



FINANCIAL STATEMENTS
OF THE
GOVERNMENT OF KHYBER PAKHTUNKHWA
2013-2014



Contents

Preface	1
Auditors Report	3
Statement of Cash Receipts and Payments	5
Statement of Cash Flows	7
Statement of Comparison of Budget and Actual Amounts by Function	8
Statement of Comparison of Budget and Actual Expenditure by Department	9
Notes to the Financial Statements	10

PREFACE

I am pleased to present the Financial Statements of the Government of Khyber Pakhtunkhwa for the year ended 30 June, 2014 together with the Auditors' Reports thereon.

The Financial Statements of the Government of Khyber Pakhtunkhwa for the financial year 2013-14 have been prepared by the Accountant General Khyber Pakhtunkhwa under Section 5 of the Controller General of Accounts (Appointment, Functions and Powers) Ordinance, 2001 and are the responsibility of the Controller General of Accounts (CGA).

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

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

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

Commitment Accounting has been adopted since Financial Year 2009-10 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:

Controller General of Accounts



Auditor General of Pakistan

Audit House, Constitution Avenue
Islamabad, Pakistan

Auditor's Report

I have audited the accompanying financial statements of the Government of Khyber Pakhtunkhwa, which comprise the statements of receipts and payments for the year ended 30 June 2014, 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 30 June 2014 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements.

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit in accordance with the requirements of Article 169 & 170 (2) of the Constitution of the Islamic Republic of Pakistan read with Section 7 of the Auditor-General's (Functions, Power and Conditions of Service) Ordinance 2001. I conducted my audit in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) and other 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 Khyber Pakhtunkhwa as at 30 June 2014 and the results of its operations, its cash flow and its expenditure and receipts, by appropriation for the year ended 30 June 2014 in accordance with the stated accounting policies of the Government of Khyber Pakhtunkhwa.
- b. The sums expended have been applied, in all material respects, for the purposes authorized by Parliament and have, in all material respects, been booked to the relevant grants and appropriations.

Other Reports

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

Islamabad, Pakistan

Dated:

Auditor General of Pakistan

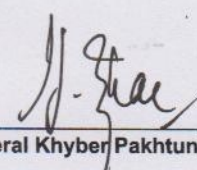
GOVERNMENT OF KHYBER PAKHTUNKHWA
Statement of Cash Receipts and Payments
For the Year Ended 30 June 2014

		2014	2013		
		Rupees	Rupees		
		in Million	in Million		
Note					
PROVINCIAL CONSOLIDATED FUND					
		Receipt / Payment controlled by the Government	Receipt / Payment by Third Parties	Receipt / Payment controlled by the Government	Receipt / Payment by Third Parties
RECEIPTS					
Taxation- Transfers from Federal Government	8	204,443	-	180,747	-
Taxation- Provincial Government's own collection	9	10,195	-	4,058	-
Non-Tax Revenue and Other Receipts					
General Administration	10	2,273	-	1,954	-
Economic Services	11	1,845	-	1,520	-
Development Surcharge and Royalties	12	29,961	-	18,260	-
Interest on Loans and Advances	13	339	-	83	-
Dividend and Profit Share	14	35,917	-	29,917	-
Others	15	2,149	-	2,042	-
		72,484	-	53,776	-
Grants and Aid	16	17,749	3,832	12,330	-
Borrowings					
Foreign Debt	17	-	-	-	111
Domestic Debt	18	9,452	-	727	-
		9,452	-	727	111
Capital Receipts					
Investment Recovery		487	-	-	-
Recovery of Loans and Advances	19	50	-	94	-
		537	-	94	-
Trading Activities	20	19,530	-	13,570	-
Receipts of District Governments	21	1	-	759	-
TOTAL RECEIPTS		334,391	3,832	266,061	111

GOVERNMENT OF KHYBER PAKHTUNKHWA
Statement of Cash Receipts and Payments
For the Year Ended 30 June 2014

