



**FINANCIAL STATEMENTS  
OF THE  
GOVERNMENT OF KHYBER PAKHTUNKHWA  
2014-2015**





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## PREFACE

I am pleased to present the Financial Statements of the Government of Khyber Pakhtunkhwa for the year ended 30 June, 2015 together with the Auditors' Reports thereon.

The Financial Statements of the Government of Khyber Pakhtunkhwa for the financial year 2014-15 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.

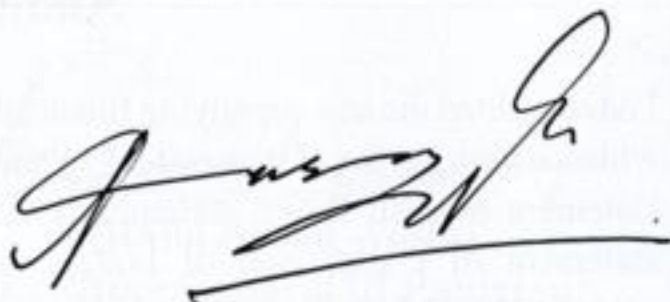
These Financial Statements focus on reporting the budgetary activity of the Government for the financial year as laid down in the financial procedures of the Constitution which describes the Government as Provincial Consolidated Fund and Public Account for which Annual Budget Statement is authorized 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: 19 JAN 2016



Controller General of Accounts





## Auditor General of Pakistan

Audit House, Constitution Avenue  
Islamabad, Pakistan

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### 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 on 30 June 2015, 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 as on 30 June 2015 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 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 2015 and the results of its financial operations, its cash flow and its expenditure and receipts, by appropriation for the year ended 30 June 2015 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: 19 JAN 2016



(Rana Assad Amin)  
Auditor- General of Pakistan



**GOVERNMENT OF KHYBER PAKHTUNKHWA**  
**Statement of Cash Receipts and Payments**  
**For the Year Ended 30 June 2015**

		2015 Rupees in Million		2014 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
PROVINCIAL CONSOLIDATED FUND					
RECEIPTS					
Taxation- Transfers from Federal Government	8	229,002	-	204,443	-
Taxation- Provincial Government's own collection	9	11,288	-	10,195	-
Non-Tax Revenue and Other Receipts					
General Administration	10	2,723	-	2,273	-
Economic Services	11	1,430	-	1,845	-
Development Surcharge and Royalties	12	21,739	-	29,961	-
Interest on Loans and Advances	13	289	-	339	-
Dividend and Profit Share	14	11,205	-	35,917	-
Others	15	3,497	-	2,149	-
		40,883	-	72,484	-
Grants and Aid	16	21,795	5,640	17,749	3,832
Borrowings					
Foreign Debt	17	-	3,529	-	-
Domestic Debt	18	10,798	-	9,452	-
		10,798	3,529	9,452	-
Capital Receipts					
Investment Recovery		-	-	487	-
Recovery of Loans and Advances	19	939	-	50	-
		939	-	537	-
Trading Activities	20	9,295	-	19,530	-
Receipts of District Governments	21	-	-	1	-
TOTAL RECEIPTS		324,000	9,169	334,391	3,832



