>-</b>	<b>104,390</b>	<b>-</b>

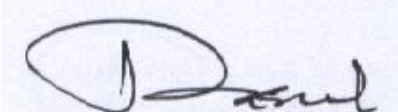
# GOVERNMENT OF NORTH WEST FRONTIER PROVINCE

## Statement of Cash Receipts and Payments

For the Year Ended 30 June 2009

	Note	2009		2008	
		Rupees		Rupees	
		in Million		in Million	
		Receipt / Payment controlled by the Government	Payments by Third Parties	Receipt / Payment controlled by the Government	Payments by Third Parties
<b>PAYMENTS</b>					
<i>Operations</i>					
Salaries and Employee Benefits	22	20,715	-	16,605	-
Operating Expenses	23	27,209	-	21,066	-
		47,924	-	37,671	-
<i>Transfers</i>					
Grants, Subsidies and Write-off of Loans	24	3,173	-	2,982	-
Other Transfer Payments		2,503	-	3,305	-
		5,676	-	6,287	-
<i>Expenditure on</i>					
Physical Assets	25	1,460	-	8,079	-
Civil Works	26	24,427	-	15,849	-
		25,887	-	23,928	-
<i>Debt and Interest Payments</i>					
Principal Repayment of Debt	27	3,678	-	5,709	-
Servicing of Debt	28	6,398	-	6,164	-
		10,076	-	11,873	-
<i>Other Payments</i>					
Loans and Advances	29	34	-	33	-
Investments		303	-	-	-
		337	-	33	-
<i>Payments of District Governments</i>	30	35,237	-	31,161	-
<b>TOTAL PAYMENTS</b>		<b>125,137</b>	<b>-</b>	<b>110,953</b>	<b>-</b>
<b>NET PAYMENT OF PROVINCIAL CONSOLIDATED FUND</b>		<b>(11,703)</b>	<b>-</b>	<b>(6,563)</b>	<b>-</b>
<b>NET RECEIPT OF PUBLIC ACCOUNT</b>	31	<b>4,894</b>	<b>-</b>	<b>1,149</b>	<b>-</b>
<b>DECREASE IN CASH</b>		<b>(6,809)</b>	<b>-</b>	<b>(5,414)</b>	<b>-</b>
<b>CASH AT THE BEGINNING OF THE YEAR</b>		<b>4,193</b>	<b>-</b>	<b>9,607</b>	<b>-</b>
<b>DECREASE IN CASH</b>		<b>(6,809)</b>	<b>-</b>	<b>(5,414)</b>	<b>-</b>
<b>CASH AT THE END OF THE YEAR</b>	32	<b>(2,616)</b>	<b>-</b>	<b>4,193</b>	<b>-</b>

The annexed notes 1 to 37 form an integral part of these financial statements.



Accountant General NWFP


# GOVERNMENT OF NORTH WEST FRONTIER PROVINCE

## Statement of Cash Flows

For the Year Ended 30 June 2009

	Note	2009 Rupees in Million	2008 Rupees in Million
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Taxation- Transfers from Federal Government	8	61,341	52,556
Taxation- Provincial Government's own collection	9	2,302	2,249
Non-Tax Revenue and Other Receipts		10,424	14,908
Grants and Aid - Receipts	16	20,397	16,584
Trading Activities - Receipts	20	15,377	12,677
Operations- Payments		(47,924)	(37,671)
Servicing of Debt - Payments	28	(6,398)	(6,164)
Transfers - Payments		(5,676)	(6,287)
Receipts of District Government	21	463	518
Payments of District Governments- Revenue Expenditure	30	(33,143)	(28,806)
<i>Cash from Operating Activities</i>		17,163	20,564
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investment Recovery		23	-
Recovery of Loans and Advances	19	104	61
Expenditure on Physical Assets	25	(1,460)	(8,079)
Expenditure on Civil Works	26	(24,427)	(15,849)
Payments of Loans and Advances	29	(34)	(33)
Investments		(303)	-
Payment of District Government - Capital Expenditure	30	(2,094)	(2,355)
<i>Cash used in Investing Activities</i>		(28,191)	(26,255)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Receipt of Foreign Debt	17	2,926	2,778
Receipt of Domestic Debt	18	77	2,059
Principal Repayment of Debt	27	(3,678)	(5,709)
Net Receipt of Public Account	31	4,894	1,149
<i>Cash from Financing Activities</i>		4,219	277
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(6,809)</b>	<b>(5,414)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>4,193</b>	<b>9,607</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	32	<b>(2,616)</b>	<b>4,193</b>

The annexed notes 1 to 37 form an integral part of these financial statements.




