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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.

Islamabad, Pakistan
Date

Controller General of Accounts



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 position of the Government of Sindh for the year ended 30 June, 2012, 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:

Auditor General of Pakistan

GOVERNMENT OF SINDH
Statement of Cash Receipts and Payments
For the Year Ended 30 June 2012

	<i>Note</i>	<u>2012 (Rupees in Million)</u>		<u>2011 (Rupees in Million)</u>	
		Receipts / Payments Controlled by the Government	Receipts / Payments by Third Parties	Receipts / Payments Controlled by the Government	Receipts / Payments by Third Parties
PROVINCIAL CONSOLIDATED FUND					
RECEIPTS					
<i>Taxation- Transfer from Federal Government</i>	8	266,952	-	225,017	-
<i>Taxation- Provincial Government's Own Collection</i>	9	34,143	-	25,704	-
<i>Non-Tax Revenue and Other Receipts</i>					
General Administration	10	1,617	-	1,713	-
Economic Services	11	988	-	586	-
Development Surcharge and Royalties	12	44,586	-	56,690	-
Dividend and Profit Share-Non Financial Institutions		23	-	19	-
Others	13	8,593	-	9,118	-
		55,807	-	68,126	-
<i>Grants and Aid</i>	14	20,744	-	13,463	-
<i>Borrowings</i>					
Foreign Debt	15	9,743	-	9,529	-
Domestic Debt	16	27,250	-	34,751	-
		36,993	-	44,280	-
<i>Capital Receipts</i>	17	70	-	103	-
<i>Trading Activities</i>	18	35,309	-	39,692	-
<i>Receipts of District Governments</i>	19	450	-	261	-
TOTAL RECEIPTS		450,468	-	416,646	-

GOVERNMENT OF SINDH
Statement of Cash Receipts and Payments
For the Year Ended 30 June 2012

	Note	2012 (Rupees in Million)		2011 (Rupees in Million)	
		Receipts / Payments Controlled by the Government	Receipts / Payments by Third Parties	Receipts / Payments Controlled by the Government	Receipts / Payments by Third Parties
PAYMENTS					
<i>Operations</i>					
Salaries and Employee Benefits	20	139,233	-	72,943	-
Operating Expenses		68,306	-	74,939	-
		207,539	-	147,882	-
<i>Transfers</i>					
Grants, Subsidies and Write-off of Loans	21	49,460	-	35,651	-
Other Transfer Payments		32,689	-	19,475	-
		82,149	-	55,126	-
<i>Expenditure on</i>					
Physical Assets		5,486	-	2,458	-
Civil Works		101,478	-	42,270	-
Repairs and Maintenance		9,531	-	9,683	-
		116,495	-	54,411	-
<i>Debt and Interest Payments</i>					
Principal Repayment of Debt	22	36,525	-	38,197	-
Servicing of Debt	23	12,366	-	9,780	-
		48,891	-	47,977	-
<i>Other Payments</i>					
Loans and Advances	24	1,190	-	78	-
Investment		-	-	-	-
		1,190	-	78	-
<i>Payments of District Governments</i>	25	31,073	-	90,788	-
TOTAL PAYMENTS		487,337	-	396,262	-
NET RECEIPT/(PAYMENT) OF PROVINCIAL CONSOLIDATED FUND		(36,869)	-	20,384	-
NET (PAYMENT)/RECEIPT OF PUBLIC ACCOUNT	26	(1,634)	-	5,957	-
INCREASE/(DECREASE) IN CASH		(38,503)	-	26,341	-
CASH AT BEGINNING OF THE YEAR		27,554	NA*	1,213	NA*
INCREASE/(DECREASE) IN CASH		(38,503)	NA	26,341	NA
CASH AT END OF THE YEAR	27	(10,949)	-	27,554	-