		2014 Rupees in Million	2013 Rupees in Million		
	Note	Receipt / Payment controlled by the Government	Receipt / Payment by Third Parties	Receipt / Payment controlled by the Government	Receipt / Payment by Third Parties
PAYMENTS					
Operations					
Salaries and Employee Benefits	22	140,576	-	56,982	-
Operating Expenses	23	80,109	1,697	55,292	-
		220,685	1,697	112,274	-
Transfers					
Grants, Subsidies and Write-off of Loans	24	10,890	-	4,405	-
Other Transfer Payments		8,279	-	6,586	-
		19,169	-	10,991	-
Expenditure on					
Physical Assets	25	3,383	-	998	-
Civil Works	26	28,453	2,135	33,174	111
		31,836	2,135	34,172	111
Debt and Interest Payments					
Principal Repayment of Debt	27	16,952	-	13,653	-
Servicing of Debt	28	6,255	-	5,692	-
		23,207	-	19,345	-
Other Payments					
Loans and Advances	29	6,276	-	5,996	-
Investments		9,500	-	9,000	-
		15,776	-	14,996	-
Payments of District Governments	30	54	-	84,618	-
TOTAL PAYMENTS		310,727	3,832	276,396	111
NET PAYMENT OF PROVINCIAL CONSOLIDATED FUND		23,664	-	(10,335)	-
NET RECEIPT OF PUBLIC ACCOUNT	31	17,334	-	2,060	-
INCREASE / (DECREASE) IN CASH		40,998	-	(8,275)	-
CASH AT THE BEGINNING OF THE YEAR		14,071	-	22,346	-
INCREASE / (DECREASE) IN CASH		40,998	-	(8,275)	-
CASH AT THE END OF THE YEAR	32	55,069	-	14,071	-

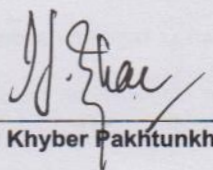
The annexed notes 1 to 37 form an integral part of these Financial Statements.


Accountant General Khyber Pakhtunkhwa

GOVERNMENT OF KHYBER PAKHTUNKHWA
Statement of Cash Flows
For the Year Ended 30 June 2014

	Note	2014 Rupees in Million	2013 Rupees in Million
CASH FLOW FROM OPERATING ACTIVITIES			
Taxation- Transfers from Federal Government	8	204,443	180,747
Taxation- Provincial Government's own collection	9	10,195	4,058
Non-Tax Revenue and Other Receipts		72,484	53,776
Grants and Aid - Receipts	16	21,581	12,330
Trading Activities - Receipts	20	19,530	13,570
Operations- Payments		(222,382)	(112,274)
Servicing of Debt - Payments	28	(6,255)	(5,692)
Transfers - Payments		(19,169)	(10,991)
District Governments-Receipts	21	1	759
District Governments- Revenue Expenditure	30.1	-	(77,279)
Cash from Operating Activities		80,428	59,004
CASH FLOW FROM INVESTING ACTIVITIES			
Investment Recovery		487	-
Recovery of Loans and Advances	19	50	94
Expenditure on Physical Assets	25	(3,383)	(998)
Expenditure on Civil Works	26	(30,588)	(33,285)
Payments of Loans and Advances	29	(6,276)	(5,996)
Investments		(9,500)	(9,000)
Payment of District Government - Capital Expenditure	30.2	(54)	(7,339)
Cash used in Investing Activities		(49,264)	(56,524)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipt of Foreign Debt	17	-	111
Receipt of Domestic Debt	18	9,452	727
Principal Repayment of Debt	27	(16,952)	(13,653)
Net Receipt of Public Account	31	17,334	2,060
Cash from Financing Activities		9,834	(10,755)
DECREASE IN CASH AND CASH EQUIVALENTS		40,998	(8,275)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		14,071	22,346
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	32	55,069	14,071

