



FINANCIAL STATEMENTS OF THE GOVERNMENT OF KHYBER PAKHTUNKHWA 2016-2017



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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, 2017 together with the Auditors' Reports thereon.

The Financial Statements of the Government of Khyber Pakhtunkhwa for the financial year 2016-17 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 practices have been adopted since Financial Year 2009-10 but assets and liability accounting is not yet implemented and these Financial Statements have been prepared on cash basis of accounting which 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: 29/12/2017

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 cash receipts and payments for the year ended 30th June 2017, statement of cash flows, statement of comparison of budget and actual amounts by function statement of comparison of budget, actual expenditure by departments and statements of appropriation of grants by object for the year as on 30th June 2017 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 167 & 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 Standard 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 2017 and the results of its operations, its cash flow and its expenditure and receipts, by appropriation for the year ended 30th June 2017 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: 29/12/2017

SD/-

(Javaid Jehangir)

Auditor General of Pakistan

GOVERNMENT OF KHYBER PAKHTUNKHWA
Statement of Cash Receipts and Payments
For the Year Ended 30 June 2017

		2017 Rupees in Million	2016 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
Taxation- Transfers from Federal Government	8	292,940	-	285,080	-
Taxation- Provincial Government's own collection	9	15,516	-	12,840	-
Non-Tax Revenue and Other Receipts					
General Administration	10	4,011	-	3,193	-
Economic Services	11	1,197	-	1,421	-
Development Surcharge and Royalties	12	22,293	-	16,977	-
Interest on Loans and Advances	13	32	-	52	-
Dividend and Profit Share	14	24,520	-	37,324	-
Others	15	4,347	-	4,643	-
		56,400	-	63,610	-
Grants and Aid	16	17,907	7,960	20,175	5,862
Borrowings					
Foreign Debt	17	-	2,489	-	2,638
Domestic Debt	18	4,282	-	2,687	-
		4,282	2,489	2,687	2,638
Capital Receipts					
Investment Recovery	19	15,000	-	15,021	-
Recovery of Loans and Advances	20	267	-	85	-
		15,267	-	15,106	-
Trading Activities	21	12,260	-	13,508	-
Receipts of District Governments	22	455	-	984	-
TOTAL RECEIPTS		415,027	10,449	413,990	8,500

GOVERNMENT OF KHYBER PAKHTUNKHWA
Statement of Cash Receipts and Payments
For the Year Ended 30 June 2017

	Note	2017 Rupees in Million		2016 Rupees in Million	
		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	23	109,135	-	94,452	-
Operating Expenses	24	75,742	7,685	71,732	5,058
		184,877	7,685	166,184	5,058
Transfers					
Grants, Subsidies and Write-off of Loans	25	32,963	-	48,518	-
Other Transfer Payments	26	20,185	-	11,077	-
		53,148	-	59,595	-
Expenditure on					
Physical Assets	27	5,095	296	2,619	-
Civil Works	28	61,936	2,468	49,517	3,442
		67,031	2,764	52,136	3,442
Debt and Interest Payments					
Principal Repayment of Debt	29	9,516	-	16,955	-
Servicing of Debt	30	6,419	-	5,778	-
		15,935	-	22,733	-
Other Payments					
Loans and Advances	31	73	-	73	-
Investments	32	21,007	-	10,400	-
		21,080	-	10,473	-
Payments of District Governments	33	124,078	-	78,961	-
TOTAL PAYMENTS		466,149	10,449	390,082	8,500
NET PAYMENT OF PROVINCIAL CONSOLIDATED FUND		(51,122)	-	23,908	-
NET RECEIPT OF PUBLIC ACCOUNT		12,081	-	14,759	-
INCREASE / (DECREASE) IN CASH		(39,041)	-	38,667	-
CASH AT THE BEGINNING OF THE YEAR		73,497	-	34,830	-
INCREASE / (DECREASE) IN CASH		(39,041)	-	38,667	-
CASH AT THE END OF THE YEAR		34,456	-	73,497	-

The annexed notes 1 to 40 form an integral part of these Financial Statements.

