

PREFACE

I am pleased to present the Audited Financial Statements of the Government of Sindh for the year ended 30 June, 2009 together with the Auditors' Report thereon.

The Financial Statements of the Government of Sindh for the financial year 2008-09 have been prepared by the Accountant General Sindh 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 are also introduced:

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

Commitment, asset 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 the Provincial Assembly in the form of Budgetary Grants.

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

Islamabad, Pakistan
Date:

Controller General of Accounts



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

Auditor's Report

The Office of the Auditor General of Pakistan has audited the accompanying Financial Statements of the Government of Sindh, which comprises the statement of receipts and payments for the year ended 30 June, 2009, statement of cash flows, statement of comparison of budget and actual amounts by function, statement of comparison of budget and actual expenditure by department for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These Financial Statements have been prepared by the Accountant General Sindh on behalf of Controller General of Accounts under Section 5 of the Controller General of Accounts (Appointment, Function and Powers) Ordinance 2001.

Auditor's Responsibility

The responsibility of the Auditor General's Office is to express an opinion on these Financial Statements based on the audit in accordance with the requirements of Article 169 of the Constitution of the Islamic Republic of Pakistan read with Section 7 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001.

Basis of Opinion

The audit was conducted in accordance with the auditing standards issued by the International Organization of Supreme Audit Institutions. These standards require that audit is planned and performed to obtain reasonable assurance to the effect that the Financial Statements are free of material misstatement. The audit process includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. It also includes assessing the accounting principles used, as well as evaluating the overall presentation of the Financial Statement. The audit results provide a reasonable basis for our opinion.

In our opinion;

- (a) These Financial Statements present fairly, in all material respects, the financial performance of the Government of Sindh for the year ended 30th June, 2009, its cash flows, comparison of budget and actual amounts by function, comparison of budget and actual expenditure by department for the year then ended in accordance with the stated accounting policies of the Government of Sindh.

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

- (b) The sums expended have been applied, in all material respects, for the purposes authorized by the Provincial Assembly.

Emphasis of Matter

Without qualifying our opinion, we draw attention to statement of cash receipts and payments and note 7.11 to the Financial Statements. Under IPSAS Cash Basis disclosure of third party payments is mandatory part of the general purpose Financial Statements and should be disclosed separately on the face of the statement of receipts and payments of the Provincial Government. The Government has disclosed third party payments as nil on the basis that neither the Government has been formally advised by the third party or the recipient nor such payments have been otherwise verified. The existing accounting and financial reporting system of the Government needs to be strengthened to fully capture third party payments.

Other Reports

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

Auditor General of Pakistan

Islamabad, Pakistan
Date :

GOVERNMENT OF SINDH
Statement of Cash Receipts and Payments
For the Year Ended 30 June 2009

	Note	2009 (Rupees in Million)		2008 (Rupees in Million)	
		Receipts / Payments Controlled by the Government	Payments by Third Parties	Receipts / Payments Controlled by the Government	Payments by Third Parties
PROVINCIAL CONSOLIDATED FUND					
RECEIPTS					
<i>Taxation- Transfer from Federal Government</i>	8	121,573	-	105,384	-
<i>Taxation- Provincial Government's Own Collection</i>	9	21,034	-	15,824	-
<i>Non-Tax Revenue and Other Receipts</i>					
General Administration	10	1,593	-	1,446	-
Economic Services	11	743	-	600	-
Development Surcharge and Royalties	12	40,063	-	37,592	-
Interest on Loans and Advances-Government Servants		2	-	3	-
Dividend and Profit Share-Non Financial Institutions		9	-	7	-
Others	13	3,580	-	7,768	-
		45,990	-	47,416	-
<i>Grants and Aid</i>	14	19,119	-	19,408	-
<i>Borrowings</i>					
Foreign Debt	15	17,506	-	2,713	-
Domestic Debt	16	3,262	-	12,380	-
		20,768	-	15,093	-
<i>Capital Receipts</i>	17	590	-	86	-
<i>Trading Activities</i>	18	21,397	-	15,690	-
<i>Receipts of District Governments</i>	19	531	-	636	-
TOTAL RECEIPTS		251,002	-	219,537	-