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 2014

Note	2014 (Rupees in Million)			2013 (Rupees in Million)		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
RECEIPTS						
<u>Revenue</u>						
Taxation	233,573	219,956	214,638	222,087	185,192	184,805
Non-Taxation	191,872	150,182	119,263	155,254	96,208	79,676
Total revenue receipts	425,445	370,138	333,901	377,341	281,400	264,481
<u>Capital</u>						
Domestic Debt	12,000	12,000	9,452	9,500	9,500	727
Foreign Debt	4,305	4,794	-	3,695	1,108	111
Recoveries of Loans and Advances	249	249	50	249	249	94
Recoveries of Investments	1	488	487	1	1	-
Total capital receipts	16,555	17,531	9,989	13,445	10,858	932
<u>Receipts of District Governments</u>	-	-	107	-	-	83,785
TOTAL RECEIPTS	442,000	387,669	343,997	390,786	292,258	349,198
PAYMENTS						
<u>Revenue</u>						
General Public Service	61,212	61,816	47,656	129,184	130,972	115,764
Defence Services	59	59	57			
Public Order and Safety Affairs	30,068	36,938	31,348	28,814	30,027	28,985
Economic Affairs	20,068	20,356	16,963	13,890	15,128	13,150
Environment Protection	67	67	44	62	62	47
Housing and Community Amenities	6,529	6,529	5,308	2,518	2,518	1,722
Health Affairs and Services	22,237	25,988	21,453	9,240	11,760	9,786
Recreation, Culture and Religion	1,256	1,282	833	954	1,025	812
Education Affairs and Services	80,083	84,156	76,888	15,934	17,449	14,351
Social Protection	7,304	9,802	4,735	5,048	7,642	5,643
Total revenue payments	228,883	246,993	205,285	205,644	216,583	190,260
<u>Capital</u>						
General Public Service	45,823	45,823	33,324	33,580	33,580	28,616
Public Order and Safety Affairs	868	868	278	772	772	225
Economic Affairs	117,254	127,207	52,286	105,498	109,981	25,193
Environment Protection	3,701	3,701	1,624	4,487	5,003	3,528
Housing and Community Amenities	8,582	8,582	4,380	10,431	10,470	8,531
Health Affairs and Services	5,370	5,526	3,345	7,483	7,600	3,044
Recreation, Culture and Religion	517	517	390	456	456	462
Education Affairs and Services	27,017	27,737	12,830	20,790	22,229	14,798
Social Protection	3,985	4,135	869	1,645	1,795	258
Total capital payments	213,117	224,096	109,326	185,142	191,886	84,655
<u>Payments of District Governments</u>	-	-	5,722	72,541	89,832	84,618
TOTAL PAYMENTS	442,000	471,089	320,333	463,327	498,301	359,533

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 2014

DEPARTMENT	2014 Rupees in Million			2013 Rupees in Million		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
Note						
Agriculture, Livestock & Cooperation	6,617	6,622	4,871	3,176	3,176	2,523
Board of Revenue	3,975	3,975	2,831	1,252	1,252	479
Education	96,824	101,508	81,605	28,310	31,202	22,127
Environment, Forestry, Wild life	2,349	2,568	2,216	2,137	2,372	1,989
Excise and Taxation	459	480	422	116	116	87
Finance	76,424	76,524	62,450	148,506	148,506	132,615
Food	89,000	89,000	25,095	81,224	81,224	4,669
Health	32,396	36,413	28,511	19,839	20,868	16,645
Home and Tribal Affairs	25,856	32,234	27,387	25,565	26,079	25,304
Industries	8,367	8,395	5,695	6,160	6,229	4,483
Information	382	382	173	338	338	239
Irrigation and Power	8,468	10,932	8,836	7,490	8,617	7,503
Law	1,095	1,580	809	824	863	754
High Court	2,879	2,879	2,921	2,228	2,906	2,699
Local Governance	34,096	34,096	18,422	21,319	22,731	18,098
Population, Planning and Welfare Department	1,298	1,324	1,096	409	409	305
Planning and Development	3,499	3,499	1,403	2,928	2,928	635
Provincial Assembly	518	518	486	433	477	428
Administration and Establishment	2,651	3,114	2,518	2,352	2,703	2,591
Works and Services	29,137	36,813	27,516	21,186	26,992	18,761
Zakat and Ushr	1,354	1,541	1,214	948	956	762
Science and Information Technology	625	625	575	643	643	455
Sports, Culture, Archeology & Museum	1,234	1,255	924	991	1,060	922
Auqaf, Hajj, Religious and Minority Affairs	219	219	93	202	202	143
Inter Provincial Coordination	30	30	23	24	24	23
Relief Rehabilitation and Settlement	6,560	8,847	2,592	5,246	7,986	4,710
Housing Department	5,353	5,353	3,711	6,620	6,660	4,175
Energy and Power	59	59	28	60	690	653
Transport	276	304	188	260	260	138
	442,000	471,089	314,611	390,786	408,469	274,915
Expenditure of District Governments	-	-	5,722	72,541	89,832	84,618
TOTAL	442,000	471,089	320,333	463,327	498,301	359,533

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 2014

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.