**GOVERNMENT OF KHYBER PAKHTUNKHWA**  
**Statement of Cash Receipts and Payments**  
**For the Year Ended 30 June 2015**

		2015 Rupees in Million		2014 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
<b>PAYMENTS</b>					
<b>Operations</b>					
Salaries and Employee Benefits	22	158,468	-	140,576	-
Operating Expenses	23	87,752	3,932	80,109	1,697
		246,220	3,932	220,685	1,697
<b>Transfers</b>					
Grants, Subsidies and Write-off of Loans	24	25,705	-	10,890	-
Other Transfer Payments		9,166	-	8,279	-
		34,871	-	19,169	-
<b>Expenditure on</b>					
Physical Assets	25	4,520	-	3,383	-
Civil Works	26	42,979	5,237	28,453	2,135
		47,499	5,237	31,836	2,135
<b>Debt and Interest Payments</b>					
Principal Repayment of Debt	27	15,388	-	16,952	-
Servicing of Debt	28	5,999	-	6,255	-
		21,387	-	23,207	-
<b>Other Payments</b>					
Loans and Advances	29	194	-	6,276	-
Investments	30	13,944	-	9,500	-
		14,138	-	15,776	-
<b>Payments of District Governments</b>	31	-	-	54	-
<b>TOTAL PAYMENTS</b>		<b>364,115</b>	<b>9,169</b>	<b>310,727</b>	<b>3,832</b>
<b>NET PAYMENT OF PROVINCIAL CONSOLIDATED FUND</b>		<b>(40,115)</b>	<b>-</b>	<b>23,664</b>	<b>-</b>
<b>NET RECEIPT OF PUBLIC ACCOUNT</b>	32	<b>19,876</b>	<b>-</b>	<b>17,334</b>	<b>-</b>
<b>INCREASE / (DECREASE) IN CASH</b>		<b>(20,239)</b>	<b>-</b>	<b>40,998</b>	<b>-</b>
<b>CASH AT THE BEGINNING OF THE YEAR</b>		<b>55,069</b>	<b>-</b>	<b>14,071</b>	<b>-</b>
<b>INCREASE / (DECREASE) IN CASH</b>		<b>(20,239)</b>	<b>-</b>	<b>40,998</b>	<b>-</b>
<b>CASH AT THE END OF THE YEAR</b>	33	<b>34,830</b>	<b>-</b>	<b>55,069</b>	<b>-</b>

The annexed notes 1 to 38 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 2015**

	Note	2015 Rupees in Million	2014 Rupees in Million
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Taxation- Transfers from Federal Government	8	229,002	204,443
Taxation- Provincial Government's own collection	9	11,288	10,195
Non-Tax Revenue and Other Receipts		40,883	72,484
Grants and Aid - Receipts	16	27,435	21,581
Trading Activities - Receipts	20	9,295	19,530
Operations- Payments		(250,152)	(222,382)
Servicing of Debt - Payments	28	(5,999)	(6,255)
Transfers - Payments		(34,871)	(19,169)
District Governments-Receipts	21	-	1
<b>Cash from Operating Activities</b>		<b>26,881</b>	<b>80,428</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investment Recovery		-	487
Recovery of Loans and Advances	19	939	50
Expenditure on Physical Assets	25	(4,520)	(3,383)
Expenditure on Civil Works	26	(48,216)	(30,588)
Payments of Loans and Advances	29	(194)	(6,276)
Investments	30	(13,944)	(9,500)
Payment of District Government - Capital Expenditure	31.2	-	(54)
<b>Cash used in Investing Activities</b>		<b>(65,935)</b>	<b>(49,264)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Receipt of Domestic Debt	18	10,798	9,452
Principal Repayment of Debt	27	(15,388)	(16,952)
Net Receipt of Public Account	32	19,876	17,334
<b>Cash from Financing Activities</b>		<b>18,815</b>	<b>9,834</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(20,239)</b>	<b>40,998</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>55,069</b>	<b>14,071</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	33	<b>34,830</b>	<b>55,069</b>

The annexed notes 1 to 38 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 2015

