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PREFACE

I am pleased to present the Financial Statements of the Government of Sindh for the year ended 30 June, 2012 together with the Auditors' Report thereon.

The Financial Statements of the Government of Sindh for the financial year 2011-12 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 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.

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Controller General of Accounts

Islamabad, Pakistan
Date



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

Auditors' 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 receipts and payments for the year ended 30 June, 2012, 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 & 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 whether the financial statements are free of material misstatement. The audit process includes examining, on a 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 the overall financial statements presentation. 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, 2011, 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 your attention to Statement of Cash Receipts and Payments and note 7.11 of the financial statements relating to payments by third parties. Under IPSAS Cash Basis disclosure of third party payments is a 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 December 30, 2011

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Auditor General of Pakistan

GOVERNMENT OF SINDH
Statement of Cash Receipts and Payments
For the Year Ended 30 June 2011

	Note	2011 (Rupees in Million)		2010 (Rupees in Million)	
		Receipts / Payments Controlled by the Government	Receipts / Payments by Third Parties	Receipts / Payments Controller by the Government	Receipts / Payments by Third Parties
PROVINCIAL CONSOLIDATED FUND					
RECEIPTS					
<i>Taxation- Transfer from Federal Government</i>	8	225,017	-	148,452	-
<i>Taxation- Provincial Government's Own Collection</i>	9	25,704	-	21,771	-
<i>Non-Tax Revenue and Other Receipts</i>					
General Administration	10	1,713	-	1,602	-
Economic Services	11	586	-	628	-
Development Surcharge and Royalties	12	56,690	-	39,949	-
Dividend and Profit Share-Non Financial Institutions		19	-	20	-
Others	13	9,118	-	10,803	-
		68,126	-	53,002	-
<i>Grants and Aid</i>	14	13,463	-	23,508	-
<i>Borrowings</i>					
Foreign Debt	15	9,529	-	13,060	-
Domestic Debt	16	34,751	-	22,730	-
		44,280	-	35,790	-
<i>Capital Receipts</i>	17	103	-	483	-
<i>Trading Activities</i>	18	39,692	-	25,802	-
<i>Receipts of District Governments</i>	19	261	-	(472)	-
TOTAL RECEIPTS		416,646	-	308,336	-

GOVERNMENT OF SINDH
Statement of Cash Receipts and Payments
For the Year Ended 30 June 2011

	Note	2011 (Rupees in Million)		2010 (Rupees in Million)	
		Receipts / Payments Controlled by the Government	Receipts / Payments by Third Parties	Receipts / Payments Controller by the Government	Receipts / Payments by Third Parties
PAYMENTS					
<i>Operations</i>					
Salaries and Employee Benefits	20	72,943	-	55,848	-
Operating Expenses		74,939	-	74,262	-
		147,882	-	130,110	-
<i>Transfers</i>					
Grants, Subsidies and Write-off of Loans	21	35,651	-	30,173	-
Other Transfer Payments		19,475	-	903	-
		55,126	-	31,076	-
<i>Expenditure on</i>					
Physical Assets		2,458	-	2,195	-
Civil Works		42,270	-	51,675	-
Repairs and Maintenance		9,683	-	3,226	-
		54,411	-	57,096	-
<i>Debt and Interest Payments</i>					
Principal Repayment of Debt	22	38,197	-	28,652	-
Servicing of Debt	23	9,780	-	9,388	-
		47,977	-	38,040	-
<i>Other Payments</i>					
Loans and Advances	24	78	-	28	-
Investment		-	-	7,587	-
		78	-	7,615	-
<i>Payments of District Governments</i>	25	90,788	-	72,114	-
TOTAL PAYMENTS		396,262	-	336,051	-
NET RECEIPT/(PAYMENT) OF PROVINCIAL CONSOLIDATED FUND		20,384	-	(27,715)	-
NET RECEIPT/(PAYMENT) OF PUBLIC ACCOUNT	26	5,957	-	15,035	-
INCREASE/(DECREASE) IN CASH		26,341	-	(12,680)	-
CASH AT BEGINNING OF THE YEAR		1,213	NA*	13,893	NA*
INCREASE/(DECREASE) IN CASH		26,341	NA	(12,680)	NA
CASH AT END OF THE YEAR	27	27,554	-	1,213	-