District Governments were dissolved under Local Government Act 2013 and the devolved departments were realigned with the Government of Khyber Pakhtunkhwa. Auditor General of Pakistan under Section 114 of the defunct Local Government Ordinance 2001, prescribed Local Government Accounts Manual for District Governments. This Manual requires preparation of annual Finance and Appropriation Accounts by each District Government. As the District Governments were not functional, separate Financial Statements for the District Governments have not been prepared for the financial year 2013-14. 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 Karak |
| 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 |
| 25- District Government Tor Ghar | |

These Financial Statements include all Centralized Entities, 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 five (25) District Governments. Material Inter-governmental transactions such as transfers from Provincial Government-KP which comprises receipts of District Governments have been eliminated in consolidation.

3 STATEMENT OF COMPLIANCE

These Financial Statements have been prepared in accordance with the New Accounting Model (NAM) which comprises of seven volumes. In December 2000, Auditor General of Pakistan prescribed NAM with the approval of the President of Pakistan under Article 170 of the Constitution of Islamic Republic of Pakistan. Implementation of NAM is an ongoing process. Commitment Accounting has been adopted since 2009-10, however asset and liability accounting practices have not yet been implemented, memorandum registers for assets do not exist and accounting for liabilities is not done in accordance with NAM.

4 ACCOUNTING CONVENTION AND BASIS OF CONSOLIDATION

These Financial Statements have been prepared under the Cash Basis of Accounting which recognizes transactions and events only when cash is received or paid by the entity. Assets and Liabilities in the disclosed notes are on a historical cost basis.

These Financial Statements have been prepared as per the requirements of NAM that supports international best practices. The statement of receipt and payments, statements of comparison of budget and actual amounts by function, statements of comparison of budget and actual expenditure by department and notes forming parts thereof have been prepared on the format of Cash Basis IPSAS - Financial Reporting under the Cash Basis of Accounting. The statement of cash flows as required by IPSAS 2- Cash Flow Statements has also been presented, as encouraged by Cash Basis IPSAS.

The Financial Statements for the financial year 2013-14 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 2013-2014 (from 1 July, 2013 to 30 June, 2014).

6 REPORTING CURRENCY

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

7 SIGNIFICANT ACCOUNTING POLICIES

7.1. Revenue recognition

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

7.2. Recognition of expenditure

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

a) Payments made through cheque

Expenditure is recognized on the date the cheque is issued.

b) Inter government transfers

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

c) Payments directly in bank accounts

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

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

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

e) Imprest payments

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

7.3. Foreign currency

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

7.4. Employee benefits

The government has following plans for its employees:

a) General Provident Fund

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

b) Pension

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

c) Encashment of leave

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

7.5. Investments

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

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

7.6. Cash and cash equivalents

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

7.7. Liability

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

7.8. Public Debt

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

7.9. Assets

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

7.10. Loan and advances

Loans and Advances include loans and advances due from autonomous bodies, financial and non-financial institutions, to Government servants for house building, purchase of conveyances and other loans. Loans to Government servants are interest bearing and interest is calculated in accordance with the General Financial Rules.

7.11 Payments by third parties

The Government also benefits from goods and services purchased on its behalf as a result of cash payments made by the third parties during the period by way of loans and contributions, in the shape of grants and aid. The payments made by the third parties do not constitute cash receipts or payments controlled by the Government as defined in the Cash Basis IPSAS - Financial Reporting under the Cash Basis of Accounting but do benefit the Government, as the Government does not receive cash (including cash equivalents) directly from, or gain control of the bank accounts or similar facility established for its benefit, by the third parties. Payments by third parties are disclosed in the payments by third parties column on the face of statement of cash receipts and payments and notes to the Financial Statements.

	Note	2014 Rupees in Million	2013 Rupees in Million
--	------	------------------------------	------------------------------

TAXATION - TRANSFER FROM FEDERAL GOVERNMENT

Direct Taxes

Income tax	76,493	67,762
Wealth Tax	6	-
Capital Value Tax	90	23
	76,589	67,785

Indirect Taxes

Sales tax	92,910	79,403
Custom duty	21,614	21,781
Federal excise	11,946	10,407
Federal excise on Natural Gas	1,384	1,371
	127,854	112,962

204,443

180,747

TAXATION - PROVINCIAL GOVERNMENT'S OWN COLLECTION

Direct Taxes

Income tax - Agriculture	32	22
Property Tax	267	254
Land Revenue	1,492	1,186
Tax on Profession, Trade and Callings	136	130
Capital Value Tax on Immoveable Property	263	292
	2,190	1,884

