



FINANCIAL STATEMENTS

Of the

Government of Khyber Pakhtunkhwa

2015-16



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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, 2016 together with the Auditor's Reports thereon.

The Financial Statements of the Government of Khyber Pakhtunkhwa for the financial year 2015-16 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: 29 Dec 2016

Sd/-

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 statement of receipts and payments for the year ended 30th June 2016, statement of cash flows, statement of comparison of budget and actual amounts by function, statement of comparison of budget and actual expenditure by departments and statement of appropriation of grants by object as on 30th June 2016 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit in accordance with the requirements of the Article 169 & 170 (2) of the Constitution of the Islamic Republic of Pakistan read with Section 7 of the Auditor-General's (Functions, Powers and Conditions of Service) Ordinance, 2001. 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 30th June 2016 and the results of its financial operations, its cash flow and its expenditures and receipts, by appropriation for the year ended 30th June 2016 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 the Provincial Assembly 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

Date: 06 Feb 2017

Sd/-

(Rana Assad Amin)

Auditor General of Pakistan


GOVERNMENT OF KHYBER PAKHTUNKHWA
Statement of Cash Receipts and Payments
For the Year Ended 30 June 2016

		2016 Rupees in Million		2015 Rupees in Million	
PROVINCIAL CONSOLIDATED FUND					
RECEIPTS	Note	Receipt / Payment controlled by the Government	Receipt / Payment by Third Parties	Receipt / Payment controlled by the Government	Receipt / Payment by Third Parties
<i>Taxation- Transfers from Federal Government</i>	8	285,080	-	229,002	-
<i>Taxation- Provincial Government's own collection</i>	9	12,840	-	11,288	-
<i>Non-Tax Revenue and Other Receipts</i>					
General Administration	10	3,193	-	2,723	-
Economic Services	11	1,421	-	1,430	-
Development Surcharge and Royalties	12	16,977	-	21,739	-
Interest on Loans and Advances	13	52	-	289	-
Dividend and Profit Share	14	37,324	-	11,205	-
Others	15	4,643	-	3,497	-
		63,610	-	40,883	-
<i>Grants and Aid</i>	16	20,175	5,862	21,795	5,640
<i>Borrowings</i>					
Foreign Debt	17	-	2,638	-	3,529
Domestic Debt	18	2,687	-	10,798	-
		2,687	2,638	10,798	3,529
<i>Capital Receipts</i>					
Investment Recovery		15,021	-	-	-
Recovery of Loans and Advances	19	85	-	939	-
		15,106	-	939	-
<i>Trading Activities</i>	20	13,508	-	9,295	-
<i>Receipts of District Governments</i>	21	984	-	-	-
TOTAL RECEIPTS		413,990	8,500	324,000	9,169

GOVERNMENT OF KHYBER PAKHTUNKHWA
Statement of Cash Receipts and Payments
For the Year Ended 30 June 2016

		2016 Rupees in Million	2015 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	94,452	-	158,468 -
Operating Expenses	23	71,732	5,058	87,752 3,932
		166,184	5,058	246,220 3,932
Transfers				
Grants, Subsidies and Write-off of Loans	24	48,518	-	25,705 -
Other Transfer Payments		11,077	-	9,166 -
		59,595	-	34,871 -
Expenditure on				
Physical Assets	25	2,619	-	4,520 -
Civil Works	26	49,517	3,442	42,979 5,237
		52,136	3,442	47,499 5,237
Debt and Interest Payments				
Principal Repayment of Debt	27	16,955	-	15,388 -
Servicing of Debt	28	5,778	-	5,999 -
		22,733	-	21,387 -
Other Payments				
Loans and Advances	29	73	-	194 -
Investments	30	10,400	-	13,944 -
		10,473	-	14,138 -
Payments of District Governments	31	78,961	-	- -
TOTAL PAYMENTS		390,082	8,500	364,115 9,169
NET PAYMENT OF PROVINCIAL CONSOLIDATED FUND		23,908	-	(40,115) -
NET RECEIPT OF PUBLIC ACCOUNT		14,759	-	19,876 -
INCREASE / (DECREASE) IN CASH		38,667	-	(20,239) -
CASH AT THE BEGINNING OF THE YEAR		34,830	-	55,069 -
INCREASE / (DECREASE) IN CASH		38,667	-	(20,239) -
CASH AT THE END OF THE YEAR		73,497	-	34,830 -