SD/-
Accountant General Khyber Pakhtunkhwa

GOVERNMENT OF KHYBER PAKHTUNKHWA
Statement of Cash Flows
For the Year Ended 30 June 2017

	Note	2017 Rupees in Million	2016 Rupees in Million
CASH FLOW FROM OPERATING ACTIVITIES			
Taxation- Transfers from Federal Government	8	292,940	285,080
Taxation- Provincial Government's own collection	9	15,516	12,840
Non-Tax Revenue and Other Receipts		56,400	63,610
Grants and Aid - Receipts	16	25,867	26,037
Trading Activities - Receipts	21	12,260	13,508
Operations- Payments		(192,562)	(171,242)
Servicing of Debt - Payments	30	(6,419)	(5,778)
Transfers - Payments		(53,148)	(59,595)
District Governments-Receipts	22	455	984
District Governments- Revenue Expenditure	33.1	(119,205)	(78,116)
Cash from Operating Activities		32,104	87,328
CASH FLOW FROM INVESTING ACTIVITIES			
Investment Recovery	19	15,000	15,021
Recovery of Loans and Advances	20	267	85
Expenditure on Physical Assets	27	(5,391)	(2,619)
Expenditure on Civil Works	28	(64,404)	(52,959)
Payments of Loans and Advances	31	(73)	(73)
Investments	32	(21,007)	(10,400)
Payment of District Government - Capital Expenditure	33.2	(4,873)	(845)
Cash used in Investing Activities		(80,481)	(51,790)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipt of Foreign Debt	17	2,489	2,638
Receipt of Domestic Debt	18	4,282	2,687
Principal Repayment of Debt	29	(9,516)	(16,955)
Net Receipt of Public Account	34	12,081	14,759
Cash from Financing Activities		9,336	3,129
DECREASE IN CASH AND CASH EQUIVALENTS		(39,041)	38,667
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		73,497	34,830
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	35	34,456	73,497

The annexed notes 1 to 40 form an integral part of these Financial Statements.

SD/-
Accountant General Khyber Pakhtunkhwa

GOVERNMENT OF KHYBER PAKHTUNKHWA

Statement of Comparison of Budget and Actual Amounts by Function For the Year Ended 30 June 2017

Note	2017 (Rupees in Million)			2016 (Rupees in Million)		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
RECEIPTS						
<u>Revenue</u>						
Taxation	349,071	340,268	308,456	306,050	298,016	297,920
Non-Taxation	194,409	117,115	94,527	268,442	117,737	103,155
Total revenue receipts	543,480	457,383	402,983	574,492	415,753	401,075
<u>Capital</u>						
Domestic Debt	27,200	15,000	4,282	-	-	2,687
Foreign Debt	9,120	2,522	2,489	-	-	2,638
Recoveries of Loans and Advances	250	418	267	249	250	85
Recoveries of Investments	15,000	15,000	15,000	15,001	15,000	15,021
Total capital receipts	51,570	32,940	22,038	15,250	15,250	20,431
<u>Others</u>						
Financing from past savings	11,855	25,000	-			
<u>Receipts of District Governments</u>	-	-	130,400	-	-	82,695
TOTAL RECEIPTS	606,905	515,323	555,421	589,742	431,003	504,201
PAYMENTS						
<u>Revenue</u>						
General Public Service	223,943	232,629	206,845	181,451	187,897	161,135
Defence Services	15	15	51	14	14	14
Public Order and Safety Affairs	41,993	46,086	42,355	41,760	42,899	40,025
Economic Affairs	25,309	25,628	18,609	22,691	22,708	19,850
Environment Protection	167	170	81	144	144	60
Housing and Community Amenities	5,991	5,991	1,681	17,260	17,260	4,546
Health Affairs and Services	24,591	29,962	26,931	20,373	22,941	19,746
Recreation, Culture and Religion	2,765	2,765	2,168	1,374	1,471	1,511
Education Affairs and Services	28,920	31,646	28,840	37,170	37,170	21,104
Social Protection	7,683	7,683	2,826	7,791	18,587	15,470
Total revenue payments	361,377	382,575	330,387	330,028	351,091	283,461
<u>Capital</u>						
General Public Service	68,743	68,803	41,034	75,339	75,340	36,812
Public Order and Safety Affairs	1,589	1,589	1,117	792	792	150
Economic Affairs	125,367	145,935	66,310	127,481	131,594	39,784
Environment Protection	4,130	5,651	5,667	7,322	7,322	5,547
Housing and Community Amenities	15,260	15,918	9,821	19,933	20,580	15,758
Health Affairs and Services	11,224	11,654	6,638	7,574	7,574	3,489
Recreation, Culture and Religion	1,476	1,476	625	785	785	671
Education Affairs and Services	14,962	19,319	19,218	16,708	16,918	13,790
Social Protection	2,777	2,777	1,648	3,780	3,780	1,870
Total capital payments	245,528	273,121	152,078	259,714	264,685	117,871
<u>Payments of District Governments</u>	114,365	128,087	124,078	101,018	105,626	78,961
TOTAL PAYMENTS	721,270	783,783	606,543	690,760	721,402	480,293

