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## PREFACE

I am pleased to present the Financial Statements of the Government of Sindh for the year ended 30 June, 2013 together with the Auditors' Report thereon.

The Financial Statements of the Government of Sindh for the financial year 2012-13 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**

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**Auditor's Report**

I have audited the accompanying financial statements of the Government of Sindh, which comprises the statement of receipts and payments for the year ended 30 June, 2013, 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**

Management is responsible for the preparation and proper presentation of these financial statements in accordance with the applicable financial reporting framework.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit in accordance with the requirements of Article 169 & 170 (2) of the Constitution of the Islamic Republic of Pakistan read with Section 7 of the Auditor-General's (Functions, Powers and Conditions of Service) Ordinance, 2001. I conducted my audit in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) and other guidance issued by my department. These Standards require that I perform procedures including risk management to obtain reasonable assurance whether the financial statements are free of material misstatement. The audit process includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. It also includes assessing the accounting policies used, as well as evaluating the overall financial statements presentation. I believe that my audit provides a reasonable basis for my opinion.

In our opinion:

- a. These financial statements properly present, in all material respects, the financial position of the Government of Sindh as at 30 June, 2013 and the results of its operations, its cash flows and its expenditure and receipts, by appropriation 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 and have in all material respects, been booked to the relevant grants and appropriations.

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

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***Emphasis of matter***

Without further qualifying my opinion, I 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

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**Auditor General of Pakistan**

**GOVERNMENT OF SINDH**  
**Statement of Cash Receipts and Payments**  
**For the Year Ended 30 June 2013**

	Note	2013 (Rupees in Million)		2012 (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
<b>PROVINCIAL CONSOLIDATED FUND</b>					
<b>RECEIPTS</b>					
<i>Taxation- Transfer from Federal Government</i>	8	274,360	-	266,952	-
<i>Taxation- Provincial Government's Own Collection</i>	9	68,244	-	34,143	-
<i>Non-Tax Revenue and Other Receipts</i>					
General Administration	10	2,109	-	1,617	-
Economic Services	11	826	-	988	-
Development Surcharge and Royalties	12	46,377	-	44,586	-
Dividend and Profit Share-Non Financial Institutions		771	-	23	-
Others	13	21,107	-	8,593	-
		71,190	-	55,807	-
<i>Grants and Aid</i>	14	25,644	-	20,744	-
<i>Borrowings</i>					
Foreign Debt	15	1,941	-	9,743	-
Domestic Debt	16	30,350	-	27,250	-
		32,291	-	36,993	-
<i>Capital Receipts</i>	17	321	-	70	-
<i>Trading Activities</i>	18	36,742	-	35,309	-
<i>Receipts of District Governments</i>	19	-	-	450	-
<b>TOTAL RECEIPTS</b>		<b>508,792</b>	<b>-</b>	<b>450,468</b>	<b>-</b>

Accountant General Sindh

**GOVERNMENT OF SINDH**  
**Statement of Cash Receipts and Payments**  
**For the Year Ended 30 June 2013**

	Note	2013 (Rupees in Million)		2012 (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
<b>PAYMENTS</b>					
<i>Operations</i>					
Salaries and Employee Benefits	20	197,211	-	139,233	-
Operating Expenses		100,790	-	68,306	-
		298,001	-	207,539	-
<i>Transfers</i>					
Grants, Subsidies and Write-off of Loans	21	50,872	-	49,460	-
Other Transfer Payments		9,421	-	32,689	-
		60,293	-	82,149	-
<i>Expenditure on</i>					
Physical Assets		1,721	-	5,486	-
Civil Works		84,430	-	101,478	-
Repairs and Maintenance		5,996	-	9,531	-
		92,147	-	116,495	-
<i>Debt and Interest Payments</i>					
Principal Repayment of Debt	22	43,470	-	36,525	-
Servicing of Debt	23	11,009	-	12,366	-
		54,479	-	48,891	-
<i>Other Payments</i>					
Loans and Advances	24	403	-	1,190	-
<i>Payments of District Governments</i>					
	25	-	-	31,073	-
<b>TOTAL PAYMENTS</b>		<b>505,323</b>	<b>-</b>	<b>487,337</b>	<b>-</b>
<b>NET RECEIPT OF PROVINCIAL CONSOLIDATED FUND</b>		<b>3,469</b>	<b>-</b>	<b>(36,869)</b>	<b>-</b>
<b>NET PAYMENT OF PUBLIC ACCOUNT</b>	26	<b>(6,337)</b>	<b>-</b>	<b>(1,634)</b>	<b>-</b>
<b>NET DECREASE IN CASH DURING THE YEAR</b>		<b>(2,868)</b>	<b>-</b>	<b>(38,503)</b>	<b>-</b>
<b>CASH AT BEGINNING OF THE YEAR</b>		<b>(10,949)</b>	<b>N/A*</b>	<b>27,554</b>	<b>N/A*</b>
<b>NET DECREASE IN CASH DURING THE YEAR</b>		<b>(2,868)</b>	<b>N/A</b>	<b>(38,503)</b>	<b>N/A</b>
<b>CASH AT END OF THE YEAR</b>	27	<b>(13,817)</b>	<b>-</b>	<b>(10,949)</b>	<b>-</b>