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 2016

	Note	2016 Rupees in Million	2015 Rupees in Million
CASH FLOW FROM OPERATING ACTIVITIES			
Taxation- Transfers from Federal Government	8	285,080	229,002
Taxation- Provincial Government's own collection	9	12,840	11,288
Non-Tax Revenue and Other Receipts		63,610	40,883
Grants and Aid - Receipts	16	26,037	27,435
Trading Activities - Receipts	20	13,508	9,295
Operations- Payments		(171,242)	(250,152)
Servicing of Debt - Payments	28	(5,778)	(5,999)
Transfers - Payments		(59,595)	(34,871)
District Governments-Receipts	21	984	-
District Governments- Revenue Expenditure	31.1	(78,116)	-
Cash from Operating Activities		87,328	26,881
CASH FLOW FROM INVESTING ACTIVITIES			
Investment Recovery		15,021	-
Recovery of Loans and Advances	19	85	939
Expenditure on Physical Assets	25	(2,619)	(4,520)
Expenditure on Civil Works	26	(52,959)	(48,216)
Payments of Loans and Advances	29	(73)	(194)
Investments	30	(10,400)	(13,944)
Payment of District Government - Capital Expenditure	31.2	(845)	-
Cash used in Investing Activities		(51,790)	(65,935)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipt of Foreign Debt	17	2,638	3,529
Receipt of Domestic Debt	18	2,687	10,798
Principal Repayment of Debt	27	(16,955)	(15,388)
Net Receipt of Public Account	32	14,759	19,876
Cash from Financing Activities		3,129	18,815
DECREASE IN CASH AND CASH EQUIVALENTS		38,667	(20,239)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		34,830	55,069
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	33	73,497	34,830

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 2016

Note	2016 (Rupees in Million)			2015 (Rupees in Million)		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
RECEIPTS						
<u>Revenue</u>						
Taxation	306,050	298,016	297,920	276,308	257,142	240,290
Non-Taxation	268,442	117,737	103,155	206,492	162,014	77,613
Total revenue receipts	574,492	415,753	401,075	482,800	419,156	317,903
<u>Capital</u>						
Domestic Debt	-	-	2,687	15,000	15,000	10,798
Foreign Debt	-	-	2,638	8,269	6,287	3,529
Recoveries of Loans and Advances	249	250	85	249	1,014	939
Recoveries of Investments	15,001	15,000	15,021	1	1	-
Total capital receipts	15,250	15,250	20,431	23,519	22,302	15,266
<u>Receipts of District Governments</u>	-	-	82,695	-	-	-
TOTAL RECEIPTS	589,742	431,003	504,201	506,319	441,458	333,169
PAYMENTS						
<u>Revenue</u>						
General Public Service	181,451	187,897	161,135	75,887	79,691	59,824
Defence Services	14	14	14	62	62	60
Public Order and Safety Affairs	41,760	42,899	40,025	35,636	39,682	36,991
Economic Affairs	22,691	22,708	19,850	22,614	23,241	20,755
Environment Protection	144	144	60	70	70	57
Housing and Community Amenities	17,260	17,260	4,546	13,544	13,677	8,149
Health Affairs and Services	20,373	22,941	19,746	24,192	29,553	27,134
Recreation, Culture and Religion	1,374	1,471	1,511	1,271	1,325	1,044
Education Affairs and Services	37,170	37,170	21,104	95,638	96,987	93,092
Social Protection	7,791	18,587	15,470	9,464	11,166	5,248
Total revenue payments	330,028	351,091	283,461	278,378	295,454	252,354
<u>Capital</u>						
General Public Service	75,339	75,340	36,812	46,909	47,708	28,749
Public Order and Safety Affairs	792	792	150	595	595	147
Economic Affairs	127,481	131,594	39,784	125,941	132,073	49,656
Environment Protection	7,322	7,322	5,547	5,851	6,021	5,755
Housing and Community Amenities	19,933	20,580	15,758	14,467	15,197	9,715
Health Affairs and Services	7,574	7,574	3,489	6,889	6,889	4,019
Recreation, Culture and Religion	785	785	671	1,061	1,061	937
Education Affairs and Services	16,708	16,918	13,790	21,841	23,284	18,606
Social Protection	3,780	3,780	1,870	4,387	4,436	3,346
Total capital payments	259,714	264,685	117,871	227,941	237,264	120,930
<u>Payments of District Governments</u>	101,018	105,626	78,961	-	-	-
TOTAL PAYMENTS	690,760	721,402	480,293	506,319	532,718	373,284