The annexed notes 1 to 40 form an integral part of these Financial Statements.

SD/-

Accountant General Khyber Pakhtunkhwa

**Statement of Comparison of Budget and Actual Expenditure by Department
For the Year Ended 30 June 2017**

The annexed notes 1 to 40 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 2017

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 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 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 2016-17 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 2016-2017 from 1 July, 2016 to 30 June, 2017).

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	2017 Rupees in Million	2016 Rupees in Million
8 TAXATION - TRANSFER FROM FEDERAL GOVERNMENT			
Income tax		117,580	107,290
Wealth Tax		-	(4)
Capital Value Tax		171	195
		117,751	107,481
Indirect Taxes			
Sales tax		114,985	122,156
Custom duty		43,744	37,383
Federal excise		15,255	16,514
Federal excise on Natural Gas		1,205	1,546
		175,189	177,599
		292,940	285,080
9 TAXATION - PROVINCIAL GOVERNMENT'S OWN COLLECTION			
Direct Taxes			
Income tax - Agriculture		69	69
Property Tax		291	333
Land Revenue		1,221	2,011
Tax on Profession, Trade and Callings		244	248
Capital Value Tax on Immoveable Property		358	281
		2,183	2,942
Indirect Taxes			
Receipts Under Motor Vehicles Act		1,535	1,317
Sales Tax		10,274	7,268
Stamp Duties		956	831
Provincial Excise		24	16
Others Indirect Taxes		544	466
		13,333	9,898
		15,516	12,840
10 GENERAL ADMINISTRATION RECEIPTS			
Fiscal Administration		315	177
Community Services		670	599
Social Services		1,190	1,039
Economic Regulations		19	19
Law and Order		1,738	1,286
Organs of State		79	73
		4,011	3,193

	Note	2017 Rupees in Million	2016 Rupees in Million
11 ECONOMIC SERVICES RECEIPTS			
Cooperation, Irrigation, Embankment-Drainage		312	525
Food and Agriculture		164	198
Fisheries and Animal Husbandry		182	158
Forest		280	259
Others		259	281
		<u>1,197</u>	<u>1,421</u>

12 DEVELOPMENT SURCHARGE AND ROYALTIES

Development Surcharge on Gas	12.1	7,578	3,377
Royalty on Crude Oil	12.2	9,731	8,509
Royalty on Natural Gas	12.2	4,982	5,091
Discount retained on local crude oil		2	-
		<u>22,293</u>	<u>16,977</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	2017 Rupees in Million	2016 Rupees in Million
13 INTEREST ON LOANS AND ADVANCES			
Interest on Domestic Loan	13.1	-	41
Interest on Loans and Advances to Govt. Servants		2	1
Interest - Others		30	10
		<u>32</u>	<u>52</u>

13.1 Interest On Domestic Loan

Financial Institutions		-	41
		<u>-</u>	<u>41</u>

14 DIVIDEND AND PROFIT SHARE

Dividends Receipts	14.1	1,057	881
Profit share	14.2	23,463	36,443
		<u>24,520</u>	<u>37,324</u>