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 2013**

	<i>Note</i>	<b>2013</b> <b>Rupees</b> <b>in Million</b>	2012 Rupees in Million
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Taxation-Transfers from Federal Government	8	274,360	266,952
Taxation-Provincial Government's Own Collection	9	68,244	34,143
Non-Tax Revenue & Other Receipts		71,190	55,807
Grants and Aid - Receipts	14	25,644	20,744
Trading Activities - Receipts	18	36,742	35,309
Operations - Payments		(298,001)	(207,539)
Servicing of Debt - Payments	23	(11,009)	(12,366)
Transfers-Payments		(60,293)	(82,149)
Receipts of District Governments	19	-	450
Payments of District Governments - Revenue Expenditure	25.1	-	(29,082)
<i>Cash from Operating Activities</i>		<b>106,877</b>	<b>82,269</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital Receipts	17	321	70
Payments for purchase of Physical Assets & on Civil Works & Others		(92,147)	(116,495)
Payments of Loans and Advances	24	(403)	(1,190)
Payments of District Governments - Capital Expenditure	25.2	-	(1,991)
<i>Cash used in Investing Activities</i>		<b>(92,229)</b>	<b>(119,606)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts of Foreign Debt	15	1,941	9,743
Receipts of Domestic Debt	16	30,350	27,250
Principal Repayments of Debt	22	(43,470)	(36,525)
Net Payment of Public Account	26	(6,337)	(1,634)
<i>Cash used in Financing Activities</i>		<b>(17,516)</b>	<b>(1,166)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(2,868)</b>	<b>(38,503)</b>
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>(10,949)</b>	<b>27,554</b>
<b>CASH &amp; CASH EQUIVALENTS AT END OF THE YEAR</b>	27	<b>(13,817)</b>	<b>(10,949)</b>