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 2016

DEPARTMENTS	2016 Rupees in Million			2015 Rupees in Million		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
	Note					
Agriculture, Livestock & Cooperation	5,847	6,082	3,872	7,566	7,566	6,380
Board of Revenue	3,101	3,101	963	4,947	4,947	3,249
Education	43,603	43,813	26,064	107,325	108,666	103,136
Environment, Forestry, Wild life	3,571	6,420	6,037	3,435	3,459	3,123
Excise and Taxation	593	556	484	535	561	506
Finance	225,314	230,738	180,537	90,746	94,113	63,249
Food	90,259	90,002	6,380	89,730	89,730	17,580
Health	33,484	36,051	28,963	35,907	41,276	36,397
Home and Tribal Affairs	35,724	36,689	36,519	30,860	34,612	32,425
Industries	9,363	9,363	5,614	9,476	9,498	5,064
Information	440	654	388	396	396	365
Irrigation and Power	14,229	16,079	14,811	13,583	14,182	13,864
Law	1,399	1,426	1,103	1,157	1,451	931
High Court	3,804	3,898	3,360	3,185	3,185	3,132
Local Governance	60,187	61,732	32,344	47,595	48,423	33,890
Population, Planning and Welfare Department	778	555	293	1,605	1,605	1,229
Planning and Development	2,731	2,733	939	3,655	3,655	1,272
Provincial Assembly	791	791	661	604	715	595
Administration and Establishment	3,960	4,152	2,807	2,985	3,236	2,516
Works and Services	37,819	37,766	30,887	38,380	47,035	37,081
Zakat and Ushr	1,271	1,271	709	1,447	1,492	1,123
Science and Information Technology	1,155	1,155	484	1,061	1,061	586
Sports, Culture, Archeology & Museum	1,726	1,867	1,788	1,790	1,798	1,475
Auqaf, Hajj, Religious and Minority Affairs	314	209	183	264	264	191
Inter Provincial Coordination	40	40	30	33	33	26
Relief Rehabilitation and Settlement	7,707	18,285	14,923	7,660	9,362	3,638
Housing Department	23	23	22	23	23	21
Energy and Power	53	53	27	63	68	58
Transport	456	273	140	306	306	182
	589,742	615,777	401,332	506,319	532,718	373,284
Expenditure of District Governments	101,018	105,626	78,961	-	-	-
TOTAL	690,760	721,403	480,293	506,319	532,718	373,284

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 2016

1 REPORTING ENTITY

Provincial Government - Khyber Pakhtunkhwa (the Government) conducts its operations under the Rules of Business 1985. 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.

The District Governments established under Khyber Pakhtunkhwa Local Government Act, 2013 which consists of District Council and District Administration. Auditor General of Pakistan has prescribed Local Government Accounts Manual for District Governments. This Manual requires preparation of annual Finance and Appropriation Accounts by each District Government. The 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 |
| 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 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 2015-16 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 2015-2016 from 1st July, 2015 to 30th June, 2016).

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	2016 Rupees in Million	2015 Rupees in Million
8 TAXATION - TRANSFER FROM FEDERAL GOVERNMENT			
Direct Taxes			
Income tax		107,290	88,722
Wealth Tax		(4)	(1)
Capital Value Tax		195	85
		107,481	88,806
Indirect Taxes			
Sales tax		122,156	98,232
Custom duty		37,383	27,229
Federal excise		16,514	13,417
Federal excise on Natural Gas		1,546	1,318
		177,599	140,196
		285,080	229,002
9 TAXATION - PROVINCIAL GOVERNMENT'S OWN COLLECTION			
Direct Taxes			
Income tax - Agriculture		69	67
Property Tax		333	266
Land Revenue		2,011	1,834
Tax on Profession, Trade and Callings		248	204
Capital Value Tax on Immoveable Property		281	288
		2,942	2,659
Indirect Taxes			
Receipts Under Motor Vehicles Act		1,317	1,046
Sales Tax		7,268	6,280
Stamp Duties		831	817
Provincial Excise		16	23
Others Indirect Taxes		466	463
		9,898	8,629
		12,840	11,288
10 GENERAL ADMINISTRATION RECEIPTS			
Fiscal Administration		177	139
Community Services		599	716
Social Services		1,039	805
Economic Regulations		19	18
Law and Order		1,286	1,013
Organs of State		73	32
		3,193	2,723