GOVERNMENT OF SINDH
Statement of Cash Receipts and Payments
For the Year Ended 30 June 2009

	Note	2009 (Rupees in Million)		2008 (Rupees in Million)	
		Receipts / Payments Controlled by the Government	Payments by Third Parties	Receipts / Payments Controlled by the Government	Payments by Third Parties
PAYMENTS					
<i>Operations</i>					
Salaries and Employee Benefits	20	48,019	-	38,812	-
Operating Expenses		78,000	-	31,167	-
		126,019	-	69,979	-
<i>Transfers</i>					
Grants, Subsidies and Write-off of Loans	21	24,913	-	16,726	-
Other Transfer Payments		560	-	1,021	-
		25,473	-	17,747	-
<i>Expenditure on</i>					
Physical Assets		1,852	-	1,644	-
Civil Works		46,581	-	42,583	-
Repairs and Maintenance		3,467	-	2,988	-
		51,900	-	47,215	-
<i>Debt and Interest Payments</i>					
Principal Repayment of Debt	22	10,455	-	20,167	-
Servicing of Debt	23	9,260	-	7,541	-
		19,715	-	27,708	-
<i>Other Payments</i>					
Loans and Advances	24	22	-	12	-
Investment		15	-	100	-
		37	-	112	-
<i>Payments of District Governments</i>	25	73,142	-	60,991	-
TOTAL PAYMENTS		296,286	-	223,752	-
NET PAYMENT OF PROVINCIAL CONSOLIDATED FUND		(45,284)	-	(4,215)	-
NET RECEIPT/(PAYMENT) OF PUBLIC ACCOUNT	26	29,129	-	(1,299)	-
DECREASE IN CASH		(16,155)	-	(5,514)	-
CASH AT BEGINNING OF THE YEAR		30,048	N/A*	35,562	N/A*
DECREASE IN CASH		(16,155)	N/A	(5,514)	N/A
CASH AT END OF THE YEAR	27	13,893	-	30,048	-

The annexed notes 1 to 31 form an integral part of these financial statements.

* N/A = Not Applicable

Accountant General Sindh

GOVERNMENT OF SINDH
Statement of Cash Flows
For the Year Ended 30 June 2009

	2009 Rupees in Million	2008 Rupees in Million
CASH FLOWS FROM OPERATING ACTIVITIES		
Taxation-Transfers from Federal Government	8 121,573	105,384
Taxation-Provincial Government's Own Collection	9 21,034	15,824
Non-Tax Revenue & Other Receipts	45,990	47,416
Grants and Aid	14 19,119	19,408
Trading Activities - Receipts	18 21,397	15,690
Operations - Payments	(126,019)	(69,979)
Servicing of Debt - Payments	23 (9,260)	(7,541)
Transfers-Payments	(25,474)	(17,747)
Receipts of District Governments	19 531	636
Payments of District Governments - Revenue Expenditure	25.1 (58,219)	(47,736)
<i>Cash from Operating Activities</i>	10,672	61,355
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment - Purchase of Shares	(15)	(100)
Capital Receipts	590	-
Expenditure on Physical Assets, Civil Works & Others	(51,899)	(60,470)
Payments of Loans and Advances	(22)	(60,470)
Payments of District Governments - Capital Expenditure	24 (14,923)	(12)
<i>Cash used in Investing Activities</i>	(66,269)	(60,496)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts of Foreign Debt	15 17,506	2,713
Receipts of Domestic Debt	16 3,262	12,380
Principal Repayments of Debt	22 (10,455)	(20,167)
Net Receipt/(Payment) of Public Account	26 29,129	(1,299)
<i>Cash from/(used) in Financing Activities</i>	39,442	(6,373)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(16,155)	(5,514)
CASH & CASH EQUIVALENTS AT BEGINNING OF THE YEAR	30,048	35,562
CASH & CASH EQUIVALENTS AT END OF THE YEAR	27 13,893	30,048

The annexed notes 1 to 31 form an integral part of these financial statements.