	Note	2017 Rupees in Million	2016 Rupees in Million
14.1 Dividends Receipts			
Non-Financial Institution		1,057	881
		<u>1,057</u>	<u>881</u>
14.2 Profit share			
Electricity		21,715	34,463
Others		1,748	1,980
		<u>23,463</u>	<u>36,443</u>
15 OTHER RECEIPTS			
Unclaimed deposits		683	660
Rent, Rates and Taxes		19	16
Receipts under the Mines, Oil-fields and Mineral		2,085	772
Arms License Fees		516	431
Recoveries made by Anti-C		-	278
Recoveries of Overpayments		48	42
Tourism Receipts		30	31
Sand and quarry fees		114	78
Recoveries made by NAB from defaulters		338	587
Sugarcane development cess		115	89
Sugarcane cess collection charges		7	5
Fees, Fines, Penalties		5	8
Local Government		(20)	22
Renewal of licenses of Private Security Co		5	5
Fee For Registration/Renewal of Newspapers/Presses		3	2
5% Collection Charges on Federal Taxes		1	2
Miscellaneous Receipts		398	1,615
		<u>4,347</u>	<u>4,643</u>
16 GRANTS AND AID			
Controlled by Govt:	16.1	17,907	20,175
Third Party Receipts	16.2	7,960	5,862
		<u>25,867</u>	<u>26,037</u>
16.1 Controlled by Govt:			
Development Grants		17,857	12,173
Non-Development Grants		50	8,002
		<u>17,907</u>	<u>20,175</u>
16.2 Third Party Receipts			
Development Grants		7,960	5,862
		<u>7,960</u>	<u>5,862</u>

	Note	2017 Rupees in Million	2016 Rupees in Million
17 FOREIGN DEBT - RECEIPTS			
Third Party Receipts			
Foreign Lenders- JICA		2,489	2,638
		<u>2,489</u>	<u>2,638</u>
18 DOMESTIC DEBT - RECEIPTS			
Floating Debt		4,282	2,687
		<u>4,282</u>	<u>2,687</u>
19 RECOVERY OF INVESTMENTS			
Hydal Development Fund		15,000	15,000
Non-Financial Institution		-	21
		<u>15,000</u>	<u>15,021</u>
20 RECOVERY OF LOANS AND ADVANCES			
Financial Institution		204	-
Non-Financial Institution		-	26
Government Servants		63	59
		<u>267</u>	<u>85</u>
21 TRADING ACTIVITIES - RECEIPTS			
Sale of wheat		9,045	10,286
Subsidies on wheat		2,900	2,900
Subsidy on wheat (from Federal Govt)		300	303
Sale proceeds of Medical Stores		-	-
Sale of Others		15	19
		<u>12,260</u>	<u>13,508</u>
22 RECEIPTS OF DISTRICT GOVERNMENT			
Direct taxes		68	17
Indirect taxes		5	1
General Administration receipts		17	4
Economic services receipts		-	32
Share from Provincial allocable amounts		173	303
Grants from Provincial Government		129,945	81,711
Miscellaneous receipts		188	623
Loans and Advances		4	4
		<u>130,400</u>	<u>82,695</u>
Less: Grants from Provincial Government - KP	22.1	<u>129,945</u>	<u>(81,711)</u>
		<u>455</u>	<u>984</u>

22.1 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	2017 Rupees in Million	2016 Rupees in Million
23 SALARIES AND EMPLOYEE BENEFITS			
Pay of Officers		10,192	8,069
Pay of Other Staff		22,001	18,436
Allowances		32,406	33,771
Retirement Benefits		44,536	34,176
		<u>109,135</u>	<u>94,452</u>
24 OPERATING EXPENSES			
Controlled by Govt:	24.1	75,742	71,732
Third Party Payments	24.2	7,685	5,058
		<u>83,427</u>	<u>76,790</u>
24.1 Controlled by Govt:			
Research Surveys and Exploratory Operations		1	1
Communication		234	211
Utilities		1,765	1,743
Occupancy Costs		163	167
Motor Vehicles		75	36
Travel and Transportation		3,454	2,588
Scholarships, Bonuses and Other Awards		82	117
Entertainments and Gifts		182	147
Commodity Purchases (State Trading)		17,502	2,687
Repair & Maintenance		3,562	3,521
General Operating Expenses		48,722	60,514
		<u>75,742</u>	<u>71,732</u>
24.2 Third Party Payments			
General Operating Expenses		7,685	5,058
		<u>7,685</u>	<u>5,058</u>
25 GRANTS, SUBSIDIES AND WRITE-OFF OF LOANS			
Grants, Subsidies and Write-off of Loans		162,908	130,229
Less: Transfers to District Governments	22.1	129,945	81,711
		<u>32,963</u>	<u>48,518</u>
26			
Other Transfer Payments		20,185	11,077
		<u>20,185</u>	<u>11,077</u>

