

## **PREFACE**

I am pleased to present the Financial Statements of the Government of Khyber Pakhtunkhwa for the year ended 30 June, 2010 together with the Auditors' Reports thereon.

The Financial Statements of the Government of Khyber Pakhtunkhwa for the financial year 2009-10 have been prepared by the Accountant General Khyber Pakhtunkhwa under Section 5 of the Controller General of Accounts (Appointment, Functions and Powers) Ordinance, 2001 and are the responsibility of the Controller General of Accounts (CGA).

In response to the changing nature of stakeholders' requirements for making informed decision making based on financial information and developments in the public sector accounting standards, the role of CGA has transformed. Stakeholders now expect high quality, reliable and relevant financial reports and the focus of CGA is not limited to reporting historical results, but is now constantly moving towards enhancing public value, by providing the legislature and the executive through the Financial Statements an insight of the Government's financial performance.

In December 2000, Auditor General of Pakistan prescribed New Accounting Model (NAM) with the approval of the President of Pakistan under Article 170 of the Constitution of Islamic Republic of Pakistan. NAM, which conforms to international best practices, comprises of seven volumes and is based on Modified Cash Basis of Accounting in which, through cash basis of accounting is followed, the following additional concepts were introduced:

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

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

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

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

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

**Islamabad, Pakistan**

**Date:**

**Sd/**

**Controller General of Accounts**



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

## **AUDITOR'S REPORT**

The office of the Auditor General of Pakistan has audited the accompanying Financial Statement of the Government of Khyber Pakhtunkhwa (KP), which comprise the statement of cash receipts and payments for the year ended 30 June, 2010, 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 KP 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 is 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 Khyber Pakhtunkhwa for the year ended 30 June 2010, its cash flows, comparison of budget and actual amounts by function and comparison of budget and actual expenditure by department for the year ended in accordance with the stated accounting policies of the Government of KP.
  
- 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 KP. 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:19<sup>th</sup> January, 2011**

Sd/  
**Auditor General of Pakistan**

**GOVERNMENT OF KHYBER PAKHTUNKHWA**  
**Statement of Cash Receipts and Payments**  
**For the Year Ended 30 June 2010**

		2010 Rupees in Million		2009 Rupees in Million	
PROVINCIAL CONSOLIDATED FUND					
	<i>Note</i>	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	75,862	-	61,341	-
<i>Taxation- Provincial Government's own collection</i>	9	2,327	-	2,302	-
<i>Non-Tax Revenue and Other Receipts</i>					
General Administration	10	1,126	-	901	-
Economic Services	11	1,253	-	1,052	-
Development Surcharge and Royalties	12	4,230	-	4,091	-
Interest on Loans and Advances	13	293	-	116	-
Dividend and Profit Share	14	17,312	-	3,507	-
Others	15	866	-	757	-
		25,080	-	10,424	-
<i>Grants and Aid</i>	16	32,013	-	20,397	-
<i>Borrowings</i>					
Foreign Debt	17	3,770	-	2,926	-
Domestic Debt	18	49	-	77	-
		3,819	-	3,003	-
<i>Capital Receipts</i>					
Investment Recovery		21	-	23	-
Recovery of Loans and Advances	19	72	-	104	-
		93	-	127	-
<i>Trading Activities</i>	20	13,627	-	15,377	-
<i>Receipts of District Governments</i>	21	221	-	463	-
<b>TOTAL RECEIPTS</b>		<b>153,042</b>	<b>-</b>	<b>113,434</b>	<b>-</b>