	Note	2016 Rupees in Million	2015 Rupees in Million
11 ECONOMIC SERVICES RECEIPTS			
Cooperation, Irrigation, Embankment-Drainage		525	462
Food and Agriculture		198	192
Fisheries and Animal Husbandry		158	130
Forest		259	382
Others		281	264
		<u>1,421</u>	<u>1,430</u>

12 DEVELOPMENT SURCHARGE AND ROYALTIES

Development Surcharge on Gas	12.1	3,377	3,915
Royalty on Crude Oil	12.2	8,509	14,244
Royalty on Natural Gas	12.2	5,091	3,580
		<u>16,977</u>	<u>21,739</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	2016 Rupees in Million	2015 Rupees in Million
13 INTEREST ON LOANS AND ADVANCES			
Interest on Domestic Loan	13.1	41	160
Interest on Loans and Advances to Govt. Servants		1	1
Interest - Others		10	128
		<u>52</u>	<u>289</u>

13.1 Interest On Domestic Loan

Financial Institutions		41	160
		<u>41</u>	<u>160</u>

14 DIVIDEND AND PROFIT SHARE

Dividends Receipts	14.1	881	707
Profit share	14.2	36,443	10,498
		<u>37,324</u>	<u>11,205</u>

	Note	2016 Rupees in Million	2015 Rupees in Million
14.1 Dividends Receipts			
Non-Financial Institution		881	707
		<u>881</u>	<u>707</u>
14.2 Profit share			
Electricity		34,463	7,900
Others		1,980	2,598
		<u>36,443</u>	<u>10,498</u>
15 OTHER RECEIPTS			
Unclaimed deposits		660	631
Rent, Rates and Taxes		16	13
Receipts under the Mines, Oil-fields and Mineral		772	690
Arms License Fees		431	369
Recoveries made by Anti-C		278	75
Recoveries of Overpayments		42	39
Tourism Receipts		31	18
Sand and quarry fees		78	23
Recoveries made by NAB from defaulters		587	35
Sugarcane development cess		89	94
Sugarcane cess collection charges		5	4
Fees, Fines, Penalties		8	8
Local Government		22	6
Renewal of licenses of Private Security Co		5	6
Fee For Registration/Renewal of Newspapers/Presses		2	3
5% Collection Charges on Federal Taxes		2	2
Miscellaneous Receipts		1,615	1,481
		<u>4,643</u>	<u>3,497</u>
16 GRANTS AND AID			
Controlled by Govt:	16.1	20,175	21,795
Third Party Receipts	16.2	5,862	5,640
		<u>26,037</u>	<u>27,435</u>
16.1 Controlled by Govt:			
Development Grants		12,173	17,277
Non-Development Grants		8,002	4,518
		<u>20,175</u>	<u>21,795</u>