Accountant General Sindh

GOVERNMENT OF SINDH

Statement of Comparison of Budget and Actual Amounts by Function For the Year Ended 30 June 2009

	2009 (Rupees in Million)			2008 (Rupees in Million)		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
RECEIPTS						
<u>Revenue</u>						
Taxation	162,964	173,961	142,607	104,995	101,193	121,208
Non-Taxation	58,112	49,018	65,109	191,512	190,636	66,824
Total Revenue Receipts	221,076	222,979	207,716	296,507	291,829	188,032
<u>Capital</u>						
Domestic Debt	13,700	5,000	3,261	7,500	15,550	12,380
Foreign Debt	17,160	22,610	17,506	6,770	310	2,713
Recovery of Loans & Advances	3,595	3,561	90	105	105	86
State Trading Activities	3,693	23,856	21,397	11,536	15,381	15,690
Miscellaneous Recoveries	105	105	500	2,096	2,212	-
Total Capital Receipts	38,253	55,132	42,754	28,007	33,558	30,869
<i>Receipts of District Governments</i>	-	-	73,218	-	-	56,773
TOTAL RECEIPTS	259,329	278,111	323,688	324,514	325,387	275,674
	29	0				
PAYMENTS						
<u>Revenue</u>						
General Public Service	114,045	119,887	128,638	108,625	104,008	97,318
Economic Affairs	22,708	18,395	15,646	17,427	19,219	14,984
Public Order and Safety Affairs	25,544	24,433	23,781	20,115	21,035	18,672
Education Affairs and Services	16,895	11,852	8,939	14,840	10,672	5,771
Health Affairs and Services	9,852	11,476	9,349	8,368	6,559	5,775
Housing & Community Amenities	2,786	2,956	2,752	486	397	339
Recreation, Culture and Religion	523	748	675	495	528	383
Social Protection	1,418	2,058	1,855	1,174	2,305	705
Environment Protection	693	341	176	909	520	315
Total Revenue Payments	194,464	192,146	191,811	172,439	165,243	144,262
<u>Capital</u>						
General Public Service	23,288	12,560	10,510	15,515	22,234	20,354
Economic Affairs	34,789	69,772	67,922	23,481	40,644	34,701
Education Affairs and Services	2,861	4,356	4,480	2,216	3,008	2,759
Health Affairs and Services	1,149	1,849	773	482	498	374
Housing and Community Amenities	1,287	2,892	2,465	2,034	2,649	2,149
Recreation, Culture and Religion	209	346	298	155	160	124
Social Protection	21,292	21,292	16,124	15,607	16,073	13,436
Environment Protection	1,154	1,679	1,447	10	763	739
Total Capital Payments	86,029	114,746	104,019	59,500	86,029	74,636
	280,493	306,892	295,830	231,939	251,272	218,898
<i>Payments of District Governments</i>	66,460	75,139	73,142	58,933	62,701	60,991
TOTAL PAYMENTS	346,953	382,031	368,972	290,872	313,973	279,889
	29					

The annexed notes 1 to 31 form an integral part of these financial statements.