**GOVERNMENT OF KHYBER PAKHTUNKHWA**  
**Statement of Cash Receipts and Payments**  
**For the Year Ended 30 June 2010**

	Note	2010 Rupees in Million		2009 Rupees 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	27,206	-	20,715	-
Operating Expenses	23	33,053	-	27,209	-
		60,259	-	47,924	-
<i>Transfers</i>					
Grants, Subsidies and Write-off of Loans	24	3,030	-	3,173	-
Other Transfer Payments		3,162	-	2,503	-
		6,192	-	5,676	-
<i>Expenditure on</i>					
Physical Assets	25	3,295	-	1,460	-
Civil Works	26	30,865	-	24,427	-
		34,160	-	25,887	-
<i>Debt and Interest Payments</i>					
Principal Repayment of Debt	27	3,648	-	3,678	-
Servicing of Debt	28	6,711	-	6,398	-
		10,359	-	10,076	-
<i>Other Payments</i>					
Loans and Advances	29	50	-	34	-
Investments		11,882	-	303	-
		11,932	-	337	-
<i>Payments of District Governments</i>	30	40,525	-	35,237	-
<b>TOTAL PAYMENTS</b>		<b>163,427</b>	<b>-</b>	<b>125,137</b>	<b>-</b>
<b>NET PAYMENT OF PROVINCIAL CONSOLIDATED FUND</b>		<b>(10,385)</b>	<b>-</b>	<b>(11,703)</b>	<b>-</b>
<b>NET RECEIPT OF PUBLIC ACCOUNT</b>	31	<b>11,019</b>	<b>-</b>	<b>4,894</b>	<b>-</b>
<b>DECREASE IN CASH</b>		<b>634</b>	<b>-</b>	<b>(6,809)</b>	<b>-</b>
<b>CASH AT THE BEGINNING OF THE YEAR</b>		<b>(2,616)</b>	<b>-</b>	<b>4,193</b>	<b>-</b>
<b>DECREASE IN CASH</b>		<b>634</b>	<b>-</b>	<b>(6,809)</b>	<b>-</b>
<b>CASH AT THE END OF THE YEAR</b>	32	<b>(1,982)</b>	<b>-</b>	<b>(2,616)</b>	<b>-</b>

The annexed notes 1 to 37 form an integral part of these Financial Statements.



Accountant General Khyber Pakhtunkhwa

**GOVERNMENT OF KHYBER PAKHTUNKHWA**  
**Statement of Cash Flows**  
**For the Year Ended 30 June 2010**

	<i>Note</i>	2010 Rupees in Million	2009 Rupees in Million
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Taxation- Transfers from Federal Government	8	75,862	61,341
Taxation- Provincial Government's own collection	9	2,327	2,302
Non-Tax Revenue and Other Receipts		25,080	10,424
Grants and Aid - Receipts	16	32,013	20,397
Trading Activities - Receipts	20	13,627	15,377
Operations- Payments		(60,259)	(47,924)
Servicing of Debt - Payments	28	(6,711)	(6,398)
Transfers - Payments		(6,192)	(5,676)
Receipts of District Government	21	221	463
Payments of District Governments- Revenue Expenditure	30	(37,747)	(33,143)
<b><i>Cash from Operating Activities</i></b>		<b>38,221</b>	<b>17,163</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investment Recovery		21	23
Recovery of Loans and Advances	19	72	104
Expenditure on Physical Assets	25	(3,295)	(1,460)
Expenditure on Civil Works	26	(30,865)	(24,427)
Payments of Loans and Advances	29	(50)	(34)
Investments		(11,882)	(303)
Payment of District Government - Capital Expenditure	30	(2,778)	(2,094)
<b><i>Cash used in Investing Activities</i></b>		<b>(48,777)</b>	<b>(28,191)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Receipt of Foreign Debt	17	3,770	2,926
Receipt of Domestic Debt	18	49	77
Principal Repayment of Debt	27	(3,648)	(3,678)
Net Receipt of Public Account	31	11,019	4,894
<b><i>Cash from Financing Activities</i></b>		<b>11,190</b>	<b>4,219</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>634</b>	<b>(6,809)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>(2,616)</b>	<b>4,193</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>32</b>	<b>(1,982)</b>	<b>(2,616)</b>

*The annexed notes 1 to 37 form an integral part of these Financial Statements.*



Accountant General Khyber Pakhtunkhwa

**GOVERNMENT OF KHYBER PAKHTUNKHWA**  
**Statement of Comparison of Budget and Actual Amounts by Function**  
**For the Year Ended 30 June 2010**