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

*NA = Not Applicable

Accountant General Sindh

GOVERNMENT OF SINDH
Statement of Cash Flows
For the Year Ended 30 June 2011

	<i>Note</i>	2011 Rupees in Million	2010 Rupees in Million
CASH FLOWS FROM OPERATING ACTIVITIES			
Taxation-Transfers from Federal Government	8	225,017	148,452
Taxation-Provincial Government's Own Collection	9	25,704	21,771
Non-Tax Revenue & Other Receipts		68,126	53,002
Grants and Aid - Receipts	14	13,463	23,508
Trading Activities - Receipts	18	39,692	25,802
Operations - Payments		(147,882)	(130,110)
Servicing of Debt - Payments	23	(9,780)	(9,388)
Transfers-Payments		(55,126)	(31,076)
Receipts of District Governments	19	261	(472)
Payments of District Governments - Revenue Expenditure	25.1	(77,089)	(58,461)
<i>Cash from Operating Activities</i>		82,386	43,028
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment		-	(7,587)
Capital Receipts	17	103	483
Expenditure on Physical Assets, Civil Works & Others		(54,411)	(57,096)
Payments of Loans and Advances	24	(78)	(28)
Payments of District Governments - Capital Expenditure	25.2	(13,699)	(13,653)
<i>Cash used in Investing Activities</i>		(68,085)	(77,881)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts of Foreign Debt	15	9,529	13,060
Receipts of Domestic Debt	16	34,751	22,730
Principal Repayments of Debt	22	(38,197)	(28,652)
Net Receipt/(Payment) of Public Account	26	5,957	15,035
<i>Cash from/(used) in Financing Activities</i>		12,040	22,173
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		26,341	(12,680)
CASH & CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,213	13,893
CASH & CASH EQUIVALENTS AT END OF THE YEAR	27	27,554	1,213

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 2011

	2011 (Rupees in Million)			2010 (Rupees in Million)		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
RECEIPTS						
<u>Revenue</u>						
Taxation	268,800	257,517	250,721	148,251	147,296	170,223
Non-Taxation	86,219	74,675	81,589	169,090	165,296	76,511
Total Revenue Receipts	355,019	332,192	332,310	317,341	312,592	246,734
<u>Capital</u>						
Domestic Debt	30,000	35,000	34,751	30,000	38,000	22,730
Foreign Debt	24,158	20,790	9,529	22,368	22,732	13,060
Recovery of Loans & Advances	6,627	620	76	4,019	582	183
State Trading Activities	46,035	39,863	39,692	38,679	39,064	25,802
Miscellaneous Recoveries	105	105	27	343	105	300
Total Capital Receipts	106,925	96,378	84,075	95,409	100,483	62,075
Receipts of District Governments	-	-	93,542	-	-	68,612
TOTAL RECEIPTS	461,944	428,570	509,927	412,750	413,075	377,421
	29					
PAYMENTS						
<u>Revenue</u>						
General Public Service	179,965	164,767	160,921	134,762	141,365	129,458
Economic Affairs	25,468	35,356	30,501	26,703	25,381	19,960
Public Order and Safety Affairs	36,620	39,967	35,220	29,447	32,686	28,163
Education Affairs and Services	25,276	21,323	15,664	23,985	17,538	12,478
Health Affairs and Services	13,636	12,990	11,945	13,032	13,709	10,854
Housing & Community Amenities	1,079	1,441	1,139	1,982	2,231	1,921
Recreation, Culture and Religion	1,301	1,256	984	752	1,047	1,003
Social Protection	5,309	11,466	10,933	8,168	2,441	677
Environment Protection	791	295	70	906	437	74
Total Revenue Payments	289,445	288,861	267,377	239,737	236,835	204,588
<u>Capital</u>						
General Public Service	54,632	55,496	47,424	45,952	43,440	36,273
Economic Affairs	59,961	66,041	62,122	50,041	68,257	62,829
Education Affairs and Services	4,208	4,112	3,799	2,643	3,161	2,909
Health Affairs and Services	3,479	1,516	1,376	1,755	2,070	1,696
Housing and Community Amenities	1,342	1,415	1,413	2,139	2,512	2,447
Recreation, Culture and Religion	469	401	336	443	548	433
Social Protection	54,838	16,455	13,642	20,250	20,529	19,888
Environment Protection	1,406	1,305	1,266	2,027	2,407	1,976
Total Capital Payments	180,335	146,741	131,378	125,250	142,924	128,451
	469,780	435,602	398,755	364,987	379,759	333,039
Payments of District Governments	96,179	109,068	90,788	71,913	76,840	72,114
TOTAL PAYMENTS	565,959	544,670	489,543	436,900	456,599	405,153
	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 2011