Accountant General Sindh

GOVERNMENT OF SINDH

Statement of Comparison of Budget and Actual Expenditure by Department

For the Year Ended 30 June 2009

DEPARTMENTS	Note	2009 (Rupees in Million)			2008 (Rupees in Million)		
		Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
		Original	Revised		Original	Revised	
1. Agriculture, Livestock & Coopeartion		6,660	6,774	5,031	5,471	7,094	3,883
2. Board of Revenue		1,563	1,912	1,516	1,261	1,437	1,007
3. Culture, Sports, Archeology, Museums		436	500	477	376	410	339
4. Education		18,128	14,582	11,826	15,500	12,132	7,363
5. Enviornment		166	82	56	183	120	44
6. Finance		73,165	65,058	59,633	62,991	64,686	60,696
7. Food		21,125	47,426	47,561	10,183	17,024	13,260
8. Forest		789	730	581	581	572	472
9. Governor's Secretariat		213	186	190	268	271	270
10. Health		12,468	14,803	11,434	10,342	8,470	7,318
11. Home		23,425	22,387	21,837	18,459	19,415	17,137
12. Industries		3,409	2,327	1,808	2,416	2,839	2,159
13. Information		425	607	587	263	264	203
14. Irrigation & Power		11,677	14,549	13,571	10,625	18,867	17,785
15. Law		2,075	1,998	1,909	1,612	1,758	1,679
16. Local Government		84,912	91,826	99,025	77,246	79,763	71,118
17. Manpower & Labour Management		749	640	579	428	425	352
18. Planning & Development		2,843	2,875	2,005	302	904	917
19. Provincial Assembly		253	293	293	237	224	206
20. Public Service Commission		42	75	68	42	35	34
21. Religious & Minority Affairs		196	198	96	204	181	99
22. Science & Information Technology		904	460	488	377	251	174
23. Services & General Administration		1,578	1,398	1,197	1,214	1,357	1,003
24. Transport & Communication		74	43	42	33	37	30
25. Works & Services		13,218	15,163	14,020	11,325	12,736	11,350
		280,493	306,892	295,830	231,939	251,272	218,898
<i>Payments of District Governments</i>		66,460	75,139	73,142	58,933	62,701	60,991
TOTAL	29	346,953	382,031	368,972	290,872	313,973	279,889

The annexed notes 1 to 31 form an integral part of these financial statements.

Accountant General Sindh

GOVERNMENT OF SINDH

Notes to the Financial Statements

For the Year Ended 30 June 2009

1. REPORTING ENTITY

Provincial Government of Sindh (the Government) conducts its operations under the Rules of Business 1986. 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 describe 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 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. Forest
 2. Food
 3. PWD (Public Works 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 made by the Provincial Government in such entities are capitalized and any grants to the entities are classified as an expense of the Provincial Government, if any, in the financial year to which they pertain. Return from these entities in the form of dividend or interest is classified as non-tax revenue.

Under Sindh Local Government Ordinance, 2001, district governments were established. The district government consists of zila nazim and district administration. Auditor General of Pakistan under section 114 of the said Ordinance prescribed Local Government Accounts Manual for district governments. This Manual requires preparation of annual Finance and Appropriation Accounts by each district government. Presently district governments only prepare appropriation accounts. 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;

GOVERNMENT OF SINDH

Notes to the Financial Statements

For the Year Ended 30 June 2009

- | | |
|---------------|-------------------------|
| 1. Karachi | 13. Tando Muhammad Khan |
| 2. Larkana | 14. Thatta |
| 3. Hyderabad | 15. Badin |
| 4. Nawabshah | 16. Khairpur |
| 5. Sukkur | 17. Jamshoro |
| 6. Ghotki | 18. Dadu |
| 7. Mirpurkhas | 19. Shikarpur |
| 8. Mithi | 20. Sanghar |
| 9. Kamber | 21. Naushahro Feroze |
| 10. Kashmore | 22. Tando Allahyar |
| 11. Jacobabad | 23. Umerkot |
| 12. Matiari | |

These financial statements include all centralized, self accounting entities and district governments.

2. BASIS OF CONSOLIDATION

The financial statements have been prepared by consolidating the accounts of all centralized and self accounting entities and 23 district governments. Material intergovernmental transactions such as transfers from Provincial Government Sindh 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). 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 and the implementation of NAM is an ongoing process. However commitment, asset and liability accounting practices have not yet been implemented and memorandum registers for assets and commitments do not exist and accounting of liabilities is not done in accordance with NAM.