	2010 (Rupees in Million)			2009 (Rupees in Million)		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
<b>RECEIPTS</b>						
<i>Revenue</i>						
Taxation	81,661	79,509	78,189	90,585	90,197	63,643
Non-Taxation	122,091	103,039	70,720	10,295	9,787	46,198
<b>Total revenue receipts</b>	<b>203,752</b>	<b>182,548</b>	<b>148,909</b>	<b>100,880</b>	<b>99,984</b>	<b>109,841</b>
<i>Capital</i>						
Domestic Debt	2,500	1,000	49	8,300	1,500	77
Foreign Debt	4,463	3,869	3,770	3,837	4,864	2,926
Recoveries of Loans and Advances	400	400	72	400	400	104
Recoveries of Investments	-	-	21	-	-	23
<b>Total capital receipts</b>	<b>7,363</b>	<b>5,269</b>	<b>3,912</b>	<b>12,537</b>	<b>6,764</b>	<b>3,130</b>
<i>Receipts of District Government</i>	-	-	<b>40,293</b>	-	-	34,524
<b>TOTAL RECEIPTS</b>	<b>211,115</b>	<b>187,817</b>	<b>193,114</b>	<b>113,417</b>	<b>106,748</b>	<b>147,495</b>
<b>PAYMENTS</b>						
<i>Revenue</i>						
General Public Service	54,795	69,392	65,972	48,160	52,044	48,508
Public Order and Safety Affairs	12,511	21,975	21,956	8,013	11,189	10,732
Economic Affairs	7,387	8,366	7,186	6,717	7,520	6,886
Environment Protection	42	43	27	34	35	25
Housing and Community Amenities	2,025	2,070	1,576	1,410	748	880
Health Affairs and Services	6,665	7,406	5,052	5,258	5,405	3,950
Recreation, Culture and Religion	355	469	437	280	346	303
Education Affairs and Services	6,647	7,862	7,359	4,265	6,045	5,270
Social Protection	1,003	5,239	4,558	366	2,160	1,238
<b>Total revenue payments</b>	<b>91,430</b>	<b>122,822</b>	<b>114,123</b>	<b>74,503</b>	<b>85,492</b>	<b>77,792</b>
<i>Capital</i>						
General Public Service	7,662	8,097	4,976	15,598	15,568	6,240
Public Order and Safety Affairs	58	58	76	40	40	13
Economic Affairs	93,134	95,185	25,795	64,528	66,037	26,379
Environment Protection	3,033	3,121	1,547	1,200	1,200	1,119
Housing and Community Amenities	10,546	10,546	7,575	5,365	7,180	5,109
Health Affairs and Services	2,367	2,367	2,154	3,508	3,508	2,267
Recreation, Culture and Religion	151	151	104	125	125	101
Education Affairs and Services	5,745	7,309	6,577	5,634	5,461	4,884
Social Protection	55	55	47	58	58	57
<b>Total capital payments</b>	<b>122,751</b>	<b>126,889</b>	<b>48,851</b>	<b>96,056</b>	<b>99,177</b>	<b>46,169</b>
<i>Payments of District Government</i>	<b>35,620</b>	<b>40,917</b>	<b>40,525</b>	<b>31,142</b>	<b>36,657</b>	<b>35,237</b>
<b>TOTAL PAYMENTS</b>	<b>249,801</b>	<b>290,628</b>	<b>203,499</b>	<b>201,701</b>	<b>221,326</b>	<b>159,198</b>

The annexed notes 1 to 37 form an integral part of these Financial Statements.