DEPARTMENTS	Note	2011 (Rupees in Million)			2010 (Rupees in Million)		
		Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
		Original	Revised		Original	Revised	
Agriculture, Livestock		8,773	10,707	8,965	8,334	10,101	7,337
Board of Revenue, Excise & Taxation, Social Welfare		3,304	13,195	12,198	2,821	2,183	1,674
Culture		1,028	926	833	767	1,036	892
Education & Literacy		27,187	23,081	17,613	24,538	18,772	13,846
Environment & Alternative Energy		1,567	1,434	1,336	2,206	2,519	2,028
Finance		158,921	103,927	93,358	96,617	99,308	87,105
Food		33,615	47,329	43,371	32,258	43,774	43,022
Forest & Wild Life		1,159	925	794	1,250	794	665
Governor's Secretariat		331	348	281	326	214	225
Health		18,912	16,599	14,991	16,447	17,537	13,943
Home		33,022	35,642	32,022	26,966	30,184	25,531
Industries & Commerce, Mines & Mineral, Coal & Energy		7,070	5,574	4,929	5,960	6,223	4,152
Information, Archives, Antiquities		1,169	988	678	748	689	658
Information Technology		953	208	160	923	570	374
Irrigation & Power		13,838	20,803	19,035	12,313	13,569	11,676
Law		3,483	4,175	3,132	2,353	2,480	2,524
Local Government, Public Health Engineering		128,738	128,936	125,001	108,673	106,538	96,511
Labour, Cooperation		665	602	518	671	554	421
Planning & Development, Population Welfare		1,594	1,405	1,519	1,450	1,361	2,750
Provincial Assembly		423	561	574	327	355	334
SGA&CD, Inter Provincial Coordination		2,620	2,301	2,058	2,635	2,097	1,554
Transport		237	164	143	306	143	70
Works & Services		20,906	15,585	15,116	15,863	18,524	15,583
Zakat Ushr, Auqaf		265	187	130	235	234	164
		469,780	435,602	398,755	364,987	379,759	333,039
<i>Payments of District Governments</i>		96,179	109,068	90,788	71,913	76,840	72,114
TOTAL	29	565,959	544,670	489,543	436,900	456,599	405,153

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 2011

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 dividends 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 2011

- | | |
|---------------|-------------------------|
| 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 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 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, 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.

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2011

The financial statements for the financial year 2010-11 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

5. REPORTING AND BUDGET PERIOD

The reporting and budget period of these financial statements is the financial year 2010-11 (from 1st July, 2010 to 30th June, 2011).

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 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 2011

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 transactions. 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.

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2011

7.10. Loans and Advances

These includes 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 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 2011

	2011 Rupees in Million	2010 Rupees in Million
8. TAXATION-TRANSFER FROM FEDERAL GOVERNMENT		
<i>Direct Taxes</i>		
Income tax	79,509	53,044
Wealth Tax	2	2
Capital Value Tax	1,907	423
Worker's Welfare Fund	-	30
	81,418	53,499
<i>Indirect Taxes</i>		
Custom Duty	24,252	16,555
Sales Tax	93,594	62,361
Federal Excise Duty	17,982	11,779
Federal Excise on Natural Gas	7,771	4,258
	143,599	94,953
	225,017	148,452
9. TAXATION-PROVINCIAL GOVERNMENT'S OWN COLLECTION		
<i>Direct Taxes</i>		
Income Tax - Agriculture	210	152
Land Revenue	347	156
Property Tax	839	463
Tax on Profession, Trade & Callings	230	219
	1,626	990
<i>Indirect Taxes</i>		
Receipts Under Motor Vehicles Act	2,964	3,007
Stamp Duties	4,274	3,598
Provincial Excise Duty	2,948	2,539
Others	13,892	11,637
	24,078	20,781
	25,704	21,771
10. GENERAL ADMINISTRATION RECEIPTS		
Fiscal Administration	59	41
Community Services	124	73
Social Services	245	277
Economic Regulations	53	46
Law and Order	1,217	1,116
Organ of State	15	49
	1,713	1,602