4. ACCOUNTING CONVENTION AND BASIS OF PREPARATION

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. Government of Pakistan is moving towards full implementation of Cash Basis IPSAS - Financial Reporting under the Cash Basis of Accounting. These financial statements comply with Cash Basis IPSAS except for consolidation of state owned enterprises. The statement of cash 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 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 2008-09 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.

GOVERNMENT OF SINDH

Notes to the Financial Statements

For the Year Ended 30 June 2009

5. REPORTING AND BUDGET PERIOD

The reporting and budget period of these financial statements is the financial year 2008-09 (from 1 July, 2008 to 30 June, 2009).

6. REPORTING CURRENCY

The reporting currency of these financial statements is Pak Rupee 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

Expenditure is recognized on the date, payment advice is issued to the bank.

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

Expenditure is recognized on the date when State Bank of Pakistan advises repayment of loans and other direct payments to 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 the transaction. Exchange differences arising on settlement of these transactions are recognized in the statement of cash receipts and payments, but are not disclosed separately.

GOVERNMENT OF SINDH

Notes to the Financial Statements

For the Year Ended 30 June 2009

7.4 Employee Benefits

The Government has following plans for its employees:

a) General Provident Fund

An employee compulsory subscribed to the General Provident Fund from the date of appointment and monthly subscription is by way of deduction from the monthly payroll at a uniform rate of subscription, as advised by the Government for a financial year as laid down in the Provident Funds 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 SBP.

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

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

7.11 Payments by third parties

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

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2009

	2009	2008
	Rupees	Rupees
	in Million	in Million
8. TAXATION-TRANSFERS FROM FEDERAL GOVERNMENT		
<i>Direct Taxes</i>		
Income tax	39,583	34,214
Wealth Tax	-	10
Capital Value Tax	251	682
Worker's Welfare Fund	21	48
	39,855	34,954
<i>Indirect Taxes</i>		
Custom Duty	14,314	13,980
Sales Tax	52,878	43,027
Federal Excise Duty	10,718	8,286
Federal Excise on Natural Gas	3,808	5,137
	81,718	70,430
	121,573	105,384
9. TAXATION-PROVINCIAL GOVERNMENT'S OWN COLLECTION		
<i>Direct Taxes</i>		
Income Tax - Agriculture	145	190
Land Revenue	177	229
Property Tax	596	603
Tax on Profession, Trade & Callings	202	180
	1,120	1,202
<i>Indirect Taxes</i>		
Receipts Under Motor Vehicles Act	2,169	2,161
Stamp Duties	3,947	4,215
Provincial Excise Duty	2,141	1,777
Others	11,657	6,469
	19,914	14,622
	21,034	15,824
10. GENERAL ADMINISTRATION RECEIPTS		
Fiscal Administration	36	65
Community Services	272	232
Social Services	274	319
Economic Regulations	41	38
Law and Order	930	767
Organ of State	40	25
	1,593	1,446

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2009

	<i>Note</i>	2009 Rupees in Million	2008 Rupees in Million
11. ECONOMIC SERVICES RECEIPTS			
Cooperation, Irrigation, Embankment Drainage		352	267
Food and Agriculture		51	31
Fisheries & Animal Husbandry		25	13
Forest		91	79
Mines & Mineral Resources		224	210
		<u>743</u>	<u>600</u>

12. DEVELOPMENT SURCHARGE AND ROYALTIES-RECEIPTS

Development Surcharge on Gas	<i>12.1</i>	8,202	14,863
Royalty on Crude Oil	<i>12.2</i>	8,297	5,956
Royalty on Natural Gas	<i>12.2</i>	23,564	16,773
		<u>40,063</u>	<u>37,592</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

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.