Accountant General Khyber Pakhtunkhwa



**GOVERNMENT OF KHYBER PAKHTUNKHWA**  
**Statement of Comparison of Budget and Actual Expenditure by Department**  
**For the Year Ended 30 June 2010**

DEPARTMENT	2010 Rupees in Million			2009 Rupees in Million		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
Agriculture, Livestock & Cooperation	3,633	3,755	2,064	3,403	3,470	1,575
Board of Revenue	423	451	215	122	1,148	153
Education	9,435	11,778	10,786	7,832	9,374	7,944
Environment, Forestry, Wild life	1,249	1,351	1,039	1,198	1,323	848
Excise and Taxation	51	96	94	25	53	51
Finance	57,927	72,402	67,109	58,779	61,015	50,657
Food	79,257	79,257	15,251	50,937	50,937	17,296
Health	10,032	11,052	8,433	9,688	9,888	7,313
Home and Tribal Affairs	10,315	19,323	19,428	7,139	9,954	9,544
Industries	2,183	2,380	2,076	1,903	1,932	1,047
Information	71	107	83	55	78	70
Irrigation and Power	4,316	4,594	3,903	5,556	5,639	3,507
Law	309	309	314	251	251	271
High Court	782	1,194	1,109	563	845	795
Local Governance	9,727	9,888	8,637	8,100	9,269	8,804
Population, Planning and Welfare Department	613	617	523	495	498	443
Planning and Development	1,729	1,730	198	2,222	2,898	306
Provincial Assembly	242	258	252	167	218	216
Administration and Establishment	1,309	1,666	1,776	1,108	1,978	1,946
Works and Services	18,854	21,480	14,606	10,060	11,127	9,433
Zakat and Ushr	260	278	253	219	258	212
Science and Information Technology	175	175	114	157	157	114
Sports, Culture, Archeology & Museum	408	475	414	328	355	318
Auqaf, Hajj, Religious and Minority Affairs	96	96	84	83	92	71
Inter Provincial Coordination	12	12	12	11	11	10
Relief Rehabilitation and Settlement	698	4,887	4,128	151	1,858	975
Housing Department	9	11	10	7	8	8
Energy and Power	20	35	34	-	26	23
Transport	46	54	29	-	9	11
	<b>214,181</b>	<b>249,711</b>	<b>162,974</b>	<b>170,559</b>	<b>184,669</b>	<b>123,961</b>
<b>Expenditure of District Governments</b>	<b>35,620</b>	<b>40,917</b>	<b>40,525</b>	<b>31,142</b>	<b>36,657</b>	<b>35,237</b>
<b>TOTAL</b>	<b>249,801</b>	<b>290,628</b>	<b>203,499</b>	<b>201,701</b>	<b>221,326</b>	<b>159,198</b>

The annexed notes 1 to 37 form an integral part of these Financial Statements.



Accountant General Khyber Pakhtunkhwa

# GOVERNMENT OF KHYBER PAKHTUNKHWA

## Notes to the Financial Statement

### For the Year Ended 30 June 2010

#### 1 REPORTING ENTITY

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

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

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

Under Khyber Pakhtunkhwa 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. District Governments Khyber Pakhtunkhwa prepare separate Financial Statements. Local Government Accounts Manual also requires that accounts of the District Governments are consolidated in the Financial Statements of the province. In these Financial Statements, accounts of the following District Governments have been consolidated.

- |  |                                      |
|--|--------------------------------------|
| 1- District Government Peshawar          | 2- District Government Abbottabad    |
| 3- District Government Nowshera          | 4- District Government Manshera      |
| 5- District Government Charsadda         | 6- District Government Kohat         |
| 7- District Government Mardan            | 8- District Government Haripur       |
| 9- District Government Swabi             | 10- District Government Dir Lower    |
| 11- District Government Hangu            | 12- District Government Bannu        |
| 13- District Government Swat             | 14- District Government Buner        |
| 15- District Government Malakand         | 16- District Government Battagram    |
| 17- District Government Chitral          | 18- District Government Karakoram    |
| 19- District Government Dera Ismail Khan | 20- District Government Tank         |
| 21- District Government Shangla          | 22- District Government Lakki Marwat |
| 23- District Government Dir Upper        | 24- District Government Kohistan     |

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-KP which comprises receipts of District Governments have been eliminated in consolidation.

## **3 STATEMENT OF COMPLIANCE**

These Financial Statements have been prepared in accordance with the New Accounting Model (NAM) which comprises of seven volumes. In December 2000, Auditor General of Pakistan prescribed NAM with the approval of the President of Pakistan under Article 170 of the Constitution of Islamic Republic of Pakistan. Implementation of NAM is an ongoing process. 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 2009-10 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 2009-10 ( from 1 July, 2009 to 30 June, 2010).