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2011

	<i>Note</i>	2011 Rupees in Million	2010 Rupees in Million
11. ECONOMIC SERVICES RECEIPTS			
Cooperation, Irrigation, Embankment Drainage		188	245
Food and Agriculture		63	74
Fisheries & Animal Husbandry		16	17
Forest		108	96
Mines & Mineral Resources		211	196
		586	628
12. DEVELOPMENT SURCHARGE AND ROYALTIES - RECEIPTS			
Development Surcharge on Gas	<i>12.1</i>	20,990	18,270
Royalty on Crude Oil	<i>12.2</i>	8,819	4,414
Royalty on Natural Gas	<i>12.2</i>	26,881	17,265
		56,690	39,949

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>	2011 Rupees in Million	2010 Rupees in Million
13. OTHER RECEIPTS			
Sale of Land		2,738	279
Sale of Other Government Assets		-	424
Miscellaneous Receipts		6,380	10,100
		9,118	10,803

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2011

	<i>Note</i>	2011 Rupees in Million	2010 Rupees in Million
14. GRANTS AND AID - RECEIPTS			
Federal Grants	14.1	13,463	23,508
14.1 Federal Grants			
Development Grants		7,970	10,132
Non-Development Grants		5,493	13,376
		13,463	23,508
15. FOREIGN DEBT - RECEIPTS			
Permanent Debt-Federal Government		9,529	13,060
16. DOMESTIC DEBT - RECEIPTS			
Permanent Debt	16.1	2,501	-
Floating Debt	16.2	32,250	22,730
		34,751	22,730

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>	2011 Rupees in Million	2010 Rupees in Million
17. CAPITAL RECEIPTS			
Miscellaneous Receipts		27	300
Recovery of Loans and Advances		76	183
		103	483
18. TRADING ACTIVITIES - RECEIPTS			
Sale of Wheat and Rice		39,692	25,802

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2011

	<i>Note</i>	2011 Rupees in Million	2010 Rupees in Million
19. RECEIPTS OF DISTRICTS GOVERNMENTS			
Direct Taxes			
Taxes on Income		2	-
Property Tax		(226)	557
Tax on Profession, Trade & Callings		8	4
		(216)	561
Indirect Taxes		24	1
Other Receipts			
Grants from Provincial Government Sindh		93,281	69,102
Recovery of Loan and Advances		7	18
Community Services		36	31
Social Services		24	43
Fisheries & Animal Husbandry		-	3
Miscellaneous Receipts		386	(1,129)
		93,734	68,068
		93,542	68,630
Less: Grants from Provincial Government Sindh	19.1	(93,281)	(69,102)
		261	(472)

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>	2011 Rupees in Million	2010 Rupees in Million
20. SALARIES AND EMPLOYEE BENEFITS			
Pay of Officers		4,981	4,895
Pay of Other Staff		14,767	14,308
Allowances		32,225	20,240
Retirement Benefits		20,970	16,405
		72,943	55,848
21. GRANTS, SUBSIDIES AND WRITE-OFF OF LOANS			
Grants, Subsidies & Write-Off of Loans		128,932	99,275
Less: Transfers to District Governments	19.1	(93,281)	(69,102)
		35,651	30,173