	<i>Note</i>	2009 Rupees in Million	2008 Rupees in Million
13. OTHER RECEIPTS			
Sale of Land		516	2,049
Sale of Other Government Assets		221	4,014
Miscellaneous Receipts		2,843	1,705
		<u>3,580</u>	<u>7,768</u>

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2009

	<i>Note</i>	2009 Rupees in Million	2008 Rupees in Million
14. GRANTS AND AID - RECEIPTS			
Federal Grants	<i>14.1</i>	19,116	19,402
Foreign Grants		3	6
		<u>19,119</u>	<u>19,408</u>
14.1 Federal Grants			
Development Grants		10,692	12,343
Non-Development Grants		8,424	7,059
		<u>19,116</u>	<u>19,402</u>
15. FOREIGN DEBT - RECEIPTS			
Permanent Debt - Federal Government		<u>17,506</u>	<u>2,713</u>
16. DOMESTIC DEBT - RECEIPTS			
Permanent Debt	<i>16.1</i>	94	380
Floating Debt	<i>16.2</i>	3,168	12,000
		<u>3,262</u>	<u>12,380</u>

16.1 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.

16.2 Floating debt represents the borrowings of temporary nature such as Ways and Means Advances or Cash Credit Accommodation from the State Bank of Pakistan. These are repayable within twelve months.

	<i>Note</i>	2009 Rupees in Million	2008 Rupees in Million
17. CAPITAL RECEIPTS			
Miscellaneous Receipts		500	-
Recovery of Loans and Advances		90	86
		<u>590</u>	<u>86</u>
18. TRADING ACTIVITIES - RECEIPTS			
Sale of Wheat and Rice		21,397	15,619
Other Receipts		-	71
		<u>21,397</u>	<u>15,690</u>

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2009

	<i>Note</i>	2009 Rupees in Million	2008 Rupees in Million
19. RECEIPTS OF DISTRICT GOVERNMENTS			
Direct Taxes			
Taxes on Income		-	1
Property Tax		75	175
Tax on Profession, Trade & Callings		7	4
		82	180
Indirect Taxes			
		6	1
Other Receipts			
Grants from Provincial Government Sindh		72,687	56,137
Recovery of Loan and Advances		16	70
Interest on Loans and Advances		-	4
Community Services		234	67
Social Services		35	110
Fisheries & Animal Husbandry		5	1
Miscellaneous Receipts		153	203
		73,130	56,592
		73,218	56,773
Less: Grants from Provincial Government Sindh	19.1	(72,687)	(56,137)
		531	636

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

	<i>Note</i>	2009 Rupees in Million	2008 Rupees in Million
20. SALARIES AND EMPLOYEE BENEFITS			
Pay of Officers		4,646	3,690
Pay of Other Staff		13,223	10,048
Allowances		16,108	12,934
Retirement Benefits		14,042	12,140
		48,019	38,812
21. GRANTS, SUBSIDIES AND WRITE-OFF OF LOANS			
Grants, Subsidies and Write-Off of Loans		97,600	72,863
Less: Transfers to District Governments	19.1	(72,687)	(56,137)
		24,913	16,726

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2009

	<i>Note</i>	2009 Rupees in Million	2008 Rupees in Million
22. PRINCIPAL REPAYMENT OF DEBT			
Foreign Debt		4,179	2,958
Domestic Debt	22.1	6,276	17,209
		<u>10,455</u>	<u>20,167</u>
22.1 Domestic Debt			
Permanent Debt		3,108	5,209
Floating Debt		3,168	12,000
		<u>6,276</u>	<u>17,209</u>
23. SERVICING OF DEBT			
Foreign Debt		1,064	839
Domestic Debt		2,751	2,989
General Provident Fund		5,445	3,713
		<u>9,260</u>	<u>7,541</u>
24. LOANS AND ADVANCES			
Non-Financial Institutions	24.1	<u>22</u>	<u>12</u>
24.1 Non-Financial Institutions			
Sindh Agriculture Corporation		1	3
Hyderabad Development Authority		11	8
Sindh Road Transport Corporation		2	1
Others		8	-
		<u>22</u>	<u>12</u>
25. PAYMENTS OF DISTRICT GOVERNMENTS			
Revenue Expenditure	25.1	58,219	47,736
Capital Expenditure	25.2	14,923	13,255
		<u>73,142</u>	<u>60,991</u>