## **6 REPORTING CURRENCY**

The reporting currency of these Financial Statements is Pak Rupees which is Provincial Government's functional and presentation currency.

## **7 SIGNIFICANT ACCOUNTING POLICIES**

### **7.1. Revenue recognition**

Revenue is recognized on the date of receipt of money by the bank or clearance of cheque. Revenue is recognized on a gross basis and any related costs are recorded separately. Receipts representing recovery of any previous overpayment are adjusted against relevant expenditure, if it occurs in the same financial year.

### **7.2. Recognition of expenditure**

Expenditure is recognized on the date when payment is made or cheque is issued. Financial year to which the payments pertain is determined by the date on which a cheque or payment advice is issued. Policies for recognition of expenditure are as follows;

**a) Payments made through cheque**

Expenditure is recognized on the date the cheque is issued.

**b) Inter government transfers**

Expenditure is recognized on the date the transfer is made by the transferor.

**c) Payments directly in bank accounts**

Direct payments into bank account, expenditure is recognized on the date the payment advice is issued to the bank.

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

Repayment of loans and other direct payments by the SBP, expenditure is recognized on the date State Bank of Pakistan advises the relevant accounting office.

**e) Imprest payments**

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

**7.3. Foreign currency**

Transactions in foreign currencies are recorded in the books at the rates of exchange prevailing on the date of transaction. Exchange differences arising on settlement of these transactions are recognized in the statement of cash receipts and payments, but are not been disclosed separately.

**7.4. Employee benefits**

The government has following plans for its employees:

**a) General Provident Fund**

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

**b) Pension**

The entitlement of Government employees to a stream of payments after they retire from service. No liability for pension is recognized in the Financial Statements and pension payments made during the year are recorded as expenditure.

**c) Encashment of leave**

This represents liability arising from entitlements to the various forms of leave earned by Government employees. No provision is made and the expenditure is recognized on the basis of payments made during the year.

**7.5. Investments**

All investments made by the Government are initially measured at cost being the fair value of consideration given plus transaction costs that are directly attributable to their acquisition.

Subsequent to initial recognition, investments are carried at historical cost. Any dividends received against investments are recognized when received in the Provincial Consolidated Fund.

**7.6. Cash and cash equivalents**

For the purpose of Cash Flow Statement, cash and cash equivalents comprise cash with State Bank of Pakistan.

### **7.7. Liability**

Liabilities are future sacrifices of economic benefits that the government is presently obliged to make as a result of the past transaction. All liabilities are recorded at historical cash value.

### **7.8. Public Debt**

Public Debt comprise cash inflows from banks, similar lending agencies, commercial institutions and amounts owing in respect of non-cash assistance provided by third parties and foreign borrowings. All debts raised are classified as either floating or permanent debts depending on the nature of the transaction.

### **7.9. Assets**

Assets are future economic benefits controlled by the Government as a result of past transactions or other past events. Assets are recorded at cost and currently no depreciation is charged.

### **7.10. Loan and advances**

Loans and Advances include loans and advances due from autonomous bodies, financial and non-financial institutions, to Government servants for 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	2010 Rupees in Million	2009 Rupees in Million
<b>8 TAXATION - TRANSFER FROM FEDERAL GOVERNMENT</b>			
<i>Direct Taxes</i>			
Income tax		30,930	23,089
Wealth Tax		1	-
Capital Value Tax		246	-
		<b>31,177</b>	<b>23,089</b>
<i>Indirect Taxes</i>			
Sales tax		27,884	23,512
Custom duty		9,650	8,343
Federal excise		6,865	6,248
Federal excise on Natural Gas		286	149
		<b>44,685</b>	<b>38,252</b>
		<b>75,862</b>	<b>61,341</b>
<b>9 TAXATION - PROVINCIAL GOVERNMENT'S OWN COLLECTION</b>			
<i>Direct Taxes</i>			
Property Tax		182	115
Land Revenue		572	573
Tax on Profession, Trade and Callings		89	92
Capital Value Tax on Immoveable Property		-	146
		<b>843</b>	<b>926</b>
<i>Indirect Taxes</i>			
Receipts Under Motor Vehicles Act		834	700
Stamp Duties		357	358
Provincial Excise		24	28
Others Indirect Taxes		269	290
		<b>1,484</b>	<b>1,376</b>
		<b>2,327</b>	<b>2,302</b>
<b>10 GENERAL ADMINISTRATION RECEIPTS</b>			
Fiscal Administration		80	70
Community Services		370	240
Social Services		182	143
Economic Regulations		12	6
Law and Order		468	418
Organs of State		14	24
		<b>1,126</b>	<b>901</b>