Note	2015 (Rupees in Million )			2014 (Rupees in Million )		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
<b>RECEIPTS</b>						
<u>Revenue</u>						
Taxation	276,308	257,142	240,290	233,573	219,956	214,638
Non-Taxation	206,492	162,014	77,613	191,872	150,182	119,263
<b>Total revenue receipts</b>	<b>482,800</b>	<b>419,156</b>	<b>317,903</b>	<b>425,445</b>	<b>370,138</b>	<b>333,901</b>
<u>Capital</u>						
Domestic Debt	15,000	15,000	10,798	12,000	12,000	9,452
Foreign Debt	8,269	6,287	3,529	4,305	4,794	-
Recoveries of Loans and Advances	249	1,014	939	249	249	50
Recoveries of Investments	1	1	-	1	488	487
<b>Total capital receipts</b>	<b>23,519</b>	<b>22,302</b>	<b>15,266</b>	<b>16,555</b>	<b>17,531</b>	<b>9,989</b>
<u>Receipts of District Governments</u>	-	-	-	-	-	107
<b>TOTAL RECEIPTS</b>	<b>506,319</b>	<b>441,458</b>	<b>333,169</b>	<b>442,000</b>	<b>387,669</b>	<b>343,997</b>
<b>PAYMENTS</b>						
<u>Revenue</u>						
General Public Service	75,887	79,691	59,824	61,212	61,816	47,656
Defence Services	62	62	60	59	59	57
Public Order and Safety Affairs	35,636	39,682	36,991	30,068	36,938	31,348
Economic Affairs	22,614	23,241	20,755	20,068	20,356	16,963
Environment Protection	70	70	57	67	67	44
Housing and Community Amenities	13,544	13,677	8,149	6,529	6,529	5,308
Health Affairs and Services	24,192	29,553	27,134	22,237	25,988	21,453
Recreation, Culture and Religion	1,271	1,325	1,044	1,256	1,282	833
Education Affairs and Services	95,638	96,987	93,092	80,083	84,156	76,888
Social Protection	9,464	11,166	5,248	7,304	9,802	4,735
<b>Total revenue payments</b>	<b>278,378</b>	<b>295,454</b>	<b>252,354</b>	<b>228,883</b>	<b>246,993</b>	<b>205,285</b>
<u>Capital</u>						
General Public Service	46,909	47,708	28,749	45,823	45,823	33,324
Public Order and Safety Affairs	595	595	147	868	868	278
Economic Affairs	125,941	132,073	49,656	117,254	127,207	52,286
Environment Protection	5,851	6,021	5,755	3,701	3,701	1,624
Housing and Community Amenities	14,467	15,197	9,715	8,582	8,582	4,380
Health Affairs and Services	6,889	6,889	4,019	5,370	5,526	3,345
Recreation, Culture and Religion	1,061	1,061	937	517	517	390
Education Affairs and Services	21,841	23,284	18,606	27,017	27,737	12,830
Social Protection	4,387	4,436	3,346	3,985	4,135	869
<b>Total capital payments</b>	<b>227,941</b>	<b>237,264</b>	<b>120,930</b>	<b>213,117</b>	<b>224,096</b>	<b>109,326</b>
<u>Payments of District Governments</u>	-	-	-	-	-	5,722
<b>TOTAL PAYMENTS</b>	<b>506,319</b>	<b>532,718</b>	<b>373,284</b>	<b>442,000</b>	<b>471,089</b>	<b>320,333</b>

The annexed notes 1 to 38 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 2015

DEPARTMENTS	2015 Rupees in Million			2014 Rupees in Million		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
Agriculture, Livestock & Cooperation	7,566	7,566	6,380	6,617	6,622	4,871
Board of Revenue	4,947	4,947	3,249	3,975	3,975	2,831
Education	107,325	108,666	103,136	96,824	101,508	81,605
Environment, Forestry, Wild life	3,435	3,459	3,123	2,349	2,568	2,216
Excise and Taxation	535	561	506	459	480	422
Finance	90,746	94,113	63,249	76,424	76,524	62,450
Food	89,730	89,730	17,580	89,000	89,000	25,095
Health	35,907	41,276	36,397	32,396	36,413	28,511
Home and Tribal Affairs	30,860	34,612	32,425	25,856	32,234	27,387
Industries	9,476	9,498	5,064	8,367	8,395	5,695
Information	396	396	365	382	382	173
Irrigation and Power	13,583	14,182	13,864	8,468	10,932	8,836
Law	1,157	1,451	931	1,095	1,580	809
High Court	3,185	3,185	3,132	2,879	2,879	2,921
Local Governance	47,595	48,423	33,890	34,096	34,096	18,422
Population, Planning and Welfare Department	1,605	1,605	1,229	1,298	1,324	1,096
Planning and Development	3,655	3,655	1,272	3,499	3,499	1,403
Provincial Assembly	604	715	595	518	518	486
Administration and Establishment	2,985	3,236	2,516	2,651	3,114	2,518
Works and Services	38,380	47,035	37,081	29,137	36,813	27,516
Zakat and Ushr	1,447	1,492	1,123	1,354	1,541	1,214
Science and Information Technology	1,061	1,061	586	625	625	575
Sports, Culture, Archeology & Museum	1,790	1,798	1,475	1,234	1,255	924
Auqaf, Hajj, Religious and Minority Affairs	264	264	191	219	219	93
Inter Provincial Coordination	33	33	26	30	30	23
Relief Rehabilitation and Settlement	7,660	9,362	3,638	6,560	8,847	2,592
Housing Department	23	23	21	5,353	5,353	3,711
Energy and Power	63	68	58	59	59	28
Transport	306	306	182	276	304	188
	506,319	532,718	373,284	442,000	471,089	314,611
<b>Expenditure of District Governments</b>	-	-	-	-	-	5,722
<b>TOTAL</b>	<b>506,319</b>	<b>532,718</b>	<b>373,284</b>	<b>442,000</b>	<b>471,089</b>	<b>320,333</b>

The annexed notes 1 to 38 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 2015

#### 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 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-Works & Services, Irrigation & Public Health Engineering Departments
  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.