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2011

	<i>Note</i>	2011 Rupees in Million	2010 Rupees in Million
22. PRINCIPAL REPAYMENT OF DEBT			
Foreign Debt		5,125	5,108
Domestic Debt	<i>22.1</i>	33,072	23,544
		<u>38,197</u>	<u>28,652</u>
22.1 Domestic Debt			
Permanent Debt		822	814
Floating Debt		32,250	22,730
		<u>33,072</u>	<u>23,544</u>
23. SERVICING OF DEBT			
Foreign Debt		1,194	1,174
Domestic Debt		2,370	2,491
General Provident Fund		6,216	5,723
		<u>9,780</u>	<u>9,388</u>
24. LOANS AND ADVANCES			
Non-Financial Institutions	<i>24.1</i>	78	28
25. PAYMENTS OF DISTRICTS GOVERNMENTS			
Revenue Expenditure	<i>25.1</i>	77,089	58,461
Capital Expenditure	<i>25.2</i>	13,699	13,653
		<u>90,788</u>	<u>72,114</u>

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2011

<i>Note</i>	2011 Rupees in Million	2010 Rupees in Million
25.1 Revenue Expenditure		
Housing & Community Amenities	10	2
Recreation, Culture and Religion	53	43
Public Order & Safety Affairs	81	69
Social Protection	473	371
Health Affairs & Services	9,276	6,709
Economic Affairs	7,898	5,513
General Public Services	11,554	10,693
Education Affairs & Services	47,744	35,061
	77,089	58,461
25.2 Capital Expenditure		
General Public Services	53	348
Public Order & Safety Affairs	95	-
Recreation, Culture and Religion	763	361
Environment Protection	378	151
Social Protection	165	453
Housing & Community Amenities	987	527
Health Affairs & Services	311	375
Education Affairs & Services	2,542	2,466
Economic Affairs	8,405	8,972
	13,699	13,653

26. NET RECEIPTS OF PUBLIC ACCOUNT

Receipts

Trust & Other Public Accounts	26.1	1,491,155	411,267
Special Deposits		15,620	11,204
State Provident Fund		10,803	9,460
		1,517,578	431,931

Payments

Trust & Other Public Accounts	26.1	1,489,937	400,883
Special Deposits		15,471	11,023
State Provident Fund		6,213	4,990
		1,511,621	416,896
	26.1	5,957	15,035

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 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 2011

	2011 Rupees in Million	2010 Rupees in Million
27. CASH AND BANK		
Provincial Government's Balance	18,865	(4,902)
District Government's Balance	8,689	6,115
	<u>27,554</u>	<u>1,213</u>
28. ASSETS AND LIABILITIES		Restated
<i>Assets</i>		
Long Term Assets	453,905	395,937
Investments	16,957	7,815
Loans and Advances	28.2 22,162	22,168
Current Assets	1,880	1,880
Cash at Bank	27,554	1,213
	28.1 <u>522,458</u>	<u>429,013</u>
Liabilities and Equity		
Public Debt	28.2 31,457	25,374
Special Deposits and Trust Accounts	40,545	39,920
Deferred Liabilities	54,162	48,830
Capital Receipts	878	851
Residual Equity	395,416	314,038
	28.1 <u>522,458</u>	<u>429,013</u>

28.1 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.

28.2 Correction of Error

In the previous year the figures of Loans and Advances among assets and that of Public Debt among liabilities were erroneously printed. The correction has been made in the current year. This error had no impact on the current year's surplus or deficit in revenue or expense and due to the nullifying effect of the error residual equity has remained unchanged in the current year. This correction has not impacted the financial position of year before prior year therefore no disclosure of year before prior year position is required. Had the above correction not being made the figures of current year and previous year would show following position;

	2011 Rupees in Million	2010 Rupees in Million
<i>Assets</i>		
Loans and Advances	22,233	22,238
Liabilities and Equity		
Investments	31,528	25,444

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2011

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.

	<i>Note</i>	2011 Rupees in Million	2010 Rupees in Million
Receipts			
Actual Receipts in Statement of Comparison of Budget & Actual Amounts by Function		509,927	377,421
Less: Grants from Provincial Government	<i>19.1</i>	(93,281)	(69,102)
Actual Receipts in Statement of Cash Receipts and Payments		416,646	308,319
Payments			
Actual Payments in Statement of Comparison of Budget & Actual Amounts by Function and Actual Expenditure by Department		489,543	405,153
Less: Transfers to District Governments	<i>19.1</i>	(93,281)	(69,102)
Actual Payments in Statement of Cash Receipts and Payments		396,262	336,051

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