	2010	2009
Note	Rupees in Million	Rupees in Million
<b>11 ECONOMIC SERVICES RECEIPTS</b>		
Cooperation, Irrigation, Embankment-Drainage	267	220
Food and Agriculture	101	89
Fisheries and Animal Husbandry	55	48
Forest	647	595
Others	183	100
	<u>1,253</u>	<u>1,052</u>

## 12 DEVELOPMENT SURCHARGE AND ROYALTIES

Development Surcharge on Gas	<i>12.1</i>	1,026	246
Royalty on Crude Oil	<i>12.2</i>	1,942	3,112
Royalty on Natural Gas	<i>12.2</i>	1,262	733
		<u>4,230</u>	<u>4,091</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.

	2010	2009	
Note	Rupees in Million	Rupees in Million	
<b>13 INTEREST ON LOANS AND ADVANCES</b>			
Interest on Domestic Loan	<i>13.1</i>	14	-
Interest on Loans and Advances to Govt. Servants		3	5
Loans and Advances - Others		276	111
		<u>293</u>	<u>116</u>

### 13.1 Interest On Domestic Loan

District Governments	13	-
Financial Institutions	1	-
	<u>14</u>	<u>-</u>

	Note	2010 Rupees in Million	2009 Rupees in Million
<b>14 DIVIDEND AND PROFIT SHARE</b>			
Dividends Receipts	14.1	12	7
Profit share	14.2	17,300	3,500
		<u>17,312</u>	<u>3,507</u>
<b>14.1 Dividends Receipts</b>			
Non-Financial Institution		12	7
		<u>12</u>	<u>7</u>
<b>14.2 Profit share</b>			
Electricity		17,300	3,500
		<u>17,300</u>	<u>3,500</u>
<b>15 OTHER RECEIPTS</b>			
Unclaimed deposits		30	202
Receipts under the Mines, Oil-fields and Mineral		543	285
Arms License Fees		100	88
Recoveries of Overpayments		8	15
Sand and quarry fees		21	14
Sugarcane development cess		14	13
5% Collection Charges on Federal Taxes		1	5
Miscellaneous Receipts		149	135
		<u>866</u>	<u>757</u>
<b>16 GRANTS AND AID</b>			
Development Grants		5,299	5,517
Non-Development Grants		26,714	14,880
		<u>32,013</u>	<u>20,397</u>
<b>17 FOREIGN DEBT - RECEIPTS</b>			
Foreign Lenders		148	2,028
Federal Government		3,555	797
Others		67	101
		<u>3,770</u>	<u>2,926</u>
<b>18 DOMESTIC DEBT - RECEIPTS</b>			
Permanent Debt	18.1	49	77
		<u>49</u>	<u>77</u>

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



	Note	2010 Rupees in Million	2009 Rupees in Million
<b>19 RECOVERY OF LOANS AND ADVANCES</b>			
Financial Institution		10	37
Non-Financial Institution		45	56
Government Servants		17	11
		<u>72</u>	<u>104</u>
<b>20 TRADING ACTIVITIES - RECEIPTS</b>			
Sale of wheat		13,627	15,377
		<u>13,627</u>	<u>15,377</u>
<b>21 RECEIPTS OF DISTRICT GOVERNMENT</b>			
Direct Taxes		-	5
Indirect Taxes		11	20
Receipts from Civil Administration and Other Functions		167	172
Grants from Provincial Government		40,072	34,061
Miscellaneous Receipts		39	262
Loans and Advances		4	4
		<u>40,293</u>	<u>34,524</u>
Less: Grants from Provincial Government - KP	21.1	<u>(40,072)</u>	<u>(34,061)</u>
		<u>221</u>	<u>463</u>