*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 2013**

	2013 (Rupees in Million )			2012 (Rupees in Million )		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
<b>RECEIPTS</b>						
<i>Revenue</i>						
Taxation	397,041	351,370	342,603	322,330	331,881	301,095
Non-Taxation	96,020	99,610	96,835	79,439	84,010	76,551
<b>Total Revenue Receipts</b>	<b>493,061</b>	<b>450,980</b>	<b>439,438</b>	<b>401,769</b>	<b>415,891</b>	<b>377,646</b>
<i>Capital</i>						
Domestic Debt	34,125	39,000	30,350	31,000	31,000	27,250
Foreign Debt	56,923	32,485	1,941	40,278	32,381	9,743
Recovery of Loans & Advances	6,828	10,962	321	6,777	6,744	70
State Trading Activities	36,540	39,672	36,742	35,340	36,340	35,309
Miscellaneous Recoveries	105	-	-	105	105	-
<b>Total Capital Receipts</b>	<b>134,521</b>	<b>122,119</b>	<b>69,354</b>	<b>113,500</b>	<b>106,570</b>	<b>72,372</b>
<i>Receipts of District Governments</i>	-	-	-	-	-	450
<b>TOTAL RECEIPTS</b>	<b>29 627,582</b>	<b>573,099</b>	<b>508,792</b>	<b>515,269</b>	<b>522,461</b>	<b>450,468</b>
<b>PAYMENTS</b>						
<i>Revenue</i>						
General Public Service	175,305	189,883	154,083	182,195	127,816	131,471
Economic Affairs	77,332	95,106	74,984	26,368	37,185	37,588
Public Order and Safety Affairs	47,166	49,473	49,613	39,656	49,202	45,681
Education Affairs and Services	102,796	108,330	93,300	28,351	57,302	59,304
Health Affairs and Services	39,483	39,478	38,451	18,243	30,295	28,940
Housing & Community Amenities	928	1,171	1,347	1,162	2,263	1,994
Recreation, Culture and Religion	2,920	3,669	3,060	1,269	1,862	1,637
Social Protection	6,845	9,367	5,966	6,829	21,418	20,640
Environment Protection	609	617	89	626	186	102
<b>Total Revenue Payments</b>	<b>453,384</b>	<b>497,094</b>	<b>420,893</b>	<b>304,699</b>	<b>327,529</b>	<b>327,357</b>
<i>Capital</i>						
General Public Service	13,367	13,367	214	64,851	60,117	55,020
Economic Affairs	44,298	44,298	38,113	57,858	102,222	65,393
Education Affairs and Services	8,781	8,781	4,556	5,094	10,835	10,378
Health Affairs and Services	6,244	6,244	4,354	2,628	3,208	2,630
Housing and Community Amenities	1,407	2,056	1,922	942	4,546	4,222
Recreation, Culture and Religion	1,025	665	643	431	1,052	1,326
Social Protection	73,337	85,576	32,210	54,691	28,003	23,776
Environment Protection	1,724	2,485	2,418	853	3,007	2,591
<b>Total Capital Payments</b>	<b>150,183</b>	<b>163,472</b>	<b>84,430</b>	<b>187,348</b>	<b>212,990</b>	<b>165,336</b>
<i>Payments of District Governments</i>	-	-	-	109,550	109,550	31,073
<b>TOTAL PAYMENTS</b>	<b>29 603,567</b>	<b>660,566</b>	<b>505,323</b>	<b>601,597</b>	<b>650,069</b>	<b>523,766</b>

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 2013

DEPARTMENTS	Note	2013 (Rupees in Million)			2012 (Rupees in Million)		
		Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
		Original	Revised		Original	Revised	
1 Agriculture, Livestock		15,509	16,812	10,172	8,668	13,506	12,898
2 Board of Revenue, Excise & Taxation, Social Welfare		4,866	7,553	5,980	2,438	21,858	21,440
3 Culture		971	971	624	1,107	2,359	2,107
4 Education & Literacy		108,403	114,528	95,482	32,429	65,070	68,243
5 Environment & Alternative Energy		2,103	2,872	2,508	1,148	3,161	2,693
6 Finance		209,833	228,815	135,138	163,150	133,350	127,981
7 Food		39,917	45,291	35,382	33,298	39,872	5,489
8 Forest & Wild Life		1,871	2,060	1,335	1,274	1,325	1,218
9 Governor's Secretariat		1,670	2,214	1,496	344	878	848
10 Health		49,045	49,377	45,569	23,206	36,279	33,331
11 Home		43,251	46,978	43,687	170,117	113,820	115,169
12 Industries & Commerce, Mines & Mineral, Coal & Energy		16,571	16,743	7,983	6,090	7,949	6,344
13 Information, Archives, Antiquities		2,188	3,020	2,745	1,022	1,500	1,250
14 Information Technology		4,709	4,711	1,263	1,373	1,668	1,108
15 Irrigation & Power		21,098	30,279	35,357	15,216	52,024	50,598
16 Law		4,837	6,734	5,934	4,516	4,610	4,112
17 Local Government, Public Health Engineering		40,620	43,050	42,484	3,791	9,754	8,040
18 Labour, Cooperation		1,195	1,288	1,034	793	975	789
19 Planning & Development, Population Welfare		4,094	4,150	4,170	1,399	1,945	2,028
20 Provincial Assembly		646	654	686	542	708	725
21 SGA&CD, Inter Provincial Coordination		4,318	5,217	4,175	2,348	7,104	6,209
22 Transport		16,079	16,434	9,326	78	88	71
23 Works & Services		9,256	10,278	12,488	17,479	20,326	19,724
24 Zakat Ushr, Auqaf		517	537	305	221	390	278
		<b>603,567</b>	<b>660,566</b>	<b>505,323</b>	492,047	540,519	492,693
<i>Payments of District Governments</i>		-	-	-	109,550	109,550	31,073
<b>TOTAL</b>	<b>29</b>	<b>603,567</b>	<b>660,566</b>	<b>505,323</b>	<b>601,597</b>	<b>650,069</b>	<b>523,766</b>

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 2013**

**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 2013**

- |               |                         |
|---------------|-------------------------|
| 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 2013**

The financial statements for the financial year 2012-13 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 2012-13 (from 1<sup>st</sup> July, 2012 to 30<sup>th</sup> June, 2013).