The District Governments established under Khyber Pakhtunkhwa Local Government Act, 2013 consists of District Council and District Administration, made up of devolved offices. The District Governments will start functioning during Financial Year 2015-16. As the District Governments were not functional, separate Financial Statements of District Governments have not been prepared for the Financial Year 2014-15. District Government of Khyber Pakhtunkhwa are listed as under:-

- |  |                                      |
|--|--------------------------------------|
| 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**

These 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 receipts 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 part 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 2014-15 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 2014-2015 from 1 July, 2014 to 30 June, 2015.

## **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 taken as revenue where as recovery of current financial year are adjusted against relevant expenditure.

### **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 disclosed separately.

### 7.4. Employee benefits

The government has following plans for its employees:

a) **General Provident Fund**

An employee is compulsorily 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 Flows 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. Loans 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	2015 Rupees in Million	2014 Rupees in Million
<b>8 TAXATION - TRANSFER FROM FEDERAL GOVERNMENT</b>			
<i><b>Direct Taxes</b></i>			
Income tax		88,722	76,493
Wealth Tax		(1)	6
Capital Value Tax		85	90
		<b>88,806</b>	<b>76,589</b>
<i><b>Indirect Taxes</b></i>			
Sales tax		98,232	92,910
Custom duty		27,229	21,614
Federal excise		13,417	11,946
Federal excise on Natural Gas		1,318	1,384
		<b>140,196</b>	<b>127,854</b>
		<b>229,002</b>	<b>204,443</b>
<b>9 TAXATION - PROVINCIAL GOVERNMENT'S OWN COLLECTION</b>			
<i><b>Direct Taxes</b></i>			
Income tax - Agriculture		67	32
Property Tax		266	267
Land Revenue		1,834	1,492
Tax on Profession, Trade and Callings		204	136
Capital Value Tax on Immoveable Property		288	263
		<b>2,659</b>	<b>2,190</b>
<i><b>Indirect Taxes</b></i>			
Receipts Under Motor Vehicles Act		1,046	1,043
Sales Tax		6,280	5,668
Stamp Duties		817	712
Provincial Excise		23	25
Others Indirect Taxes		463	557
		<b>8,629</b>	<b>8,005</b>
		<b>11,288</b>	<b>10,195</b>
<b>10 GENERAL ADMINISTRATION RECEIPTS</b>			
Fiscal Administration		139	160
Community Services		716	530
Social Services		805	696
Economic Regulations		18	17
Law and Order		1,013	826
Organs of State		32	44
		<b>2,723</b>	<b>2,273</b>



	Note	2015 Rupees in Million	2014 Rupees in Million
<b>11 ECONOMIC SERVICES RECEIPTS</b>			
Cooperation, Irrigation, Embankment-Drainage		462	850
Food and Agriculture		192	170
Fisheries and Animal Husbandry		130	113
Forest		382	508
Others		264	204
		<u>1,430</u>	<u>1,845</u>

## 12 DEVELOPMENT SURCHARGE AND ROYALTIES

Development Surcharge on Gas	12.1	3,915	5,755
Royalty on Crude Oil	12.2	14,244	19,755
Royalty on Natural Gas	12.2	3,580	4,451
		<u>21,739</u>	<u>29,961</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	2015 Rupees in Million	2014 Rupees in Million
<b>13 INTEREST ON LOANS AND ADVANCES</b>			
Interest on Domestic Loan	13.1	160	1
Interest on Loans and Advances to Govt. Servants		1	2
Interest - Others		128	336
		<u>289</u>	<u>339</u>

### 13.1 Interest On Domestic Loan

District Governments	-	-
Financial Institutions	160	1
Non Financial Institutions	-	-
	<u>160</u>	<u>1</u>

## 14 DIVIDEND AND PROFIT SHARE

Dividends Receipts	14.1	707	17
Profit share	14.2	10,498	35,900
		<u>11,205</u>	<u>35,917</u>