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 2012

	Note	2012 Rupees in Million	2011 Rupees in Million
CASH FLOWS FROM OPERATING ACTIVITIES			
Taxation-Transfers from Federal Government	8	266,952	225,017
Taxation-Provincial Government's Own Collection	9	34,143	25,704
Non-Tax Revenue & Other Receipts		55,807	68,126
Grants and Aid - Receipts	14	20,744	13,463
Trading Activities - Receipts	18	35,309	39,692
Operations - Payments		(207,539)	(147,882)
Servicing of Debt - Payments	23	(12,366)	(9,780)
Transfers-Payments		(82,149)	(55,126)
Receipts of District Governments	19	450	261
Payments of District Governments - Revenue Expenditure	25.1	(29,082)	(77,089)
Cash from Operating Activities		82,269	82,386
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital Receipts	17	70	103
Expenditure on Physical Assets, Civil Works & Others		(116,495)	(54,411)
Payments of Loans and Advances	24	(1,190)	(78)
Payments of District Governments - Capital Expenditure	25.2	(1,991)	(13,699)
Cash used in Investing Activities		(119,606)	(68,085)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts of Foreign Debt	15	9,743	9,529
Receipts of Domestic Debt	16	27,250	34,751
Principal Repayments of Debt	22	(36,525)	(38,197)
Net Receipt/(Payment) of Public Account	26	(1,634)	5,957
Cash from/(used) in Financing Activities		(1,166)	12,040
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(38,503)	26,341
CASH & CASH EQUIVALENTS AT BEGINNING OF THE YEAR		27,554	1,213
CASH & CASH EQUIVALENTS AT END OF THE YEAR	27	(10,949)	27,554

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 2012

	2012 (Rupees in Million)			2011 (Rupees in Million)		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
RECEIPTS						
<i>Revenue</i>						
Taxation	322,330	331,881	301,095	268,800	257,517	250,721
Non-Taxation	79,439	84,010	76,551	86,219	74,675	81,589
Total Revenue Receipts	401,769	415,891	377,646	355,019	332,192	332,310
<i>Capital</i>						
Domestic Debt	31,000	31,000	27,250	30,000	35,000	34,751
Foreign Debt	40,278	32,381	9,743	24,158	20,790	9,529
Recovery of Loans & Advances	6,777	6,744	70	6,627	620	76
State Trading Activities	35,340	36,340	35,309	46,035	39,863	39,692
Miscellaneous Recoveries	105	105	-	105	105	27
Total Capital Receipts	113,500	106,570	72,372	106,925	96,378	84,075
<i>Receipts of District Governments</i>	-	-	450	-	-	93,542
TOTAL RECEIPTS	515,269	522,461	450,468	461,944	428,570	509,927
	29					
PAYMENTS						
<i>Revenue</i>						
General Public Service	182,195	127,816	131,471	179,965	164,767	160,921
Economic Affairs	26,368	37,185	37,588	25,468	35,356	30,501
Public Order and Safety Affairs	39,656	49,202	45,681	36,620	39,967	35,220
Education Affairs and Services	28,351	57,302	59,304	25,276	21,323	15,664
Health Affairs and Services	18,243	30,295	28,940	13,636	12,990	11,945
Housing & Community Amenities	1,162	2,263	1,994	1,079	1,441	1,139
Recreation, Culture and Religion	1,269	1,862	1,637	1,301	1,256	984
Social Protection	6,829	21,418	20,640	5,309	11,466	10,933
Environment Protection	626	186	102	791	295	70
Total Revenue Payments	304,699	327,529	327,357	289,445	288,861	267,377
<i>Capital</i>						
General Public Service	64,851	60,117	55,020	54,632	55,496	47,424
Economic Affairs	57,858	102,222	65,393	59,961	66,041	62,122
Education Affairs and Services	5,094	10,835	10,378	4,208	4,112	3,799
Health Affairs and Services	2,628	3,208	2,630	3,479	1,516	1,376
Housing and Community Amenities	942	4,546	4,222	1,342	1,415	1,413
Recreation, Culture and Religion	431	1,052	1,326	469	401	336
Social Protection	54,691	28,003	23,776	54,838	16,455	13,642
Environment Protection	853	3,007	2,591	1,406	1,305	1,266
Total Capital Payments	187,348	212,990	165,336	180,335	146,741	131,378
	492,047	540,519	492,693	469,780	435,602	398,755
<i>Payments of District Governments</i>	109,550	109,550	31,073	96,179	109,068	90,788
TOTAL PAYMENTS	601,597	650,069	523,766	565,959	544,670	489,543
	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 2012