Indirect Taxes

Receipts Under Motor Vehicles Act	1,043	935
Sales Tax	5,668	-
Stamp Duties	712	615
Provincial Excise	25	20
Others Indirect Taxes	557	604
	8,005	2,174

10,195

4,058

GENERAL ADMINISTRATION RECEIPTS

Fiscal Administration	160	117
Community Services	530	793
Social Services	696	369
Economic Regulations	17	14
Law and Order	826	635
Organs of State	44	26
	2,273	1,954

	Note	2014 Rupees in Million	2013 Rupees in Million
11 ECONOMIC SERVICES RECEIPTS			
Cooperation, Irrigation, Embankment-Drainage		850	371
Food and Agriculture		170	149
Fisheries and Animal Husbandry		113	101
Forest		508	727
Others		204	172
		<u>1,845</u>	<u>1,520</u>

12 DEVELOPMENT SURCHARGE AND ROYALTIES

Development Surcharge on Gas	12.1	5,755	1,648
Royalty on Crude Oil	12.2	19,755	12,871
Royalty on Natural Gas	12.2	4,451	3,741
		<u>29,961</u>	<u>18,260</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	2014 Rupees in Million	2013 Rupees in Million
13 INTEREST ON LOANS AND ADVANCES			
Interest on Domestic Loan	13.1	1	5
Interest on Loans and Advances to Govt. Servants		2	2
Interest - Others		336	76
		<u>339</u>	<u>83</u>

13.1 Interest On Domestic Loan

Financial Institutions		1	5
		<u>1</u>	<u>5</u>

14 DIVIDEND AND PROFIT SHARE

Dividends Receipts	14.1	17	17
Profit share	14.2	35,900	29,900
		<u>35,917</u>	<u>29,917</u>

	Note	2014 Rupees in Million	2013 Rupees in Million
14.1 Dividends Receipts			
Non-Financial Institution		<u>17</u>	<u>17</u>
		<u>17</u>	<u>17</u>
14.2 Profit share			
Electricity		33,100	28,000
Others		<u>2,800</u>	<u>1,900</u>
		<u>35,900</u>	<u>29,900</u>
15 OTHER RECEIPTS			
Unclaimed deposits		413	402
Rent, Rates and Taxes		9	5
Receipts under the Mines, Oil-fields and Mineral		728	621
Arms License Fees		327	265
Recoveries of Overpayments		41	16
Tourism Receipts		15	12
Sand and quarry fees		40	58
Recoveries made by NAB from defaulters		129	41
Sugarcane development cess		86	92
Sugarcane cess collection charges		5	-
Fees, Fines, Penalties		10	-
Local Government		7	-
Renewal of licenses of Private Security Co		4	4
5% Collection Charges on Federal Taxes		4	3
Miscellaneous Receipts		<u>331</u>	<u>523</u>
		<u>2,149</u>	<u>2,042</u>
16 GRANTS AND AID			
Controlled by Govt:	16.1	17,749	12,330
Third Party Receipts	16.2	<u>3,832</u>	<u>-</u>
		<u>21,581</u>	<u>12,330</u>
16.1 Controlled by Govt:			
Development Grants		16,223	12,252
Non-Development Grants		1,504	78
From District Govt.		5,668	-
Other Grants		<u>22</u>	<u>-</u>
		<u>23,417</u>	<u>12,330</u>
Less: Grants from District Governments - KP	16.1.1	<u>(5,668)</u>	<u>-</u>
		<u>17,749</u>	<u>12,330</u>

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

	Note	2014 Rupees in Million	2013 Rupees in Million
16.2 Third Party Receipts			
Development Grants		3,832	-
		<u>3,832</u>	<u>-</u>
17 FOREIGN DEBT - RECEIPTS			
Third Party Receipts			
Foreign Lenders		-	111
		<u>-</u>	<u>111</u>
18 DOMESTIC DEBT - RECEIPTS			
Permanent Debt	18.1	55	14
Floating Debt		9,397	713
		<u>9,452</u>	<u>727</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	2014 Rupees in Million	2013 Rupees in Million
19 RECOVERY OF LOANS AND ADVANCES			
Financial Institution		-	42
Non-Financial Institution		1	1
Government Servants		49	50
Others		-	1
		<u>50</u>	<u>94</u>
20 TRADING ACTIVITIES - RECEIPTS			
Sale of wheat		16,728	10,840
Subsidies on wheat		2,783	2,714
Sale of Others		19	16
		<u>19,530</u>	<u>13,570</u>
21 RECEIPTS OF DISTRICT GOVERNMENT			
Indirect Taxes		-	39
Income from Property and Enterprises		-	1
Receipts from Civil Administration and Other Functions		1	295
Grants from Provincial Government		106	83,026
Miscellaneous Receipts		-	421
Loans and Advances		-	3
		<u>107</u>	<u>83,785</u>
Less: Grants from Provincial Government - KP	21.1	(106)	(83,026)
		<u>1</u>	<u>759</u>