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

	Note	2010 Rupees in Million	2009 Rupees in Million
<b>22 SALARIES AND EMPLOYEE BENEFITS</b>			
Pay of Officers		2,367	2,480
Pay of Other Staff		6,703	5,366
Allowances		11,909	6,529
Retirement Benefits		6,227	6,340
		<u>27,206</u>	<u>20,715</u>

	Note	2010 Rupees in Million	2009 Rupees in Million
<b>23 OPERATING EXPENSES</b>			
Research Surveys and Exploratory Operations		230	1,254
Communication		135	110
Utilities		1,063	537
Occupancy Costs		99	87
Motor Vehicles		8	5
Travel and Transportation		3,841	3,156
Scholarships, Bonuses and Other Awards		37	33
Technical Assistance		-	10
Entertainments and Gifts		70	48
Commodity Purchases (State Trading)		10,982	12,929
Repair and Maintenance		2,172	2,282
General Operating Expenses		14,416	6,758
		<u>33,053</u>	<u>27,209</u>
<b>24 GRANTS, SUBSIDIES AND WRITE-OFF OF LOANS</b>			
Grants, Subsidies and Write-off of Loans		43,102	37,234
Less: Transfers to District Governments		(40,072)	(34,061)
		<u>3,030</u>	<u>3,173</u>
<b>25 PHYSICAL ASSETS</b>			
Purchase of Building		98	165
Computer Equipment		5	1
Other Stores and Stocks		11	23
Purchase of Transport		854	801
Purchase of Plant & Machinery		609	432
Purchase of Furniture and Fixtures		21	14
Purchase of Other Assets		1,697	24
		<u>3,295</u>	<u>1,460</u>
<b>26 CIVIL WORKS</b>			
Roads, Highways and Bridges		7,173	6,613
Irrigation Works		1,738	1,839
Embankments and Drainage Works		115	128
Building and Structure		15,164	10,716
Other Works		6,614	4,934
Draught Emergency Relief Assistance		61	197
		<u>30,865</u>	<u>24,427</u>
<b>27 PRINCIPAL REPAYMENT OF DEBT</b>			
Foreign Debt		-	2,065
Domestic Debt	27.1	3,648	1,613
		<u>3,648</u>	<u>3,678</u>

	Note	2010 Rupees in Million	2009 Rupees in Million
<b>27.1 Domestic Debt</b>			
Permanent Debt		3,648	613
Floating Debt		-	1,000
		<u>3,648</u>	<u>1,613</u>

## 28 SERVICING OF DEBT

Foreign Debt		-	1,253
Federal Government		6,711	4,045
Domestic Loans		-	1,100
		<u>6,711</u>	<u>6,398</u>

## 29 LOANS AND ADVANCES

Financial Institutions		12	-
Government Employees	29.1	38	34
		<u>50</u>	<u>34</u>

### 29.1 Government Employees

House Building Advance		29	29
Motor Car Advance		9	5
		<u>38</u>	<u>34</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	2010 Rupees in Million	2009 Rupees in Million
<b>30 PAYMENTS OF DISTRICT GOVERNMENTS</b>			
Revenue Expenditure	30.1	37,747	33,143
Capital Expenditure	30.2	2,778	2,094
		<u>40,525</u>	<u>35,237</u>

	Note	2010 Rupees in Million	2009 Rupees in Million
<b>30.1 Revenue Expenditure</b>			
General Public Service		1,981	1,792
Public Order and Safety Affairs		18	16
Economic Affairs		2,895	2,579
Environment Protection		20	18
Housing and Community Amenities		1,773	1,582
Health Affairs and Services		4,008	3,526
Recreation, Culture and Religion		32	29
Education Affairs and Services		26,900	23,478
Social Protection		120	123
		<u>37,747</u>	<u>33,143</u>