DEPARTMENTS	Note	2012 (Rupees in Million)			2011 (Rupees in Million)		
		Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
		Original	Revised		Original	Revised	
1 Agriculture, Livestock		8,668	13,506	12,898	8,773	10,707	8,965
2 Board of Revenue, Excise & Taxation, Social Welfare		2,438	21,858	21,440	3,304	13,195	12,198
3 Culture		1,107	2,359	2,107	1,028	926	833
4 Education & Literacy		32,429	65,070	68,243	27,187	23,081	17,613
5 Environment & Alternative Energy		1,148	3,161	2,693	1,567	1,434	1,336
6 Finance		163,150	133,350	127,981	158,921	103,927	93,358
7 Food		33,298	39,872	5,489	33,615	47,329	43,371
8 Forest & Wild Life		1,274	1,325	1,218	1,159	925	794
9 Governor's Secretariat		344	878	848	331	348	281
10 Health		23,206	36,279	33,331	18,912	16,599	14,991
11 Home		170,117	113,820	115,169	33,022	35,642	32,022
12 Industries & Commerce, Mines & Mineral, Coal & Energy		6,090	7,949	6,344	7,070	5,574	4,929
13 Information, Archives, Antiquities		1,022	1,500	1,250	1,169	988	678
14 Information Technology		1,373	1,668	1,108	953	208	160
15 Irrigation & Power		15,216	52,024	50,598	13,838	20,803	19,035
16 Law		4,516	4,610	4,112	3,483	4,175	3,132
17 Local Government, Public Health Engineering		3,791	9,754	8,040	128,738	128,936	125,001
18 Labour, Cooperation		793	975	789	665	602	518
19 Planning & Development, Population Welfare		1,399	1,945	2,028	1,594	1,405	1,519
20 Provincial Assembly		542	708	725	423	561	574
21 SGA&CD, Inter Provincial Coordination		2,348	7,104	6,209	2,620	2,301	2,058
22 Transport		78	88	71	237	164	143
23 Works & Services		17,479	20,326	19,724	20,906	15,585	15,116
24 Zakat Ushr, Auqaf		221	390	278	265	187	130
		492,047	540,519	492,693	469,780	435,602	398,755
<i>Payments of District Governments</i>		109,550	109,550	31,073	96,179	109,068	90,788
TOTAL	29	601,597	650,069	523,766	565,959	544,670	489,543

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 2012

1. REPORTING ENTITY

Provincial Government of Sindh (the Government) conducts its operations under the Rules of Business 1986. These rules were made in pursuant to the Article 139 of the Constitution of the Islamic Republic of Pakistan, 1973 (the Constitution) and the Constitution 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 2012

- | | |
|---------------|-------------------------|
| 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 2012

The financial statements for the financial year 2011-12 have been prepared and presented in order to make a fair presentation of all the relevant financial information without making any change in the fundamentals applied and all policies have been applied on a basis consistent with the previous year.

5. REPORTING AND BUDGET PERIOD

The reporting and budget period of these financial statements is the financial year 2011-12 (from 1st July, 2011 to 30th June, 2012 except wherever otherwise indicated).

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 2012

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**

Pension is the entitlement of Government employees to a stream of payments after they retire from their 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 2012

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 2012

	2012 Rupees in Million	2011 Rupees in Million
8. TAXATION-TRANSFER FROM FEDERAL GOVERNMENT		
<i>Direct Taxes</i>		
Income tax	88,065	79,509
Wealth Tax	1	2
Capital Value Tax	2,379	1,907
	90,445	81,418
<i>Indirect Taxes</i>		
Custom Duty	27,653	24,252
Sales Tax	127,574	93,594
Federal Excise Duty	14,018	17,982
Federal Excise on Natural Gas	7,262	7,771
	176,507	143,599
	266,952	225,017
9. TAXATION-PROVINCIAL GOVERNMENT'S OWN COLLECTION		
<i>Direct Taxes</i>		
Income Tax - Agriculture	110	210
Property Tax	2,139	839
Land Revenue	208	347
Tax on Profession, Trade & Callings	280	230
	2,737	1,626
<i>Indirect Taxes</i>		
Provincial Excise Duty	2,578	2,948
Stamp Duties	4,765	4,274
Receipts Under Motor Vehicles Act	3,230	2,964
Others	20,833	13,892
	31,406	24,078
	34,143	25,704
10. GENERAL ADMINISTRATION RECEIPTS		
Organ of State	29	15
Fiscal Administration	55	59
Economic Regulations	55	53
Law and Order	849	1,217
Community Services	231	124
Social Services	398	245
	1,617	1,713

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2012

	<i>Note</i>	2012 Rupees in Million	2011 Rupees in Million
11. ECONOMIC SERVICES RECEIPTS			
Food and Agriculture		464	63
Fisheries & Animal Husbandry		11	16
Forest		102	108
Cooperation, Irrigation, Embankment Drainage		204	188
Mines & Mineral Resources		207	211
		988	586
12. DEVELOPMENT SURCHARGE AND ROYALTIES RECEIPTS			
Development Surcharge on Gas	<i>12.1</i>	10,737	20,990
Royalty on Crude Oil	<i>12.2</i>	7,731	8,819
Royalty on Natural Gas	<i>12.2</i>	26,118	26,881
		44,586	56,690

12.1 The development surcharge on natural gas is levied under the Natural Gas Development Surcharge Ordinance, 1967. In pursuance to 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 assigned to a province on the production of gas in that 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 assigned to the provinces on well head production basis after deduction of 2% collection charges.