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2009

	<i>Note</i>	2009 Rupees in Million	2008 Rupees in Million
25.1 Revenue Expenditure			
Housing & Community Amenities		49	5
Recreation, Culture and Religion		31	16
Public Order & Safety Affairs		59	48
Social Protection		371	284
Health Affairs & Services		6,314	5,226
Economic Affairs		5,942	6,286
General Public Services		12,193	10,179
Education Affairs & Services		33,260	25,692
		<u>58,219</u>	<u>47,736</u>
25.2 Capital Expenditure			
General Public Services		657	265
Recreation, Culture and Religion		98	350
Environment Protection		338	368
Social Protection		270	427
Housing & Community Amenities		833	549
Health Affairs & Services		644	783
Education Affairs & Services		2,329	2,881
Economic Affairs		9,754	7,632
		<u>14,923</u>	<u>13,255</u>
26. NET RECEIPT OF PUBLIC ACCOUNT			
<i>Receipts</i>			
Trust & Other Public Accounts	26.1	370,081	113,276
Special Deposits		17,309	17,436
State Provident Fund		10,358	6,986
		<u>397,748</u>	<u>137,698</u>
<i>Payments</i>			
Trust & Other Public Accounts	26.1	345,064	115,226
Special Deposits		17,856	19,349
State Provident Fund		5,699	4,422
		<u>368,619</u>	<u>138,997</u>
	26.1	<u>29,129</u>	<u>(1,299)</u>

26.1 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 the Governor. The balances in the public account are carried forward at year end and to be used for the specific purpose for which they are established.

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2009

	<i>Note</i>	2009 Rupees in Million	2008 Rupees in Million
27. CASH AND BANK			
Provincial Government's Balance		4,113	20,432
District Government's Balance		9,780	9,616
		<u>13,893</u>	<u>30,048</u>
28. ASSETS AND LIABILITIES			
<i>Assets</i>			
Long Term Assets		315,903	228,780
Investments		228	212
Loans and Advances		22,342	22,426
Current Assets		1,877	1,781
Cash at Bank		13,893	30,048
	<i>28.1</i>	<u>354,243</u>	<u>283,247</u>
Liabilities and Equity			
Public Debt		18,236	7,924
Special Deposits and Trust Accounts		29,631	5,051
Deferred Liabilities		44,082	39,423
Capital Receipts		551	51
Residual Equity		261,743	230,798
	<i>28.1</i>	<u>354,243</u>	<u>283,247</u>

28.1 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 but encouraged disclosures as per IPSAS Cash Basis.

29. COMPARISON OF BUDGET & 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 the financial statements - as identified in Note-1.

The statement 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 have been eliminated against transfers to district governments in statement of cash receipts and payments as explained in Note-2 and 19.1, for which a reconciliation is presented below.

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2009

	<i>Note</i>	2009 Rupees in Million	2008 Rupees in Million
Receipts			
Actual Receipts in Statement of Comparison of Budget & Actual Amounts by Function		323,689	275,674
Less: Grants from Provincial Government Sindh	<i>19.1</i>	(72,687)	(56,137)
Actual Receipts in Statement of Cash Receipts and Payments		<u>251,002</u>	<u>219,537</u>
Payments			
Actual Payments in Statement of Comparison of Budget & Actual Amounts by Function and Actual Expenditure by Department		368,972	279,889
Less: Transfers to District Governments	<i>19.1</i>	(72,687)	(56,137)
Actual Payments in Statement of Cash Receipts and Payments		<u>296,285</u>	<u>223,752</u>

30. 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 Sindh together with the audit reports on these financial statements to the Governor of Sindh who shall cause them to be laid before the Provincial Assembly. These financial statements have been authorized for issue on _____.

31. GENERAL

31.1 Level of Precision

Figures in these financial statements have been rounded off to the nearest million of rupees, unless otherwise stated.

31.2 Corresponding Figures

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

Accountant General Sindh