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

	Note	2014 Rupees in Million	2013 Rupees in Million
22 SALARIES AND EMPLOYEE BENEFITS			
Pay of Officers		13,190	4,505
Pay of Other Staff		39,387	12,200
Allowances		66,559	22,737
Retirement Benefits		21,440	17,540
		<u>140,576</u>	<u>56,982</u>
23 OPERATING EXPENSES			
Controlled by Govt:	23.1	80,109	55,292
Third Party Payments	23.2	1,697	-
		<u>81,806</u>	<u>55,292</u>
23.1 Controlled by Govt:			
Research Surveys and Exploratory Operations		11	13
Communication		211	154
Utilities		2,813	1,345
Occupancy Costs		244	276
Motor Vehicles		20	31
Travel and Transportation		7,255	2,778
Scholarships, Bonuses and Other Awards		33	46
Consultancy & Contractual Cost		1	-
Entertainments and Gifts		91	92
Commodity Purchases (State Trading)		18,110	769
Repair & Maintenance		3,521	3,260
General Operating Expenses		47,799	46,528
		<u>80,109</u>	<u>55,292</u>
23.2 Third Party Payments			
General Operating Expenses		1,697	-
		<u>1,697</u>	<u>-</u>
24 GRANTS, SUBSIDIES AND WRITE-OFF OF LOANS			
Grants, Subsidies and Write-off of Loans		10,996	87,431
Less: Transfers to District Governments	21.1	(106)	(83,026)
		<u>10,890</u>	<u>4,405</u>

	Note	2014 Rupees in Million	2013 Rupees in Million
25 PHYSICAL ASSETS			
Feasibility Studies		601	56
Purchase of Building		604	40
Computer Equipment		56	30
Other Stores and Stocks		12	-
Purchase of Transport		788	221
Purchase of Plant & Machinery		879	442
Purchase of Furniture and Fixtures		366	55
Purchase of Other Assets		77	154
		<u>3,383</u>	<u>998</u>
26 CIVIL WORKS			
Controlled by Govt:	26.1	28,453	33,174
Third Party Payments	26.2	2,135	111
		<u>30,588</u>	<u>33,285</u>
26.1 Controlled by Govt:			
Roads, Highways and Bridges		2,619	2,441
Irrigation Works		4,765	1,359
Embankments and Drainage Works		57	-
Building and Structure		18,914	22,654
Other Works		2,098	6,720
Draught Emergency Relief Assistance		-	-
		<u>28,453</u>	<u>33,174</u>
26.2 Third Party Payments			
Other Works		2,135	111
		<u>2,135</u>	<u>111</u>
27 PRINCIPAL REPAYMENT OF DEBT			
Foreign Debt		7,524	746
Domestic Debt	27.1	9,428	12,907
		<u>16,952</u>	<u>13,653</u>
27.1 Domestic Debt			
Permanent Debt		680	4,376
Floating Debt		8,748	8,531
		<u>9,428</u>	<u>12,907</u>

	Note	2014 Rupees in Million	2013 Rupees in Million
28 SERVICING OF DEBT			
Federal Government		6,034	5,257
Domestic Loans		221	435
		<u>6,255</u>	<u>5,692</u>
29 LOANS AND ADVANCES			
Financial Institutions		6,200	5,942
Government Employees	29.1	76	54
		<u>6,276</u>	<u>5,996</u>
29.1 Government Employees			
House Building Advance		55	43
Motor Car Advance		21	11
	29.1.1	<u>76</u>	<u>54</u>