### 30.2 Capital Expenditure

General Public Service		1,335	1,215
Economic Affairs		385	206
Environment Protection		87	123
Housing and Community Amenities		923	460
Health		9	7
Recreation Culture and Religion		14	10
Education Affairs and Services		15	51
Social Protection		10	22
		<u>2,778</u>	<u>2,094</u>

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

#### *Receipts*

Trust & other Public Accounts  
Special Deposits  
State Provident Fund

159,340

14,069

7,704

181,113

118,265

13,664

6,866

138,795

#### *Payments*

Trust & other Public Accounts  
Special Deposits  
State Provident Fund

(149,980)

(15,520)

(4,594)

(170,094)

(116,520)

(13,528)

(3,853)

(133,901)

11,019

4,894

**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	2010 Rupees in Million	2009 Rupees in Million
<b>32 CASH AND BANK</b>			
Provincial Government Balance	32.1	194	(380)
District Government Balance		(2,176)	(2,236)
		<u>(1,982)</u>	<u>(2,616)</u>

### 32.1 Provincial Government's Balance

Public Account Balance		55,715	45,008
Consolidated Fund Balance		(55,521)	(45,388)
		<u>194</u>	<u>(380)</u>

### 33 ASSETS AND LIABILITIES

#### Assets

Long Term Assets		189,376	152,442
Investments		14,050	2,101
Loans and Advances		1,852	1,848
Current Assets		(7,778)	2,288
Cash and Bank		(1,982)	(2,616)
	33.1	<u>195,518</u>	<u>156,063</u>

#### Liabilities and equity

Public Debt	34	38,318	38,147
Special Deposits and Trust Accounts		29,647	31,888
Deferred Liabilities		21,470	18,251
Residual Equity		106,083	67,777
	33.1	<u>195,518</u>	<u>156,063</u>

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

### 34 PUBLIC DEBT

#### Domestic Debt

##### Government Securities

Opening Balance		4,758	6,294
Add: Debt Receipts	18	49	77
Less: Principal Repayments of Debt	27.1	(3,648)	(1,613)
Closing Balance		1,159	4,758

##### Foreign Debt

Opening Balance		33,389	32,528
Add: Debt Receipts	17	3,770	2,926
Less: Principal Repayments of Debt	27	-	(2,065)
Closing Balance		37,159	33,389
		<u>38,318</u>	<u>38,147</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 COMPARISION 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 Comparision of Budgeted and Actual Amounts by Function and Actual Expenditure by Department are presented on a gross basis. Grants received by District Governments from Provincial Government- KP have been eliminated against transfers to District Governments in Statement of Cash receipts and payments as explained in note 2 and 21.1 for which a reconciliation is presented below.

	Note	2010 Rupees in Million	2009 Rupees in Million
<b>Receipts</b>			
Actual Receipts in Statement of Comparision of Budget and Actual Amounts by Function		193,114	147,495
Less : Grants from Provincial Government - KP	21	(40,072)	(34,061)
Actual Receipts in Statement of Cash Receipts and Payments		153,042	113,434
<b>Payments</b>			
Actual payments in Statements of Comparision of Budget and Actual Amounts by Function and Actual Expenditure by Department		203,499	159,198
Less: Transfers to District Governments	24	(40,072)	(34,061)
Actual payments in Statement of Cash Receipts and Payments		163,427	125,137

### 36 AUTHORIZATION FOR ISSUE

Under section 7 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, read with Article 171 of the Constitution, the Auditor General submits the certified Financial Statements of the Government of Khyber Pakhtunkhwa together with the audit reports on these Financial Statements to the Governor of the province who shall cause them to be laid before the Provincial Assembly. These Financial Statements have been authorized for issue on \_\_\_\_\_.

### 37 GENERAL

#### 37.1 Level of Precision

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

#### 37.2 Corresponding Figures

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



Accountant General Khyber Pakhtunkhwa