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PREFACE

I am pleased to present the Financial Statements of the Government of Sindh for the year ended 30 June, 2010 together with the Auditors' Report thereon.

The Financial Statements of the Government of Sindh for the financial year 2009-10 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 were 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 or 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.

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Controller General of Accounts

Islamabad, Pakistan

Date:



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 comprise the statement of cash receipts and payments for the year ended 30th June, 2010, 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

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, Functions 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 requirement 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 test check basis, evidence supporting the amounts and disclosures in the Financial Statements. It also includes assessing the accounting principles used, as well as evaluating overall presentation of the Financial Statements. 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 30 June 2010, its cash flows, comparison of budget and actual amounts by function and 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.
- (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 cash receipts and payments of the Government of Sindh. 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.

Islamabad, Pakistan
Date: January 24, 2011

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Auditor General of Pakistan

GOVERNMENT OF SINDH
Statement of Cash Receipts and Payments
For the Year Ended 30 June 2010

	<i>Note</i>	2010 (Rupees in Million)		2009 (Rupees in Million)	
		Receipts / Payments Controlled by the Government	Receipts by Third Parties	Receipts / Payments Controlled by the Government	Receipts by Third Parties
PROVINCIAL CONSOLIDATED FUND					
RECEIPTS					
<i>Taxation- Transfers from Federal Government</i>	8	148,452	-	121,573	-
<i>Taxation- Provincial Government's Own Collection</i>	9	21,771	-	21,034	-
<i>Non-Tax Revenue and Other Receipts</i>					
General Administration	10	1,602	-	1,593	-
Economic Services	11	628	-	743	-
Development Surcharge and Royalties	12	39,949	-	40,063	-
Interest on Loans and Advances - Government Servants		-	-	2	-
Dividend and Profit Share - Non Financial Institutions		20	-	9	-
Others	13	10,803	-	3,580	-
		53,002	-	45,990	-
<i>Grants and Aid</i>	14	23,508	-	19,119	-
<i>Borrowings</i>					
Foreign Debt	15	13,060	-	17,506	-
Domestic Debt	16	22,730	-	3,262	-
		35,790	-	20,768	-
<i>Capital Receipts</i>	17	483	-	590	-
<i>Trading Activities</i>	18	25,802	-	21,397	-
<i>Receipts of District Governments</i>	19	(472)	-	531	-
TOTAL RECEIPTS		308,336	-	251,002	-

GOVERNMENT OF SINDH
Statement of Cash Receipts and Payments
For the Year Ended 30 June 2010

	Note	2010 (Rupees in Million)		2009 (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	55,848	-	48,019	-
Operating Expenses		74,262	-	78,000	-
		130,110	-	126,019	-
<i>Transfers</i>					
Grants, Subsidies and Write-off of Loans	21	30,173	-	24,913	-
Other Transfer Payments	28.1	8,490	-	575	-
		38,663	-	25,488	-
<i>Expenditure on</i>					
Physical Assets		2,195	-	1,852	-
Civil Works		51,675	-	46,581	-
Repairs and Maintenance		3,226	-	3,467	-
		57,096	-	51,900	-
<i>Debt and Interest Payments</i>					
Principal Repayments of Debt	22	28,652	-	10,455	-
Servicing of Debt	23	9,388	-	9,260	-
		38,040	-	19,715	-
<i>Other Payments</i>					
Loans and Advances	24	28	-	22	-
<i>Payments of District Governments</i>					
	25	72,114	-	73,142	-
TOTAL PAYMENTS		336,051	-	296,286	-
NET PAYMENT OF PROVINCIAL CONSOLIDATED FUND		(27,715)	-	(45,284)	-
NET RECEIPT OF PUBLIC ACCOUNT	26	15,035	-	29,129	-
DECREASE IN CASH		(12,680)	-	(16,155)	-
CASH AT BEGINNING OF THE YEAR		13,893	NA*	30,048	NA*
DECREASE IN CASH		(12,680)	NA	(16,155)	NA
CASH AT END OF THE YEAR	27	1,213	-	13,893	-