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

	Note	2014 Rupees in Million	2013 Rupees in Million
30 PAYMENTS OF DISTRICT GOVERNMENTS			
Revenue Expenditure	30.1	-	77,279
Capital Expenditure	30.2	54	7,339
		<u>54</u>	<u>84,618</u>
30.1 Revenue Expenditure			
General Public Service		5,668	2,584
Defense Services		-	2
Public Order and Safety Affairs		-	38
Economic Affairs		-	5,486
Environment Protection		-	36
Housing and Community Amenities		-	4,032
Health Affairs and Services		-	8,717
Recreation, Culture and Religion		-	54
Education Affairs and Services		-	55,294
Social Protection		-	1,036
		<u>5,668</u>	<u>77,279</u>
Less: Transfers to Provincial Government	16.1.1	(5,668)	-
		<u>-</u>	<u>77,279</u>

	Note	2014 Rupees in Million	2013 Rupees in Million
30.2 Capital Expenditure			
General Public Service		50	4,547
Public Order and Safety Affairs		-	1
Economic Affairs		-	45
Environment Protection		-	98
Housing and Community Amenities		4	2,582
Recreation Culture and Religion		-	20
Education Affairs and Services		-	8
Social Protection		-	38
		<u>54</u>	<u>7,339</u>

31 NET RECEIPT / (PAYMENT) OF PUBLIC ACCOUNT

Receipts

Trust & other Public Accounts
Special Deposits
State Provident Fund

379,083	354,542
23,292	19,936
10,151	11,440
<u>412,526</u>	<u>385,918</u>

Payments

Trust & other Public Accounts
Special Deposits
State Provident Fund

(373,697)	(351,785)
(16,164)	(18,460)
(5,331)	(13,613)
<u>(395,192)</u>	<u>(383,858)</u>

31.1	<u>17,334</u>	<u>2,060</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	2014 Rupees in Million	2013 Rupees in Million
32 CASH AND BANK			
Provincial Government Balance	32.1	54,719	13,940
District Government Balance		350	131
		<u>55,069</u>	<u>14,071</u>
32.1 Provincial Government's Balance			
Public Account Balance		72,329	60,829
Consolidated Fund Balance		(17,610)	(46,889)
		<u>54,719</u>	<u>13,940</u>

	Note	2014 Rupees in Million	2013 Rupees in Million
33 ASSETS AND LIABILITIES			
Assets			
Long Term Assets		362,303	323,603
Investments		43,230	36,037
Loans and Advances		18,025	11,785
Current Assets		3,071	4,441
Cash and Bank		55,069	14,071
	33.1	<u>481,698</u>	<u>389,937</u>
Liabilities and equity			
Public Debt	34	14,548	22,048
Special Deposits and Trust Accounts		49,651	41,522
Deferred Liabilities		31,433	26,735
Residual Equity		386,066	299,632
	33.1	<u>481,698</u>	<u>389,937</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.

	Note	2014 Rupees in Million	2013 Rupees in Million
34 PUBLIC DEBT			
Domestic Debt			
Government Securities			
Opening Balance		(8,808)	3,372
Add: Debt Receipts	18	9,452	727
Less: Principal Repayments of Debt	27.1	(9,428)	(12,907)
Closing Balance		(8,784)	(8,808)
Foreign Debt			
Opening Balance		30,856	31,491
Add: Debt Receipts	17	-	111
Less: Principal Repayments of Debt	27	(7,524)	(746)
Closing Balance		23,332	30,856
	34.1	<u>14,548</u>	<u>22,048</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- KP have been eliminated against transfers to District Governments in Statement of Cash receipts and payments as explained in note 2 and 21.1 and Grants received by Government of Khyber Pakhtunkhwa from District Governments- KP have been eliminated against transfers to Government of Khyber Pakhtunkhwa as explained in note 2 and 16.1.1 for which a reconciliation is presented below.

	Note	2014 Rupees in Million	2013 Rupees in Million
Receipts			
Actual Receipts in Statement of Comparison of Budget and Actual Amounts by Function		343,997	349,198
Less : Grants from Provincial Government - KP	21.1	(106)	(83,026)
Less : Grants from District Governments - KP	16.1.1	(5,668)	-
Actual Receipts in Statement of Cash Receipts and Payments		338,223	266,172
Payments			
Actual payments in Statements of Comparison of Budget and Actual Amounts by Function and Actual Expenditure by Department		320,333	359,533
Less: Transfers to District Governments - KP	24	(106)	(83,026)
Less: Transfers to Provincial Government- KP	30.1	(5,668)	-
Actual payments in Statement of Cash Receipts and Payments		314,559	276,507

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 29.01.2015.

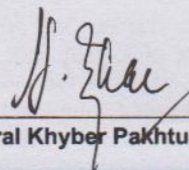
37 GENERAL

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