	<i>Note</i>	2012 Rupees in Million	2011 Rupees in Million
13. OTHER RECEIPTS			
Sale of Land		4,737	2,738
Miscellaneous Receipts		3,856	6,380
		8,593	9,118

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2012

	<i>Note</i>	2012 Rupees in Million	2011 Rupees in Million
14. GRANTS AND AID - RECEIPTS			
Federal Grants	<i>14.1</i>	20,744	13,463
14.1 Federal Grants			
Development Grants		2	7,970
Non-Development Grants		20,742	5,493
		20,744	13,463
15. FOREIGN DEBT - RECEIPTS			
Permanent Debt-Federal Government		9,743	9,529
16. DOMESTIC DEBT - RECEIPTS			
Permanent Debt	<i>16.1</i>	-	2,501
Floating Debt	<i>16.2</i>	27,250	32,250
		27,250	34,751

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. No borrowing of this nature has been made during this year.

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>	2012 Rupees in Million	2011 Rupees in Million
17. CAPITAL RECEIPTS			
Miscellaneous Receipts		-	27
Recovery of Loans and Advances		70	76
		70	103
18. TRADING ACTIVITIES - RECEIPTS			
Sale of Wheat and Rice		35,309	39,692

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2012

	<i>Note</i>	Upto 10th November 2011 Rupees in Million	1st July 2010 to 30th June 2011 Rupees in Million
19. RECEIPTS OF DISTRICTS GOVERNMENTS			
Direct Taxes			
Taxes on Income		(3)	2
Property Tax		129	(226)
Tax on Profession, Trade & Callings		3	8
		129	(216)
Indirect Taxes			
		7	24
Other Receipts			
Grants from Provincial Government Sindh		36,407	93,281
Foreign Aided Projects		20	-
Recovery of Loan and Advances		7	7
Community Services		30	36
Social Services		7	24
Miscellaneous Receipts		270	386
		36,741	93,734
		36,877	93,542
Less: Grants from Provincial Government Sindh & FAPs	<i>19.1</i>	(36,427)	(93,281)
	<i>19.2</i>	450	261

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

19.2 In consequence of devolution of District Governments through the Sindh (Repeal of the Sindh Local Government Ordinance, 2001), Revival of the Sindh Local Government Ordinance, 1979) Act, 2011 and on issuance of Finance Department, Government of Sindh order vide letter No.FD.SO(RES-III)/2011 dated November 10, 2011, the accounts of District Governments of Sindh province have been prepared for a period shorter than the current financial year 2011-12. Hence corresponding year figures are not comparable with those of current period.

	<i>Note</i>	2012 Rupees in Million	2011 Rupees in Million
20. SALARIES AND EMPLOYEE BENEFITS			
Pay of Officers		12,360	4,981
Pay of Other Staff		49,565	14,767
Allowances		53,232	32,225
Retirement Benefits		24,076	20,970
		139,233	72,943
21. GRANTS, SUBSIDIES AND WRITE-OFF OF LOANS			
Grants, Subsidies & Write-Off of Loans		85,887	128,932
Less: Transfers to District Governments	<i>19.1</i>	(36,427)	(93,281)
		49,460	35,651

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2012

	<i>Note</i>	2012 Rupees in Million	2011 Rupees in Million
22. PRINCIPAL REPAYMENT OF DEBT			
Foreign Debt		5,886	5,125
Domestic Debt	22.1	30,639	33,072
		36,525	38,197
22.1 Domestic Debt			
Permanent Debt		3,389	822
Floating Debt		27,250	32,250
		30,639	33,072
23. SERVICING OF DEBT			
Foreign Debt		2,542	1,194
Domestic Debt		2,581	2,370
General Provident Fund		7,243	6,216
		12,366	9,780
24. LOANS AND ADVANCES			
Non-Financial Institutions		1,190	78
		Upto 10th November 2011	1st July 2010 to 30th June 2011
	<i>Note</i>	Rupees in Million	Rupees in Million
25. PAYMENTS OF DISTRICTS GOVERNMENTS			
Revenue Expenditure	25.1	29,082	77,089
Capital Expenditure	25.2	1,991	13,699
	19.2	31,073	90,788