Accountant General NWFP

**GOVERNMENT OF NORTH WEST FRONTIER PROVINCE**  
**Statement of Comparison of Budget and Actual Amounts by Function**  
**For the Year Ended 30 June 2009**

	2009 (Rupees in Million)			2008 (Rupees in Million)		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
<b>RECEIPTS</b>						
<i>Revenue</i>						
Taxation	90,585	90,197	63,643	71,407	75,810	54,805
Non-Taxation	10,295	9,787	46,198	9,950	9,763	44,169
<b>Total revenue receipts</b>	<b>100,880</b>	<b>99,984</b>	<b>109,841</b>	<b>81,357</b>	<b>85,573</b>	<b>98,974</b>
<i>Capital</i>						
Domestic Debt	8,300	1,500	77	8,186	1,240	2,059
Foreign Debt	3,837	4,864	2,926	7,405	4,242	2,778
Recoveries of Loans and Advances	400	400	104	400	400	61
Recoveries of Investments	-	-	23	-	-	-
<b>Total capital receipts</b>	<b>12,537</b>	<b>6,764</b>	<b>3,130</b>	<b>15,991</b>	<b>5,882</b>	<b>4,898</b>
<i>Receipts of District Government</i>	-	-	<b>34,524</b>	-	-	<b>30,583</b>
<b>TOTAL RECEIPTS</b>	<b>113,417</b>	<b>106,748</b>	<b>147,495</b>	<b>97,348</b>	<b>91,455</b>	<b>134,455</b>
<b>PAYMENTS</b>						
<i>Revenue</i>						
General Public Service	48,160	52,044	48,508	45,897	46,579	43,916
Economic Affairs	6,717	7,520	6,886	4,891	6,160	5,800
Public Order and Safety Affairs	8,013	11,189	10,732	6,387	8,159	8,296
Education Affairs and Services	4,265	6,045	5,270	3,611	4,254	4,319
Health Affairs and Services	5,258	5,405	3,950	4,383	4,172	3,643
Housing and Community Amenities	1,410	748	880	628	630	870
Recreation, Culture and Religion	280	346	303	193	211	180
Social Protection	366	2,160	1,238	337	498	399
Environment Protection	34	35	25	53	60	30
<b>Total revenue payments</b>	<b>74,503</b>	<b>85,492</b>	<b>77,792</b>	<b>66,380</b>	<b>70,723</b>	<b>67,453</b>
<i>Capital</i>						
General Public Service	15,598	15,568	6,240	19,248	19,698	9,278
Economic Affairs	64,528	66,037	26,379	23,211	35,860	27,790
Public Order and Safety Affairs	40	40	13	-	-	-
Education Affairs and Services	5,634	5,461	4,884	1,087	978	288
Health Affairs and Services	3,508	3,508	2,267	802	792	-
Housing and Community Amenities	5,365	7,180	5,109	2,470	3,544	3,807
Recreation, Culture and Religion	125	125	101	206	205	93
Social Protection	58	58	57	5	9	5
Environment Protection	1,200	1,200	1,119	1,010	1,161	1,143
<b>Total capital payments</b>	<b>96,056</b>	<b>99,177</b>	<b>46,169</b>	<b>48,039</b>	<b>62,247</b>	<b>42,404</b>
<i>Payments of District Government</i>	<b>31,142</b>	<b>36,657</b>	<b>35,237</b>	30,326	34,478	31,161
<b>TOTAL PAYMENTS</b>	<b>201,701</b>	<b>221,326</b>	<b>159,198</b>	<b>144,745</b>	<b>167,448</b>	<b>141,018</b>

The annexed notes 1 to 37 form an integral part of these financial statements.