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 2010

	<i>Note</i>	2010 Rupees in Million	2009 Rupees in Million
CASH FLOWS FROM OPERATING ACTIVITIES			
Taxation-Transfers from Federal Government	8	148,452	121,573
Taxation-Provincial Government's Own Collection	9	21,771	21,034
Non-Tax Revenue & Other Receipts		53,002	45,990
Grants and Aid - Receipts	14	23,508	19,119
Trading Activities - Receipts	18	25,802	21,397
Operations - Payments		(130,110)	(126,019)
Servicing of Debt - Payments	23	(9,388)	(9,260)
Transfers-Payments	28.1	(38,663)	(25,489)
Receipts of District Governments	19	(472)	531
Payments of District Governments - Revenue Expenditure	25.1	(58,461)	(58,219)
<i>Cash from Operating Activities</i>		35,441	10,657
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital Receipts	17	483	590
Expenditure on Physical Assets, Civil Works & Others		(57,096)	(51,899)
Payments of Loans and Advances	24	(28)	(22)
Payments of District Governments - Capital Expenditure	25.2	(13,653)	(14,923)
<i>Cash used in Investing Activities</i>		(70,294)	(66,254)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts of Foreign Debt	15	13,060	17,506
Receipts of Domestic Debt	16	22,730	3,262
Principal Repayments of Debt	22	(28,652)	(10,455)
Net Receipt of Public Account	26	15,035	29,129
<i>Cash from in Financing Activities</i>		22,173	39,442
NET DECREASE IN CASH AND CASH EQUIVALENTS		(12,680)	(16,155)
CASH & CASH EQUIVALENTS AT BEGINNING OF THE YEAR		13,893	30,048
CASH & CASH EQUIVALENTS AT END OF THE YEAR	27	1,213	13,893

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 2010

	2010 (Rupees in Million)			2009 (Rupees in Million)		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
RECEIPTS						
<i>Revenue</i>						
Taxation	148,251	147,296	170,223	162,964	173,961	142,607
Non-Taxation	169,090	165,296	76,511	58,112	49,018	65,109
Total Revenue Receipts	317,341	312,592	246,734	221,076	222,979	207,716
<i>Capital</i>						
Domestic Debt	30,000	38,000	22,730	13,700	5,000	3,262
Foreign Debt	22,368	22,732	13,060	17,160	22,610	17,506
Recovery of Loans & Advances	4,019	582	183	3,595	3,561	90
State Trading Activities	38,679	39,064	25,802	3,693	23,856	21,397
Miscellaneous Recoveries	343	105	300	105	105	500
Total Capital Receipts	95,409	100,483	62,075	38,253	55,132	42,755
<i>Receipts of District Governments</i>	-	-	68,612	-	-	73,218
TOTAL RECEIPTS	29 412,750	413,075	377,421	259,329	278,111	323,689
PAYMENTS						
<i>Revenue</i>						
General Public Service	134,762	141,365	129,458	114,045	119,887	128,638
Economic Affairs	26,703	25,381	19,960	22,708	18,395	15,646
Public Order and Safety Affairs	29,447	32,686	28,163	25,544	24,433	23,781
Education Affairs and Services	23,985	17,538	12,478	16,895	11,852	8,939
Health Affairs and Services	13,032	13,709	10,854	9,852	11,476	9,349
Housing & Community Amenities	1,982	2,231	1,921	2,786	2,956	2,752
Recreation, Culture and Religion	752	1,047	1,003	523	748	675
Social Protection	8,168	2,441	677	1,418	2,058	1,855
Environment Protection	906	437	74	693	341	176
Total Revenue Payments	239,737	236,835	204,588	194,464	192,146	191,811
<i>Capital</i>						
General Public Service	45,952	43,440	36,273	23,288	12,560	10,510
Economic Affairs	50,041	68,257	62,829	34,789	69,772	67,922
Education Affairs and Services	2,643	3,161	2,909	2,861	4,356	4,480
Health Affairs and Services	1,755	2,070	1,696	1,149	1,849	773
Housing and Community Amenities	2,139	2,512	2,447	1,287	2,892	2,465
Recreation, Culture and Religion	443	548	433	209	346	298
Social Protection	20,250	20,529	19,888	21,292	21,292	16,124
Environment Protection	2,027	2,407	1,976	1,154	1,679	1,447
Total Capital Payments	125,250	142,924	128,451	86,029	114,746	104,019
	364,987	379,759	333,039	280,493	306,892	295,830
<i>Payments of District Governments</i>	71,913	76,840	72,114	66,460	75,139	73,142
TOTAL PAYMENTS	29 436,900	456,599	405,153	346,953	382,031	368,972