	Note	2015 Rupees in Million	2014 Rupees in Million
<b>14.1 Dividends Receipts</b>			
Non-Financial Institution		707	17
		<u>707</u>	<u>17</u>
<b>14.2 Profit share</b>			
Electricity		7,900	33,100
Others		2,598	2,800
		<u>10,498</u>	<u>35,900</u>
<b>15 OTHER RECEIPTS</b>			
Unclaimed deposits		631	413
Rent, Rates and Taxes		13	9
Receipts under the Mines, Oil-fields and Mineral		690	728
Arms License Fees		369	327
Recoveries made by Anti-C		75	-
Recoveries of Overpayments		39	41
Tourism Receipts		18	15
Sand and quarry fees		23	40
Recoveries made by NAB from defaulters		35	129
Sugarcane development cess		94	86
Sugarcane cess collection charges		4	5
Fees, Fines, Penalties		8	10
Local Government		6	7
Renewal of licenses of Private Security Co		6	4
Fee For Registration/Renewal of Newspapers/Presses		3	-
5% Collection Charges on Federal Taxes		2	4
Miscellaneous Receipts		1,481	331
		<u>3,497</u>	<u>2,149</u>
<b>16 GRANTS AND AID</b>			
Controlled by Govt:	16.1	21,795	17,749
Third Party Receipts	16.2	5,640	3,832
		<u>27,435</u>	<u>21,581</u>
<b>16.1 Controlled by Govt:</b>			
Development Grants		17,277	16,223
Non-Development Grants		4,518	1,504
From District Govt.		-	5,668
Other Grants		-	22
		<u>21,795</u>	<u>23,417</u>
Less: Grants from District Governments - KP	16.1.1	-	(5,668)
		<u>21,795</u>	<u>17,749</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	2015 Rupees in Million	2014 Rupees in Million
<b>16.2 Third Party Receipts</b>			
Development Grants		5,640	3,832
		<u>5,640</u>	<u>3,832</u>
<b>17 FOREIGN DEBT - RECEIPTS</b>			
Third Party Receipts			
Foreign Lenders- JICA		3,529	-
		<u>3,529</u>	<u>-</u>
<b>18 DOMESTIC DEBT - RECEIPTS</b>			
Permanent Debt	18.1	-	55
Floating Debt		10,798	9,397
		<u>10,798</u>	<u>9,452</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	2015 Rupees in Million	2014 Rupees in Million
<b>19 RECOVERY OF LOANS AND ADVANCES</b>			
Financial Institution		803	-
Non-Financial Institution		77	1
Government Servants		59	49
		<u>939</u>	<u>50</u>
<b>20 TRADING ACTIVITIES - RECEIPTS</b>			
Sale of wheat		6,165	16,728
Subsidies on wheat		2,715	2,500
Subsidy on wheat (from Federal Govt)		293	283
Sale proceeds of Medical Stores		105	-
Sale of Others		17	19
		<u>9,295</u>	<u>19,530</u>



	Note	2015 Rupees in Million	2014 Rupees in Million
<b>21 RECEIPTS OF DISTRICT GOVERNMENT</b>			
Receipts from Civil Administration and Other Functions		-	1
Grants from Provincial Government		-	106
		<u>-</u>	<u>107</u>
Less: Grants from Provincial Government - KP	21.1	-	(106)
		<u>-</u>	<u>1</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	2015 Rupees in Million	2014 Rupees in Million
<b>22 SALARIES AND EMPLOYEE BENEFITS</b>			
Pay of Officers		14,783	13,190
Pay of Other Staff		40,957	39,387
Allowances		77,061	66,559
Retirement Benefits		25,667	21,440
		<u>158,468</u>	<u>140,576</u>

**23 OPERATING EXPENSES**

Controlled by Govt:	23.1	87,752	80,109
Third Party Payments	23.2	3,932	1,697
		<u>91,684</u>	<u>81,806</u>

**23.1 Controlled by Govt:**

Research Surveys and Exploratory Operations	14	11
Communication	238	211
Utilities	4,203	2,813
Occupancy Costs	294	244
Motor Vehicles	109	20
Travel and Transportation	5,008	7,255
Scholarships, Bonuses and Other Awards	70	33
Consultancy & Contractual Cost	-	1
Entertainments and Gifts	135	91
Commodity Purchases (State Trading)	12,971	18,110
Repair & Maintenance	8,831	3,521
General Operating Expenses	55,679	47,799
	<u>87,752</u>	<u>80,109</u>