	Note	2017 Rupees in Million	2016 Rupees in Million
27 PHYSICAL ASSETS			
Controlled by Govt:	27.1	5,095	2,619
Third Party Payments	27.2	296	-
		5,391	2,619
27.1 Controlled by Govt:			
Purchase of Building		363	178
Computer Equipment		92	72
Other Stores and Stocks		4	52
Purchase of Transport		567	280
Purchase of Plant & Machinery		2,162	664
Purchase of Furniture and Fixtures		136	90
Purchase of Other Assets		61	175
Feasibility Studies		1,710	1,108
		5,095	2,619
27.2 Third Party Payments			
Feasibility Studies		296	-
		296	-
28 CIVIL WORKS			
Controlled by Govt:	28.1	61,936	49,517
Third Party Payments	28.2	2,468	3,442
		64,404	52,959
28.1 Controlled by Govt:			
Roads, Highways and Bridges		30,259	17,514
Irrigation Works		5,489	9,253
Embankments and Drainage Works		3,235	1,737
Building and Structure		22,108	19,925
Other Works		845	1,088
		61,936	49,517
28.2 Third Party Payments			
Building and Structure		1	804
Other Works		2,467	2,638
		2,468	3,442
29 PRINCIPAL REPAYMENT OF DEBT			
Foreign Debt		5,167	5,669
Domestic Debt	29.1	4,349	11,286
		9,516	16,955

	Note	2017 Rupees in Million	2016 Rupees in Million
29.1 Domestic Debt			
Permanent Debt		-	5,488
Floating Debt		4,349	5,798
		<u>4,349</u>	<u>11,286</u>
30 SERVICING OF DEBT			
Foreign Debt		-	311
Federal Government		714	5,261
Domestic Loans		5,705	206
		<u>6,419</u>	<u>5,778</u>
31 LOANS AND ADVANCES			
Government Employees	31.1	73	73
		<u>73</u>	<u>73</u>
31.1 Government Employees			
House Building Advance		73	52
Motor Car Advance		-	21
	31.1.1	<u>73</u>	<u>73</u>

31.1.1 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	2017 Rupees in Million	2016 Rupees in Million
32 INVESTMENTS			
General Provident Investment Fund	32.1	1,000	4,624
Pension Fund	32.2	1,000	4,000
Hydal Development Fund	32.3	15,000	376
Oil & Gas Development Authority KP		-	1,400
Others		4,007	-
		<u>21,007</u>	<u>10,400</u>

32.1 The General Provident Investment Fund was established under 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 is increased quarterly through the net receipt of the General Provident Fund contributions. The Board shall invest the Fund in Government Securities, National Saving Schemes, Profit bearing deposits in Banks or as the Board may think beneficial.

32.2 The Pension Fund established under Khyber Pakhtunkhwa, Pension Fund Act, 1999 is governed by a Management Board headed by the Chief Secretary to the Government of Khyber Pakhtunkhwa. It is enhanced each year with reference to the Governments liability towards its pensioners.

32.3 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 annual contributions to the Fund. The Fund is governed by a Management Board headed by the Chief Minister, Khyber Pakhtunkhwa.