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 2010

DEPARTMENTS *	Note	2010 (Rupees in Million)			2009 (Rupees in Million)		
		Budgeted Amounts		Actual	Budgeted Amounts		Actual
		Original	Revised	Amounts	Original	Revised	Amounts
Agriculture, Livestock		8,334	10,101	7,337	6,660	6,774	5,031
Board of Revenue, Excise & Taxation, Social Welfare		2,821	2,183	1,674	1,563	1,912	1,516
Culture		767	1,036	892	436	500	477
Education & Literacy		24,538	18,772	13,846	18,128	14,582	11,826
Environment & Alternative Energy		2,206	2,519	2,028	166	82	56
Finance		96,617	99,308	87,105	73,165	65,058	59,633
Food		32,258	43,774	43,022	21,125	47,426	47,561
Forest & Wild Life		1,250	794	665	789	730	581
Governor's Secretariat		326	214	225	213	186	190
Health		16,447	17,537	13,943	12,468	14,803	11,434
Home		26,966	30,184	25,531	23,425	22,387	21,837
Industries & Commerce, Mines & Mineral, Coal & Energy		5,960	6,223	4,152	3,409	2,327	1,808
Information, Archives, Antiquities		748	689	658	425	607	587
Information Technology		923	570	374	904	460	488
Irrigation & Power		12,313	13,569	11,676	11,677	14,549	13,571
Law		2,353	2,480	2,524	2,075	1,998	1,909
Local Government, Public Health Engineering		108,673	106,538	96,511	84,912	91,826	99,025
Labour, Cooperation		671	554	421	749	640	579
Planning & Development, Population Welfare		1,450	1,361	2,750	2,843	2,875	2,005
Provincial Assembly		327	355	334	253	293	293
SGA&CD, Inter Provincial Coordination		2,635	2,097	1,554	1,620	1,473	1,265
Transport		306	143	70	74	43	42
Works & Services		15,863	18,524	15,583	13,218	15,163	14,020
Zakat & Ushr, Auquaf		235	234	164	196	198	96
		364,987	379,759	333,039	280,493	306,892	295,830
<i>Payments of District Governments</i>		71,913	76,840	72,114	66,460	75,139	73,142
TOTAL	29	436,900	456,599	405,153	346,953	382,031	368,972

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

* This year departments of government of Sindh are presented new ministry wise as opposed to last year when old ministries were used.

Accountant General Sindh

GOVERNMENT OF SINDH

Notes to the Financial Statements

For the Year Ended 30 June 2010

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 Provincial 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. Besides Appropriation Accounts, from last financial year District Governments are also preparing annual Finance Accounts and 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:

GOVERNMENT OF SINDH

Notes to the Financial Statements

For the Year Ended 30 June 2010

- | | |
|---------------|-------------------------|
| 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 inter-governmental 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) which comprise 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 and the implementation of NAM is an ongoing process. 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, statement of comparison of budget and actual amounts by function, statement 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 2009-10 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 2010

5. REPORTING AND BUDGET PERIOD

The reporting and budget period of these financial statements is the financial year 2009-10 (from 1 July, 2009 to 30 June, 2010).

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 2010

7.4 Employee Benefits

The Government has following plans for its employees:

a) General Provident Fund

An employee compulsorily 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 2010

	2010 Rupees in Million	2009 Rupees in Million
8. TAXATION - TRANSFER FROM FEDERAL GOVERNMENT		
<i>Direct Taxes</i>		
Income tax	53,044	39,583
Wealth Tax	2	-
Capital Value Tax	423	251
Worker's Welfare Fund	30	21
	53,499	39,855
<i>Indirect Taxes</i>		
Custom Duty	16,555	14,314
Sales Tax	62,361	52,878
Federal Excise Duty	11,779	10,718
Federal Excise on Natural Gas	4,258	3,808
	94,953	81,718
	148,452	121,573
9. TAXATION - PROVINCIAL GOVERNMENT'S OWN COLLECTION		
<i>Direct Taxes</i>		
Income Tax - Agriculture	152	145
Land Revenue	156	177
Property Tax	463	596
Tax on Profession, Trade & Callings	219	202
	990	1,120
<i>Indirect Taxes</i>		
Receipts Under Motor Vehicles Act	3,007	2,169
Stamp Duties	3,598	3,947
Provincial Excise Duty	2,539	2,141
Others	11,637	11,657
	20,781	19,914
	21,771	21,034
10. GENERAL ADMINISTRATION RECEIPTS		
Fiscal Administration	41	36
Community Services	73	272
Social Services	277	274
Economic Regulations	46	41
Law and Order	1,116	930
Organ of State	49	40
	1,602	1,593