	Note	2015 Rupees in Million	2014 Rupees in Million
<b>23.2 Third Party Payments</b>			
General Operating Expenses		3,932	1,697
		<u>3,932</u>	<u>1,697</u>
<b>24 GRANTS, SUBSIDIES AND WRITE-OFF OF LOANS</b>			
Grants, Subsidies and Write-off of Loans		25,705	10,996
Less: Transfers to District Governments	21.1	-	(106)
		<u>25,705</u>	<u>10,890</u>
<b>25 PHYSICAL ASSETS</b>			
Feasibility Studies		907	601
Purchase of Building		393	604
Computer Equipment		540	56
Other Stores and Stocks		4	12
Purchase of Transport		508	788
Purchase of Plant & Machinery		1,818	879
Purchase of Furniture and Fixtures		199	366
Purchase of Other Assets		151	77
		<u>4,520</u>	<u>3,383</u>
<b>26 CIVIL WORKS</b>			
Controlled by Govt:	26.1	42,979	28,453
Third Party Payments	26.2	5,237	2,135
		<u>48,216</u>	<u>30,588</u>
<b>26.1 Controlled by Govt:</b>			
Roads, Highways and Bridges		9,731	2,619
Irrigation Works		6,288	4,765
Embankments and Drainage Works		425	57
Building and Structure		23,182	18,914
Other Works		3,353	2,098
Draught Emergency Relief Assistance		-	-
		<u>42,979</u>	<u>28,453</u>
<b>26.2 Third Party Payments</b>			
Building and Structure		115	-
Other Works		5,122	2,135
		<u>5,237</u>	<u>2,135</u>



	Note	2015 Rupees in Million	2014 Rupees in Million
<b>27 PRINCIPAL REPAYMENT OF DEBT</b>			
Foreign Debt		4,954	4,400
Domestic Debt	27.1	10,434	12,552
	27.2	<u>15,388</u>	<u>16,952</u>

**27.1 Domestic Debt**

Permanent Debt		1,434	3,804
Floating Debt		9,000	8,748
		<u>10,434</u>	<u>12,552</u>

27.2 The amounts for repayment of debts, reported under Foreign and Domestic Debts, have been restated for the Financial Year 2014.

**28 SERVICING OF DEBT**

Federal Government		5,957	6,034
Domestic Loans		42	221
		<u>5,999</u>	<u>6,255</u>

**29 LOANS AND ADVANCES**

Financial Institutions		120	6,200
Government Employees	29.1	74	76
		<u>194</u>	<u>6,276</u>

**29.1 Government Employees**

House Building Advance		49	55
Motor Car Advance		25	21
	29.1.1	<u>74</u>	<u>76</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	2015 Rupees in Million	2014 Rupees in Million
<b>30 INVESTMENTS</b>			
General Provident Investment Fund	30.1	4,944	6,500
Pension Fund	30.2	5,000	1,500
Hydal Development Fund	30.3	3,000	1,500
Economic Zone Development Fund		1,000	-
		<u>13,944</u>	<u>9,500</u>



- 30.1** The General Provident Investment Fund was established through Khyber Pakhtunkhwa, General Provident Investment Fund Act, 1999. The Fund is governed by a Management Board under the Chairmanship of Chief Secretary to Government of Khyber Pakhtunkhwa. The Fund shall be increased on quarterly basis through the net receipt of the General Provident Fund contributions. The Board may invest the Fund in Government Securities, National Saving Schemes, Profit bearing deposits in Banks or as the Board may think beneficial.
- 30.2** The Pension Fund was established through Khyber Pakhtunkhwa, Pension Fund Act, 1999. The Fund is governed by a Management Board under the Chairmanship of Chief Secretary to Government of Khyber Pakhtunkhwa. The Fund shall be enhanced from year to year with particular reference to the Governments liability towards its pensioners.
- 30.3** The Government of Khyber Pakhtunkhwa created Hydel Development Fund in 1992 for the development of Hydel electricity in the Province. The Fund was provided legal cover through Khyber Pakhtunkhwa, Hydel Development Fund Ordinance 2001. The Government shall make contributions to the Fund on annual basis. The Fund is governed by a Management Board under the Chairmanship of Chief Minister, Khyber Pakhtunkhwa.