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2012

	<i>Note</i>	Upto 10 th November 2011 Rupees in Million	1 st July 2010 to 30th June 2011 Rupees in Million
25.1 Revenue Expenditure			
Housing & Community Amenities		3	10
Recreation, Culture and Religion		11	53
Public Order & Safety Affairs		18	81
Social Protection		174	473
Health Affairs & Services		3,114	9,276
Economic Affairs		2,430	7,898
General Public Services		4,385	11,554
Education Affairs & Services		18,947	47,744
		<u>29,082</u>	<u>77,089</u>
25.2 Capital Expenditure			
General Public Services		-	53
Public Order & Safety Affairs		-	95
Recreation, Culture and Religion		1	763
Environment Protection		32	378
Social Protection		61	165
Housing & Community Amenities		7	987
Health Affairs & Services		120	311
Education Affairs & Services		463	2,542
Economic Affairs		1,307	8,405
		<u>1,991</u>	<u>13,699</u>
		2012	2011
	<i>Note</i>	Rupees	Rupees
		in Million	in Million
26. NET RECEIPTS OF PUBLIC ACCOUNT			
<i>Receipts</i>			
Trust & Other Public Accounts	26.1	1,519,450	1,491,155
Special Deposits		34,074	15,620
State Provident Fund		12,822	10,803
		<u>1,566,346</u>	<u>1,517,578</u>
<i>Payments</i>			
Trust & Other Public Accounts	26.1	1,532,564	1,489,937
Special Deposits		30,484	15,471
State Provident Fund		4,932	6,213
		<u>1,567,980</u>	<u>1,511,621</u>
	26.1	<u>(1,634)</u>	<u>5,957</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 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 2012

	2012	2011
	Rupees	Rupees
	in Million	in Million
27. CASH AND BANK		
Provincial Government's Balance	(10,949)	18,865
District Government's Balance	-	8,689
	<u>(10,949)</u>	<u>27,554</u>
28. ASSETS AND LIABILITIES		
<i>Assets</i>		
Long Term Assets	531,176	453,905
Investments	33,988	16,957
Loans and Advances	28.2 23,276	22,162
Current Assets	1,907	1,880
Cash at Bank	(10,949)	27,554
	<u>28.1 579,398</u>	<u>522,458</u>
Liabilities and Equity		
Public Debt	28.2 31,926	31,457
Special Deposits and Trust Accounts	29,816	40,545
Deferred Liabilities	63,283	54,162
Capital Receipts	878	878
Residual Equity	453,495	395,416
	<u>28.1 579,398</u>	<u>522,458</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. Although, it is not mandatory, rather encouraged to make disclosure of assets and liabilities according to 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 the 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. Current year disclosure is consistent with disclosure in previous year, however, in absence of exemption under para-3, a significant payment during current year could impair management's assertion of true and fair presentation of the account balances.

28.2 Correction of Error

In the year before prior year, the figures of Loans and Advances among assets and that of Public Debt among liabilities were erroneously printed. A correction was made in prior year's financial statements. 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 any of the earlier years except that as mentioned in 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;

	2012	2011
	Rupees	Rupees
	in Million	in Million
<i>Assets</i>		
Loans and Advances	-	22,233
Liabilities and Equity		
Public Debt	-	31,528

GOVERNMENT OF SINDH
Notes to the Financial Statements
For the Year Ended 30 June 2012

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>	2012 Rupees in Million	2011 Rupees in Million
Receipts			
Actual Receipts in Statement of Comparison of Budget & Actual Amounts by Function		450,468	509,927
Less: Grants from Provincial Government	<i>19.1</i>	(36,427)	(93,281)
Actual Receipts in Statement of Cash Receipts and Payments		414,041	416,646
Payments			
Actual Payments in Statement of Comparison of Budget & Actual Amounts by Function and Actual Expenditure by Department		523,766	489,543
Less: Transfers to District Governments	<i>19.1</i>	(36,427)	(93,281)
Actual Payments in Statement of Cash Receipts and Payments		487,339	396,262

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