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2010

	<i>Note</i>	2010 Rupees in Million	2009 Rupees in Million
11. ECONOMIC SERVICES RECEIPTS			
Cooperation, Irrigation, Embankment Drainage		245	352
Food and Agriculture		74	51
Fisheries & Animal Husbandry		17	25
Forest		96	91
Mines & Mineral Resources		196	224
		<u>628</u>	<u>743</u>
12. DEVELOPMENT SURCHARGE AND ROYALTIES - RECEIPTS			
Development Surcharge on Gas	<i>12.1</i>	18,270	8,202
Royalty on Crude Oil	<i>12.2</i>	4,414	8,297
Royalty on Natural Gas	<i>12.2</i>	17,265	23,564
		<u>39,949</u>	<u>40,063</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.

	<i>Note</i>	2010 Rupees in Million	2009 Rupees in Million
13. OTHER RECEIPTS			
Sale of Land		279	516
Sale of Other Government Assets		424	221
Miscellaneous Receipts		10,100	2,843
		<u>10,803</u>	<u>3,580</u>

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2010

	<i>Note</i>	2010 Rupees in Million	2009 Rupees in Million
14. GRANTS AND AID - RECEIPTS			
Federal Grants	14.1	23,508	19,116
Foreign Grants through Federal Government		-	3
		23,508	19,119
14.1 Federal Grants			
Development Grants		10,132	10,692
Non - Development Grants		13,376	8,424
		23,508	19,116
15. FOREIGN DEBT - RECEIPTS			
Permanent Debt - Federal Government		13,060	17,506
		13,060	17,506
16. DOMESTIC DEBT - RECEIPTS			
Permanent Debt	16.1	-	94
Floating Debt	16.2	22,730	3,168
		22,730	3,262

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>	2010 Rupees in Million	2009 Rupees in Million
17. CAPITAL RECEIPTS			
Miscellaneous Receipts		300	500
Recovery of Loans and Advances		183	90
		483	590
18. TRADING ACTIVITIES - RECEIPTS			
Sale of Wheat and Rice		25,802	21,397
		25,802	21,397

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2010

	<i>Note</i>	2010 Rupees in Million	2009 Rupees in Million
19. RECEIPTS OF DISTRICT GOVERNMENTS			
Direct Taxes			
Property Tax		557	75
Tax on Profession, Trade & Callings		4	7
		561	82
Indirect Taxes			
		1	6
Other Receipts			
Grants from Provincial Government Sindh		69,102	72,687
Recovery of Loans and Advances		18	16
Community Services		31	234
Social Services		43	35
Fisheries & Animal Husbandry		3	5
Miscellaneous Receipts		(1,129)	153
		68,068	73,130
		68,630	73,218
Less: Grants from Provincial Government Sindh	<i>19.1</i>	(69,102)	(72,687)
		(472)	531

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>	2010 Rupees in Million	2009 Rupees in Million
20. SALARIES AND EMPLOYEE BENEFITS			
Pay of Officers		4,895	4,646
Pay of Other Staff		14,308	13,223
Allowances		20,240	16,108
Retirement Benefits		16,405	14,042
		55,848	48,019
21. GRANTS, SUBSIDIES AND WRITE - OFF OF LOANS			
Grants, Subsidies & Write - Off of Loans		99,275	97,600
Less: Transfers to District Governments	<i>19.1</i>	(69,102)	(72,687)
		30,173	24,913