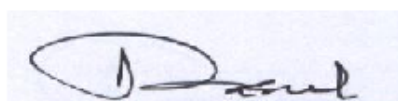
Accountant General NWFP

# GOVERNMENT OF NORTH WEST FRONTIER PROVINCE

## Statement of Comparison of Budget and Actual Expenditure by Department for the Year Ended 30 June 2009

DEPARTMENT	2009 Rupees in Million			2008 Rupees in Million		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
Agriculture, Livestock & Cooperation	3,403	3,470	1,575	987	1,276	1,000
Board of Revenue	122	1,148	153	276	373	350
Education	7,832	9,374	7,944	4,269	4,811	3,874
Environment, Forestry & Transport	1,198	1,323	848	98	99	59
Environment/Forest/Wild life	-	-	-	587	603	638
Excise and Taxation	25	53	51	22	95	95
Finance	58,779	61,015	50,657	53,420	54,214	50,039
Food	50,937	50,937	17,296	7,744	21,881	15,383
Governors Secretariat	-	-	-	35	57	54
Health	9,688	9,888	7,313	5,280	5,416	5,030
Home and Tribal Affairs	7,139	9,954	9,544	5,653	7,360	7,530
Industries	1,903	1,932	1,047	8,698	8,748	2,743
Information	55	78	70	52	61	57
Irrigation and Power	5,556	5,639	3,507	6,536	6,294	4,788
Law	251	251	271	753	1,768	2,420
High Court	563	845	795	-	-	-
Local Governance	8,100	9,269	8,804	1,865	1,862	1,386
Population, Planning and Welfare Department	495	498	443	553	549	484
Planning and Development	2,222	2,898	306	1,508	946	703
Provincial Assembly	167	218	216	154	154	130
Public Service Commission	-	-	-	34	41	40
Services and General Administration	-	-	-	575	1,229	1,223
Administration and Establishment	1,108	1,978	1,946	-	-	-
Works and Services	10,060	11,127	9,433	10,188	9,957	7,696
Zakat and Ushr	219	258	212	43	45	44
Science and Information Technology	157	157	114	119	119	57
Sports, Culture, Archeology & Museum	328	355	318	4,930	4,951	3,989
Auqaf, Hajj, Religious and Minority Affairs	83	92	71	38	45	33
Economic Commission NWFP	-	-	-	2	3	4
Inter Provincial Coordination	11	11	10	-	13	8
Relief Rehabilitation and Settlement	151	1,858	975	-	-	-
Housing Department	7	8	8	-	-	-
Energy and Power	-	26	23	-	-	-
Transport	-	9	11	-	-	-
	<b>170,559</b>	<b>184,669</b>	<b>123,961</b>	<b>114,419</b>	<b>132,970</b>	<b>109,857</b>
<i>Expenditure of District Governments</i>	<b>31,142</b>	<b>36,657</b>	<b>35,237</b>	<b>30,326</b>	<b>34,478</b>	<b>31,161</b>
<b>TOTAL</b>	<b>201,701</b>	<b>221,326</b>	<b>159,198</b>	<b>144,745</b>	<b>167,448</b>	<b>141,018</b>

The annexed notes 1 to 37 form an integral part of these financial statements.



Accountant General NWFP



# GOVERNMENT OF NORTH WEST FRONTIER PROVINCE

## Notes to the Financial Statement

### For the Year Ended 30 June 2009

#### 1 REPORTING ENTITY

Provincial Government - North-West Frontier Province (the Government) conducts its operations under the Rules of Business 1988. These rules were made pursuant to Article 139 of the Constitution of the Islamic Republic of Pakistan, 1973 (the Constitution) and envisages Provincial Government as comprising of departments and their attached departments. Financial procedures of the Constitution describes the Government as Provincial Consolidated Fund and Public Account of the Province for which Annual Budget Statement is authorized by the Provincial Assembly in the form of budgetary grants. These financial statements focus on reporting the budgetary activity of the Government for the financial year.