	Note	2015 Rupees in Million	2014 Rupees in Million
<b>31 PAYMENTS OF DISTRICT GOVERNMENTS</b>			
Revenue Expenditure	31.1	-	-
Capital Expenditure	31.2	-	54
		<u>-</u>	<u>54</u>
<b>31.1 Revenue Expenditure</b>			
General Public Service		-	5,668
		-	5,668
Less: Transfers to Provincial Government	16.1.1	-	(5,668)
		-	-
<b>31.2 Capital Expenditure</b>			
General Public Service		-	50
Housing and Community Amenities		-	4
		-	54
<b>32 NET RECEIPT / (PAYMENT) OF PUBLIC ACCOUNT</b>			
<i>Receipts</i>			
Trust & other Public Accounts		456,429	379,083
Special Deposits		33,426	23,292
State Provident Fund		19,135	10,151
		508,990	412,526
<i>Payments</i>			
Trust & other Public Accounts		(455,928)	(373,697)
Special Deposits		(26,232)	(16,164)
State Provident Fund		(6,954)	(5,331)
		(489,114)	(395,192)
	32.1	<u>19,876</u>	<u>17,334</u>



- 32.1 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	2015 Rupees in Million	2014 Rupees in Million
<b>33 CASH AND BANK</b>			
Provincial Government Balance	33.1	34,830	54,719
District Governments Balance		-	350
		<u>34,830</u>	<u>55,069</u>
<b>33.1 Provincial Government's Balance</b>			
Public Account Balance		92,555	72,329
Consolidated Fund Balance		(57,725)	(17,610)
		<u>34,830</u>	<u>54,719</u>
<b>34 ASSETS AND LIABILITIES</b>			
<b>Assets</b>			
Long Term Assets		415,039	362,303
Investments		57,174	43,230
Loans and Advances		17,292	18,025
Current Assets		1,440	3,071
Cash and Bank		34,830	55,069
	34.1	<u>525,775</u>	<u>481,698</u>
<b>Liabilities and equity</b>			
Public Debt	35	13,487	14,548
Special Deposits and Trust Accounts		55,538	49,651
Deferred Liabilities		43,804	31,433
Residual Equity		412,946	386,066
	34.1	<u>525,775</u>	<u>481,698</u>

- 34.1 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	2015 Rupees in Million	2014 Rupees in Million
<b>35 PUBLIC DEBT</b>			
<b>Domestic Debt</b>			
Opening Balance	35.2	(5,520)	(2,420)
Add: Debt Receipts	18	10,798	9,452
Less: Principal Repayments of Debt	27.1	(10,434)	(12,552)
Closing Balance		(5,156)	(5,520)
<b>Foreign Debt</b>			
Opening Balance	35.2	20,068	24,468
Add: Debt Receipts	17	3,529	-
Less: Principal Repayments of Debt	27	(4,954)	(4,400)
Closing Balance		18,643	20,068
	35.1	<u>13,487</u>	<u>14,548</u>



35.1 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.

35.2 The opening balances and repayment of Domestic and Foreign Debts for the Financial Year 2013-14 have been restated to correct the errors identified during reconciliation of Public Debt balances by object classification with the balances by function classification. Total liability for Public Debt however remain the same.

### 36 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 Budget and Actual Amounts by Function and Actual Expenditure by Department are presented on a gross basis. Grants received by District Governments from Government of Khyber Pakhtunkhwa 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 Governments of Khyber Pakhtunkhwa as explained in note 2 and 16.1.1 for which a reconciliation is presented below.

	Note	2015 Rupees in Million	2014 Rupees in Million
<b>Receipts</b>			
Actual Receipts in Statement of Comparison of Budget and Actual Amounts by Function		333,169	343,997
Less : Grants from Provincial Government - KP	21.1	-	(106)
Less : Grants from District Governments - KP	16.1.1	-	(5,668)
Actual Receipts in Statement of Cash Receipts and Payments		<u>333,169</u>	<u>338,223</u>
<b>Payments</b>			
Actual payments in Statements of Comparison of Budget and Actual Amounts by Function and Actual Expenditure by Department		373,284	320,333
Less: Transfers to District Governments - KP	24	-	(106)
Less: Transfers to Provincial Government- KP	31.1	-	(5,668)
Actual payments in Statement of Cash Receipts and Payments		<u>373,284</u>	<u>314,559</u>

### 37 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

19 JAN 2016

### 38 GENERAL

#### 38.1 Level of Precision

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

#### 38.2 Corresponding Figures

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

  
Accountant General Khyber Pakhtunkhwa