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2010

	<i>Note</i>	2010 Rupees in Million	2009 Rupees in Million
22. PRINCIPAL REPAYMENTS OF DEBT			
Foreign Debt		5,108	4,179
Domestic Debt	22.1	23,544	6,276
		<u>28,652</u>	<u>10,455</u>
22.1 Domestic Debt			
Permanent Debt	16.1	814	3,108
Floating Debt	16.2	22,730	3,168
		<u>23,544</u>	<u>6,276</u>
23. SERVICING OF DEBT			
Foreign Debt		1,174	1,064
Domestic Debt		2,491	2,751
General Provident Fund		5,723	5,445
		<u>9,388</u>	<u>9,260</u>
24. LOANS AND ADVANCES			
Non - Financial Institutions	24.1	28	22
24.1 Non - Financial Institutions			
Sindh Agriculture Corporation		-	1
Hyderabad Development Authority		-	11
Sindh Road Transport Corporation		-	2
Others		28	8
		<u>28</u>	<u>22</u>
25. PAYMENTS OF DISTRICT GOVERNMENTS			
Revenue Expenditure	25.1	58,461	58,219
Capital Expenditure	25.2	13,653	14,923
		<u>72,114</u>	<u>73,142</u>

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2010

	<i>Note</i>	2010 Rupees in Million	2009 Rupees in Million
25.1 Revenue Expenditure			
Housing & Community Amenities		2	49
Recreation, Culture and Religion		43	31
Public Order & Safety Affairs		69	59
Social Protection		371	371
Health Affairs & Services		6,709	6,314
Economic Affairs		5,513	5,942
General Public Services		10,693	12,193
Education Affairs & Services		35,061	33,260
		<u>58,461</u>	<u>58,219</u>
25.2 Capital Expenditure			
General Public Services		348	657
Recreation, Culture and Religion		361	98
Environment Protection		151	338
Social Protection		453	270
Housing & Community Amenities		527	833
Health Affairs & Services		375	644
Education Affairs & Services		2,466	2,329
Economic Affairs		8,972	9,754
		<u>13,653</u>	<u>14,923</u>
26. NET RECEIPT OF PUBLIC ACCOUNT			
<i>Receipts</i>			
Trust & Other Public Accounts	26.1	411,267	370,081
Special Deposits		11,204	17,309
State Provident Fund		9,460	10,358
		<u>431,931</u>	397,748
<i>Payments</i>			
Trust & Other Public Accounts	26.1	400,883	345,064
Special Deposits		11,023	17,856
State Provident Fund		4,990	5,699
		<u>416,896</u>	368,619
	26.1	<u>15,035</u>	<u>29,129</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 2010

	2010 Rupees in Million	2009 Rupees in Million
27. CASH AND BANK		
Provincial Government's Balance	(4,902)	4,113
District Government's Balance	6,115	9,780
	1,213	13,893
28. ASSETS AND LIABILITIES		
<i>Assets</i>		
Long Term Assets	395,937	315,903
Investments	7,815	228
Loans and Advances	22,238	22,342
Current Assets	1,880	1,877
Cash at Bank	1,213	13,893
28.1	429,083	354,243
Liabilities and Equity		
Public Debt	25,444	18,236
Special Deposits and Trust Accounts	39,920	29,631
Deferred Liabilities	48,830	44,082
Capital Receipts	851	551
Residual Equity	314,038	261,743
28.1	429,083	354,243

28 These financial statements have been prepared under cash basis of accounting, the information of assets and liabilities have been presented on the basis of limited records as explained in Note 3 and this is not mandatory but encouraged disclosure as per Cash Basis IPSAS. The assets are disclosed in the financial statements in compliance with the requirements in NAM as function wise (function of the government). Related expenditure as made in Investment above has been appropriately disclosed in line item "Other Transfer Payments" in the Statement of Cash Receipts and Payments and Cash Flows Statement pertaining to current year and previous. Previous year disclosure was different but insignificant payment during previous year does not impair management's assertion of true and fair presentation during that year.

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 2010

	<i>Note</i>	2010 Rupees in Million	2009 Rupees in Million
Receipts			
Actual Receipts in Statement of Comparison of Budget & Actual Amounts by Function		377,421	323,689
Less: Grants from Provincial Government Sindh	<i>19.1</i>	(69,102)	(72,687)
Actual Receipts in Statement of Cash Receipts and Payments		308,319	251,002
Payments			
Actual Payments in Statement of Comparison of Budget & Actual Amounts by Function and Actual Expenditure by Department		405,153	368,972
Less: Transfers to District Governments	<i>19.1</i>	(69,102)	(72,687)
Actual Payments in Statement of Cash Receipts and Payments		336,051	296,285

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