Article 170 of the Constitution confers the powers of defining the form, principles and methods of the accounts of the Province to the Auditor General of Pakistan, with the approval of the President. New Accounting Model was prescribed by the Auditor General of Pakistan in 2000 which describes Provincial Government as an accounting and reporting entity comprising of;

- a) Centralized Accounting Entities; for which the Accountant General NWFP has the primary responsibility for accounting and reporting.
- b) Self Accounting Entities; for which the Principal Accounting Officer has the primary responsibility for accounting and reporting. The Self Accounting Entities are as under:-
  1. Public Work Department-Works and Services, Irrigation & Public Health Engineering
  2. Environment/Forest/Wildlife Department
- c) Exempt Entities; special purpose authorities/ organizations and all the government owned corporations/ companies which are required to prepare their financial statements under their specific statute or Companies Ordinance, 1984 are classified as exempt entities. Financial statements of these entities are not consolidated in the financial statements of the Provincial Government. New investments by the Provincial Government, if any, in the financial year to which they pertain. Return from these entities in the form of dividends or interest is classified as non-tax revenue.

Under NWFP Local Government Ordinance, 2001, District Governments were established. The District Government consists of Zila Nazim and district administration. Auditor General of Pakistan under section 114 of the said Ordinance prescribed Local Government Accounts Manual for District Governments. This Manual requires preparation of annual Finance and Appropriation Accounts by each District Government. Presently District Governments only prepare appropriation accounts. 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          | 5- District Government Abbottabad |
| 2- District Government Nowshera          | 6- District Government Manshera   |
| 3- District Government Charsadda         | 7- District Government Kohat      |
| 4- District Government Mardan            | 8- District Government Haripur    |
| 9- District Government Swabi             | 17- District Government Dir Lower |
| 10- District Government Hangu            | 18- District Government Bannu     |
| 11- District Government Swat             | 19- District Government Buner     |
| 12- District Government Malakand         | 20- District Government Battagram |
| 13- District Government Chitral          | 21- District Government karak     |
| 14- District Government Dera Ismail Khan | 22- District Government Tank      |

- 15- District Government Shangla  
16- District Government Dir Upper

- 23- District Government Lakki Marwat  
24- District Government Kohistan

These financial statements include all Centralized and Self Accounting Entities and District Governments.

## **2 BASIS OF CONSOLIDATION**

The financial statements have been prepared by consolidating the accounts of all Centralized and Self Accounting Entities and twenty four (24) District Governments. Material Inter-governmental transactions such as transfers from Provincial Government-NWFP 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. However commitment, asset and liability accounting practices have not yet been implemented and memorandum registers for assets and commitments do not exist and accounting of 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 2008-09 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 2008-09 ( from 1 July, 2008 to 30 June, 2009).

## **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 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 housing 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, if any, are disclosed in the payments by third parties column on the face of statement of cash receipts and payments and notes to the financial statements.

	Note	2009 Rupees in Million	2008 Rupees in Million
<b>8 TAXATION - TRANSFER FROM FEDERAL GOVERNMENT</b>			
<i>Direct Taxes</i>			
Income tax		23,089	19,943
Wealth Tax		-	6
Capital Value Tax		-	397
		<b>23,089</b>	<b>20,346</b>
<i>Indirect Taxes</i>			
Sales tax		23,512	19,026
Custom duty		8,343	8,149
Federal excise		6,248	5,035
Federal excise on Natural Gas		149	-
		<b>38,252</b>	<b>32,210</b>
		<b>61,341</b>	<b>52,556</b>
<b>9 TAXATION - PROVINCIAL GOVERNMENT'S OWN COLLECTION</b>			
<i>Direct Taxes</i>			
Income Tax- Agriculture		-	20
Property Tax		115	163
Land Revenue		573	604
Tax on Profession, Trade and Callings		92	84
Capital Value Tax on Immoveable Property		146	-
		<b>926</b>	<b>871</b>
<i>Indirect Taxes</i>			
Receipts Under Motor Vehicles Act		700	667
Stamp Duties		358	412
Provincial Excise		28	31
Others Indirect Taxes		290	268
		<b>1,376</b>	<b>1,378</b>
		<b>2,302</b>	<b>2,249</b>
<b>10 GENERAL ADMINISTRATION RECEIPTS</b>			
Fiscal Administration		70	58
Community Services		240	282
Social Services		143	141
Economic Regulations		6	6
Law and Order		418	268
Organs of State		24	15
		<b>901</b>	<b>770</b>