	Note	2017 Rupees in Million	2016 Rupees in Million
33 PAYMENTS OF DISTRICT GOVERNMENTS			
Revenue Expenditure	33.1	119,205	78,116
Capital Expenditure	33.2	4,873	845
		<u>124,078</u>	<u>78,961</u>
33.1 Revenue Expenditure			
General Public Service		3,656	1,919
Defense Services		14	21
Public Order and Safety Affairs		20	21
Economic Affairs		5,111	3,675
Housing and Community Amenities		4,174	3,071
Health Affairs and Services		14,309	7,106
Recreation, Culture and Religion		101	73
Education Affairs and Services		90,384	61,214
Social Protection		1,436	1,016
		<u>119,205</u>	<u>78,116</u>
33.2 Capital Expenditure			
General Public Service		915	310
Public Order and Safety Affairs		18	-
Economic Affairs		1,390	147
Environment Protection		23	17
Housing and Community Amenities		1,765	295
Health		161	14
Recreation Culture and Religion		74	14
Education Affairs and Services		414	28
Social Protection		113	20
		<u>4,873</u>	<u>845</u>
34 NET RECEIPT / (PAYMENT) OF PUBLIC ACCOUNT			
Receipts			
Trust & other Public Accounts		599,132	511,211
Special Deposits		52,685	43,970
State Provident Fund		17,913	14,387
		<u>669,730</u>	<u>569,568</u>
Payments			
Trust & other Public Accounts		(601,641)	(509,886)
Special Deposits		(45,051)	(35,936)
State Provident Fund		(10,957)	(8,987)
		<u>(657,649)</u>	<u>(554,809)</u>
	34.1	<u>12,081</u>	<u>14,759</u>

34.1 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	2017 Rupees in Million	2016 Rupees in Million
35 CASH AND BANK			
Provincial Government Balance	35.1	23,633	69,491
District Governments Balance		10,823	4,006
		<u>34,456</u>	<u>73,497</u>
35.1 Provincial Government's Balance			
Public Account Balance		118,629	107,042
Consolidated Fund Balance		(94,996)	(37,551)
		<u>23,633</u>	<u>69,491</u>
36 ASSETS AND LIABILITIES			
Assets			
Long Term Assets		541,867	471,462
Investments		58,560	52,554
Loans and Advances		17,096	17,384
Current Assets		10,349	516
Cash and Bank		34,456	73,497
	36.1	<u>662,328</u>	<u>615,413</u>
Liabilities and equity			
Public Debt	37	(888)	1,857
Special Deposits and Trust Accounts		76,643	63,879
Deferred Liabilities		58,469	49,407
Residual Equity		528,104	500,270
	36.1	<u>662,328</u>	<u>615,413</u>

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

	Note	2017 Rupees in Million	2016 Rupees in Million
37 PUBLIC DEBT			
Domestic Debt			
Opening Balance		(13,755)	(5,156)
Add: Debt Receipts	18	4,282	2,687
Less: Principal Repayments of Debt	29.1	(4,349)	(11,286)
Closing Balance		(13,822)	(13,755)
Foreign Debt			
Opening Balance		15,612	18,643
Add: Debt Receipts	17	2,489	2,638
Less: Principal Repayments of Debt	29	(5,167)	(5,669)
Closing Balance		12,934	15,612
	37.1	<u>(888)</u>	<u>1,857</u>

37.1 The foreign debts are 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.

38 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 22.1 and which a reconciliation is presented below.

	Note	2017 Rupees in Million	2016 Rupees in Million
Receipts			
Actual Receipts in Statement of Comparison of Budget and Actual Amounts by Function		555,421	504,201
Less : Grants from Provincial Government - KP	22.1	129,945	81,711
Actual Receipts in Statement of Cash Receipts and Payments		<u>425,476</u>	<u>422,490</u>
Payments			
Actual payments in Statements of Comparison of Budget and Actual Amounts by Function and Actual Expenditure by Department		606,543	480,293
Less: Transfers to District Governments - KP	25	129,945	81,711
Actual payments in Statement of Cash Receipts and Payments		<u>476,598</u>	<u>398,582</u>

39 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 29/12/2017.

40 GENERAL

40.1 Level of Precision

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

40.2 Corresponding Figures

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

SD/-
Accountant General Khyber Pakhtunkhwa