	Note	2016 Rupees in Million	2015 Rupees in Million
16.2 Third Party Receipts			
Development Grants		5,862	5,640
		<u>5,862</u>	<u>5,640</u>
17 FOREIGN DEBT - RECEIPTS			
Third Party Receipts			
Foreign Lenders- JICA		2,638	3,529
		<u>2,638</u>	<u>3,529</u>
18 DOMESTIC DEBT - RECEIPTS			
Permanent Debt	18.1	-	-
Floating Debt		2,687	10,798
		<u>2,687</u>	<u>10,798</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	2016 Rupees in Million	2015 Rupees in Million
19 RECOVERY OF LOANS AND ADVANCES			
Financial Institution		-	803
Non-Financial Institution		26	77
Government Servants		59	59
		<u>85</u>	<u>939</u>
20 TRADING ACTIVITIES - RECEIPTS			
Sale of wheat		10,286	6,165
Subsidies on wheat		2,900	2,715
Subsidy on wheat (from Federal Govt)		303	293
Sale proceeds of Medical Stores		-	105
Sale of Others		19	17
		<u>13,508</u>	<u>9,295</u>
21 RECEIPTS OF DISTRICT GOVERNMENT			
Direct taxes		17	-
Indirect taxes		1	-
General Administration receipts		4	-
Economice services receipts		32	-
Share from Provincial allocable amounts		303	-
Grants from Provincial Government		81,711	-
Miscellaneous receipts		623	-
Loans and Advances		4	-
		<u>82,695</u>	<u>-</u>
Less: Grants from Provincial Government - KP	21.1	81,711	-
		<u>984</u>	<u>-</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	2016 Rupees in Million	2015 Rupees in Million
22 SALARIES AND EMPLOYEE BENEFITS			
Pay of Officers		8,069	14,783
Pay of Other Staff		18,436	40,957
Allowances		33,771	77,061
Retirement Benefits		34,176	25,667
		<u>94,452</u>	<u>158,468</u>
23 OPERATING EXPENSES			
Controlled by Govt:	23.1	71,732	87,752
Third Party Payments	23.2	5,058	3,932
		<u>76,790</u>	<u>91,684</u>
23.1 Controlled by Govt:			
Research Surveys and Exploratory Operations		1	14
Communication		211	238
Utilities		1,743	4,203
Occupancy Costs		167	294
Motor Vehicles		36	109
Travel and Transportation		2,588	5,008
Scholarships, Bonuses and Other Awards		117	70
Entertainments and Gifts		147	135
Commodity Purchases (State Trading)		2,687	12,971
Repair & Maintenance		3,521	8,831
General Operating Expenses		60,514	55,879
		<u>71,732</u>	<u>87,752</u>
23.2 Third Party Payments			
General Operating Expenses		5,058	3,932
		<u>5,058</u>	<u>3,932</u>
24 GRANTS, SUBSIDIES AND WRITE-OFF OF LOANS			
Grants, Subsidies and Write-off of Loans		130,229	25,705
Less: Transfers to District Governments	21.1	81,711	-
		<u>48,518</u>	<u>25,705</u>

	Note	2016 Rupees in Million	2015 Rupees in Million
25 PHYSICAL ASSETS			
Purchase of Building		178	393
Computer Equipment		72	540
Other Stores and Stocks		52	4
Purchase of Transport		280	508
Purchase of Plant & Machinery		664	1,818
Purchase of Furniture and Fixtures		90	199
Purchase of Other Assets		175	151
Feasibility Studies		1,108	907
		<u>2,619</u>	<u>4,520</u>
26 CIVIL WORKS			
Controlled by Govt:	26.1	49,517	42,979
Third Party Payments	26.2	3,442	5,237
		<u>52,959</u>	<u>48,216</u>
26.1 Controlled by Govt:			
Roads, Highways and Bridges		17,514	9,731
Irrigation Works		9,253	6,288
Embankments and Drainage Works		1,737	425
Building and Structure		19,925	23,182
Other Works		1,088	3,353
		<u>49,517</u>	<u>42,979</u>
26.2 Third Party Payments			
Building and Structure		804	115
Other Works		2,638	5,122
		<u>3,442</u>	<u>5,237</u>
27 PRINCIPAL REPAYMENT OF DEBT			
Foreign Debt		5,669	4,954
Domestic Debt	27.1	11,286	10,434
	27.2	16,955	15,388
27.1 Domestic Debt			
Permanent Debt		5,488	1,434
Floating Debt		5,798	9,000
		<u>11,286</u>	<u>10,434</u>

	Note	2016 Rupees in Million	2015 Rupees in Million
28 SERVICING OF DEBT			
Foreign Debt		311	-
Federal Government		5,261	5,957
Domestic Loans		206	42
		<u>5,778</u>	<u>5,999</u>

29 LOANS AND ADVANCES

Financial Institutions		-	120
Government Employees	29.1	73	74
		<u>73</u>	<u>194</u>

29.1 Government Employees

House Building Advance		52	49
Motor Car Advance		21	25
	29.1.1	<u>73</u>	<u>74</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	2016 Rupees in Million	2015 Rupees in Million
30 INVESTMENTS			
General Provident Investment Fund	30.1	4,624	4,944
Pension Fund	30.2	4,000	5,000
Hydal Development Fund	30.3	376	3,000
Oil & Gas Development Authority KP		1,400	-
Economic Zone Development Fund		-	1,000
		<u>10,400</u>	<u>13,944</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, headed by the 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 under Khyber Pakhtunkhwa, Pension Fund Act, 1999 is governed by a Management Board headed by the 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 In 1992 the Government of Khyber Pakhtunkhwa created Hydel Development Fund 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 makes contributions to the Fund on annual basis. The Fund is governed by a Management Board headed by the Chief Minister, Khyber Pakhtunkhwa.