	Note	2009 Rupees in Million	2008 Rupees in Million
<b>11 ECONOMIC SERVICES RECEIPTS</b>			
Cooperation, Irrigation, Embankment-Drainage		220	268
Food and Agriculture		89	194
Fisheries and Animal Husbandry		48	43
Forest		595	548
Others		100	1,218
		<u>1,052</u>	<u>2,271</u>

## 12 DEVELOPMENT SURCHARGE AND ROYALTIES

Development Surcharge on Gas	12.1	246	400
Royalty on Crude Oil	12.2	3,112	2,651
Royalty on Natural Gas	12.2	733	932
		<u>4,091</u>	<u>3,983</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	2009 Rupees in Million	2008 Rupees in Million
<b>13 INTEREST ON LOANS AND ADVANCES</b>			
Interest on Domestic Loan	13.1	-	21
Interest on Loans and Advances to Govt. Servants		5	5
Loans and Advances - Others		111	50
		<u>116</u>	<u>76</u>

### 13.1 Interest On Domestic Loan

District Governments		-	16
Financial Institutions		-	5
		<u>-</u>	<u>21</u>

	Note	2009 Rupees in Million	2008 Rupees in Million
<b>14 DIVIDEND AND PROFIT SHARE</b>			
Dividends Receipts	14.1	7	8
Profit share	14.2	3,500	7,800
		<u>3,507</u>	<u>7,808</u>
<b>14.1 Dividends Receipts</b>			
Non-Financial Institution		7	8
		<u>7</u>	<u>8</u>
<b>14.2 Profit share</b>			
Electricity		3,500	7,800
		<u>3,500</u>	<u>7,800</u>
<b>15 OTHER RECEIPTS</b>			
Unclaimed deposits		202	-
Receipts under the Mines, Oil-fields and Mineral		285	-
Arms License Fees		88	-
Recoveries of Overpayments		15	-
Sand and quarry fees		14	-
Sugarcane development cess		13	-
5% Collection Charges on Federal Taxes		5	-
Miscellaneous Receipts		135	-
		<u>757</u>	<u>-</u>
<b>16 GRANTS AND AID</b>			
Development Grants		5,517	4,782
Non-Development Grants		14,880	11,799
Others		-	3
		<u>20,397</u>	<u>16,584</u>
<b>17 FOREIGN DEBT - RECEIPTS</b>			
Foreign Lenders		2,028	634
Federal Government		797	1,844
Others		101	300
		<u>2,926</u>	<u>2,778</u>
<b>18 DOMESTIC DEBT - RECEIPTS</b>			
Permanent Debt	18.1	77	409
Floating Debt	18.2	-	1,650
		<u>77</u>	<u>2,059</u>

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

18.2 Floating debt represents the borrowings of temporary nature such as Ways and Means Advances or Cash Credit Accommodation from the State Bank of Pakistan. These are repayable within twelve months.

	Note	2009 Rupees in Million	2008 Rupees in Million
<b>19 RECOVERY OF LOANS AND ADVANCES</b>			
Financial Institution		37	10
Non-Financial Institution		56	39
Government Servants		11	12
		<u>104</u>	<u>61</u>
<b>20 TRADING ACTIVITIES - RECEIPTS</b>			
Sale of wheat		<u>15,377</u>	<u>12,677</u>
		<u>15,377</u>	<u>12,677</u>
<b>21 RECEIPTS OF DISTRICT GOVERNMENT</b>			
Direct Taxes		5	(2)
Indirect Taxes		20	3
Income from Property and Enterprises		-	13
Receipts from Civil Administration and Other Functions		172	270
Grants from Provincial Government		34,061	30,065
Miscellaneous Receipts		262	234
Loans and Advances		4	-
		<u>34,524</u>	<u>30,583</u>
Less: Grants from Provincial Government - NWFP	21.1	<u>(34,061)</u>	<u>(30,065)</u>
		<u>463</u>	<u>518</u>

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

	Note	2009 Rupees in Million	2008 Rupees in Million
<b>22 SALARIES AND EMPLOYEE BENEFITS</b>			
Pay of Officers		2,480	2,621
Pay of Other Staff		5,366	4,205
Allowances		6,529	4,739
Retirement Benefits		6,340	5,040
		<u>20,715</u>	<u>16,605</u>



	Note	2009 Rupees in Million	2008 Rupees in Million
<b>23 OPERATING EXPENSES</b>			
Research Surveys and Exploratory Operations		1,254	-
Communication		110	-
Utilities		537	-
Occupancy Costs		87	-
Motor Vehicles		5	-
Travel and Transportation		3,156	-
Scholarships, Bonuses and Other Awards		33	-
Technical Assistance		10	-
Entertainments and Gifts		48	-
Commodity Purchases (State Trading)		12,929	-
Repair and Maintenance		2,282	-
General Operating Expenses		6,758	21,066
		<u>27,209</u>	<u>21,066</u>
<b>24 GRANTS, SUBSIDIES AND WRITE-OFF OF LOANS</b>			
Grants, Subsidies and Write-off of Loans		37,234	33,047
Less: Transfers to District Governments		(34,061)	(30,065)
		<u>3,173</u>	<u>2,982</u>
<b>25 PHYSICAL ASSETS</b>			
Purchase of Building		165	-
Computer Equipment		1	-
Other Stores and Stocks		23	-
Purchase of Transport		801	-
Purchase of Plant & Machinery		432	-
Purchase of Furniture and Fixtures		14	-
Purchase of Other Assets		24	8,079
		<u>1,460</u>	<u>8,079</u>
<b>26 CIVIL WORKS</b>			
Roads, Highways and Bridges		6,613	-
Irrigation Works		1,839	-
Embankments and Drainage Works		128	-
Building and Structure		10,716	-
Other Works		4,934	15,849
Draught Emergency Relief Assistance		197	-
		<u>24,427</u>	<u>15,849</u>
<b>27 PRINCIPAL REPAYMENT OF DEBT</b>			
Foreign Debt		2,065	1,394
Domestic Debt	27.1	1,613	4,315
		<u>3,678</u>	<u>5,709</u>

	Note	2009 Rupees in Million	2008 Rupees in Million
<b>27.1 Domestic Debt</b>			
Permanent Debt		613	3,665
Floating Debt		1,000	650
		<u>1,613</u>	<u>4,315</u>

## 28 SERVICING OF DEBT

Foreign Debt		1,253	2,079
Federal Government		4,045	2,123
Domestic Loans		1,100	1,962
		<u>6,398</u>	<u>6,164</u>

## 29 LOANS AND ADVANCES

Government Employees	29.1	34	33
		<u>34</u>	<u>33</u>

### 29.1 Government Employees

House Building Advance		29	28
Motor Car Advance		5	-
Motor Cycle / Scooter		-	4
Cycle Advance		-	1
		<u>34</u>	<u>33</u>

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

	Note	2009 Rupees in Million	2008 Rupees in Million
<b>30 PAYMENTS OF DISTRICT GOVERNMENTS</b>			
Revenue Expenditure	30.1	33,143	28,806
Capital Expenditure	30.2	2,094	2,355
		<u>35,237</u>	<u>31,161</u>

	Note	2009 Rupees in Million	2008 Rupees in Million
<b>30.1 Revenue Expenditure</b>			
General Public Service		1,792	2,043
Public Order and Safety Affairs		16	15
Economic Affairs		2,579	2,382
Environment Protection		18	14
Housing and Community Amenities		1,582	1,576
Health Affairs and Services		3,526	2,961
Recreation, Culture and Religion		29	34
Education Affairs and Services		23,478	19,623
Social Protection		123	158
		<u>33,143</u>	<u>28,806</u>