	Note	2016 Rupees in Million	2015 Rupees in Million
31 PAYMENTS OF DISTRICT GOVERNMENTS			
Revenue Expenditure	31.1	78,116	-
Capital Expenditure	31.2	845	-
		<u>78,961</u>	<u>-</u>
31.1 Revenue Expenditure			
General Public Service		1,919	-
Defense Services		21	-
Public Order and Safety Affairs		21	-
Economic Affairs		3,675	-
Housing and Community Amenities		3,071	-
Health Affairs and Services		7,106	-
Recreation, Culture and Religion		73	-
Education Affairs and Services		61,214	-
Social Protection		1,016	-
		<u>78,116</u>	<u>-</u>
31.2 Capital Expenditure			
General Public Service		310	-
Economic Affairs		147	-
Environment Protection		17	-
Housing and Community Amenities		295	-
Health		14	-
Recreation Culture and Religion		14	-
Education Affairs and Services		28	-
Social Protection		20	-
		<u>845</u>	<u>-</u>
32 NET RECEIPT / (PAYMENT) OF PUBLIC ACCOUNT			
Receipts			
Trust & other Public Accounts		511,211	456,429
Special Deposits		43,970	33,426
State Provident Fund		14,387	19,135
		<u>569,568</u>	<u>508,990</u>
Payments			
Trust & other Public Accounts		(509,886)	(455,928)
Special Deposits		(35,936)	(26,232)
State Provident Fund		(8,987)	(6,954)
		<u>(554,809)</u>	<u>(489,114)</u>
	32.1	<u>14,759</u>	<u>19,876</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	2016 Rupees in Million	2015 Rupees in Million
33 CASH AND BANK			
Provincial Government Balance	33.1	69,491	34,830
District Governments Balance		4,006	-
		<u>73,497</u>	<u>34,830</u>
33.1 Provincial Government's Balance			
Public Account Balance		107,042	92,555
Consolidated Fund Balance		(37,551)	(57,725)
		<u>69,491</u>	<u>34,830</u>
34 ASSETS AND LIABILITIES			
Assets			
Long Term Assets		471,462	415,039
Investments		52,554	57,174
Loans and Advances		17,384	17,292
Current Assets		516	1,440
Cash and Bank		73,497	34,830
	34.1	<u>615,413</u>	<u>525,775</u>
Liabilities and equity			
Public Debt	35	1,857	13,487
Special Deposits and Trust Accounts		63,879	55,538
Deferred Liabilities		49,407	43,804
Residual Equity		500,270	412,946
	34.1	<u>615,413</u>	<u>525,775</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	2016 Rupees in Million	2015 Rupees in Million
35 PUBLIC DEBT			
Domestic Debt			
Opening Balance	35.2	(5,156)	(5,520)
Add: Debt Receipts	18	2,687	10,798
Less: Principal Repayments of Debt	27.1	(11,286)	(10,434)
Closing Balance		(13,755)	(5,156)
Foreign Debt			
Opening Balance		18,643	20,068
Add: Debt Receipts	17	2,638	3,529
Less: Principal Repayments of Debt	27	(5,669)	(4,954)
Closing Balance		15,612	18,643
	35.1	<u>1,857</u>	<u>13,487</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.

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 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 Governments of Khyber Pakhtunkhwa as explained in note 2 and 16.1.1 for which a reconciliation is presented below.

	Note	2016 Rupees in Million	2015 Rupees in Million
Receipts			
Actual Receipts in Statement of Comparison of Budget and Actual Amounts by Function		504,201	333,169
Less : Grants from Provincial Government - KP	21.1	81,711	-
Actual Receipts in Statement of Cash Receipts and Payments		<u>422,490</u>	<u>333,169</u>
Payments			
Actual payments in Statements of Comparison of Budget and Actual Amounts by Function and Actual Expenditure by Department		480,293	373,284
Less: Transfers to District Governments - KP	24	81,711	-
Actual payments in Statement of Cash Receipts and Payments		<u>398,582</u>	<u>373,284</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 _____.


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