### 30.2 Capital Expenditure

General Public Service		1,215	1,022
Economic Affairs		206	418
Environment Protection		123	80
Housing and Community Amenities		460	804
Health		7	-
Recreation Culture and Religion		10	-
Education Affairs and Services		51	30
Social Protection		22	1
		<u>2,094</u>	<u>2,355</u>

### 31 NET RECEIPT / (PAYMENT) OF PUBLIC ACCOUNT

#### Receipts

Trust & other Public Accounts	118,265	104,338
Special Deposits	13,664	12,067
State Provident Fund	6,866	4,909
	<u>138,795</u>	<u>121,314</u>

#### Payments

Trust & other Public Accounts	(116,520)	(105,100)
Special Deposits	(13,528)	(12,153)
State Provident Fund	(3,853)	(2,912)
	<u>(133,901)</u>	<u>(120,165)</u>

	<u>4,894</u>	<u>1,149</u>
--	--------------	--------------

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

	Note	2009 Rupees in Million	2008 Rupees in Million
<b>32 CASH AND BANK</b>			
Provincial Government Balance	32.1	(380)	6,302
District Government Balance		(2,236)	(2,109)
		<u>(2,616)</u>	<u>4,193</u>
<b>32.1 Provincial Government's Balance</b>			
Public Account Balance		45,008	40,700
Consolidated Fund Balance		(45,388)	(34,398)
		<u>(380)</u>	<u>6,302</u>
<b>33 ASSETS AND LIABILITIES</b>			
<i>Assets</i>			
Long Term Assets		152,442	126,099
Investments		2,101	781
Loans and Advances		1,848	1,888
Current Assets		2,288	2,288
Cash and Bank		(2,616)	4,193
	33.1	<u>156,063</u>	<u>135,249</u>
<i>Liabilities and equity</i>			
Public Debt	34	38,147	38,822
Special Deposits and Trust Accounts		31,888	28,982
Deferred Liabilities		18,251	15,193
Residual Equity		67,777	52,252
	33.1	<u>156,063</u>	<u>135,249</u>
<b>33.1</b> These financial statements have been prepared under the cash basis of accounting, the information of assets and liability have been presented which are not mandatory disclosures as per IPSAS Cash Basis			
<b>34 PUBLIC DEBT</b>			
<b>Domestic Debt</b>			
<b>Government Securities</b>			
Opening Balance		6,294	8,550
Add: Debt Receipts	18	77	2,059
Less: Principal Repayments of Debt	27.1	(1,613)	(4,315)
Closing Balance		4,758	6,294
<b>Foreign Debt</b>			
Opening Balance		32,528	31,144
Add: Debt Receipts	17	2,926	2,778
Less: Principal Repayments of Debt	27	(2,065)	(1,394)
Closing Balance		33,389	32,528
		<u>38,147</u>	<u>38,822</u>

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

### 35 COMPARISON OF BUDGET AND ACTUAL AMOUNTS

The approved budget is developed on the same accounting basis (cash basis), functional classification basis and for the same period as for the financial statements. It encompasses the same entities as that financial statements- as identified in note 1 above.

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

	Note	2009 Rupees in Million	2008 Rupees in Million
<i>Receipts</i>			
Actual Receipts in Statement of Comparison of Budget and Actual Amounts by Function		147,495	134,455
Less : Grants from Provincial Government - NWFP	21	(34,061)	(30,065)
Actual Receipts in Statement of Cash Receipts and Payments		<u>113,434</u>	<u>104,390</u>
<i>Payments</i>			
Actual payments in Statements of Comparison of Budget and Actual Amounts by Function and Actual Expenditure by Department		159,198	141,018
Less: Transfers to District Governments	23	(34,061)	(30,065)
Actual payments in Statement of Cash Receipts and Payments		<u>125,137</u>	<u>110,953</u>

### 36 AUTHORIZATION FOR ISSUE

Under section 7 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, read with Article 171 of the Constitution, the Auditor General submits the certified financial statements of the Government of North West Frontier Province 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 12.01.2010.

### 37 GENERAL

#### 37.1 Level of Precision

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

#### 37.2 Corresponding Figures

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



Accountant General NWFP