**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 2013**

**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 2013**

**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 2013**

	<i>Note</i>	<b>2013</b> <b>Rupees</b> <b>in Million</b>	2012 Rupees in Million
<b>8. TAXATION-TRANSFERS FROM FEDERAL GOVERNMENT</b>			
<i>Direct Taxes</i>			
Income tax	9.1	101,580	88,052
Wealth Tax		-	1
Capital Value Tax	9.1	35	15
		<b>101,615</b>	88,068
<i>Indirect Taxes</i>			
Sales Tax	9.1	116,738	103,650
Custom Duty		32,652	27,653
Federal Excise Duty		15,601	14,018
Federal Excise on Natural Gas		7,754	7,262
		<b>172,745</b>	152,583
		<b>274,360</b>	240,651
<b>9. TAXATION-PROVINCIAL GOVERNMENT'S OWN COLLECTIONS</b>			
<i>Direct Taxes</i>			
Income Tax	9.1	13	13
Income Tax - Agriculture		376	110
Property Tax		1,907	2,139
Capital Value Tax	9.1	2,111	2,364
Land Revenue		205	208
Tax on Profession, Trade & Callings		265	280
		<b>4,877</b>	5,114
<i>Indirect Taxes</i>			
Sales Tax under Services	9.1	33,246	23,924
Provincial Excise Duty		3,102	2,577
Stamp Duties		5,016	4,765
Receipts Under Motor Vehicles Act		3,328	3,230
Others		18,675	20,834
		<b>63,367</b>	55,330
		<b>68,244</b>	60,444

- 9.1 The above changes have been made in the financial Statements in response to a classification error identified by the head office and comparative amounts have accordingly been changed. These reclassifications neither do affect the net surplus or deficit of the government nor may be regarded as a fundamental error or a change in accounting estimates or of policies. However, IPSASs require the government entity to disclose in their financial statements, any change due to reclassification of any account balance or class of transactions. Had all the above reclassifications were not made, these notes would have been appeared in these financial statements as follows;

**GOVERNMENT OF SINDH**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2013**

<i>Note</i>	<b>2013</b> <b>Rupees</b> <b>in Million</b>	2012 Rupees in Million
<b>Note 8 - Taxation - Transfers from Federal Government - without reclassification</b>		
<i>Direct Taxes</i>		
Income tax	101,593	88,065
Wealth Tax	-	1
Capital Value Tax	2,146	2,379
	<b>103,739</b>	<b>90,445</b>
<i>Indirect Taxes</i>		
Custom Duty	32,652	27,653
Sales Tax	149,984	127,574
Federal Excise Duty	15,601	14,018
Federal Excise on Natural Gas	7,754	7,262
	<b>205,991</b>	<b>176,507</b>
	<b>309,730</b>	<b>266,952</b>
<b>Note 9 - Taxation - Provincial Government's Own Collections - without reclassification</b>		
<i>Direct Taxes</i>		
Income Tax - Agriculture	376	110
Property Tax	1,907	2,139
Land Revenue	205	208
Tax on Profession, Trade & Callings	265	280
	<b>2,753</b>	<b>2,737</b>
<i>Indirect Taxes</i>		
Provincial Excise Duty	3,102	2,577
Stamp Duties	5,016	4,765
Receipts Under Motor Vehicles Act	3,328	3,230
Others	18,675	20,834
	<b>30,121</b>	<b>31,406</b>
	<b>32,874</b>	<b>34,143</b>
<b>10. GENERAL ADMINISTRATION RECEIPTS</b>		
Organ of State	40	29
Fiscal Administration	88	55
Economic Regulations	63	55
Law and Order	1,253	849
Community Services	257	231
Social Services	408	398
	<b>2,109</b>	<b>1,617</b>

**GOVERNMENT OF SINDH**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2013**

	<i>Note</i>	<b>2013</b> <b>Rupees</b> <b>in Million</b>	2012 Rupees in Million
<b>11. ECONOMIC SERVICES RECEIPTS</b>			
Food and Agriculture		248	464
Fisheries & Animal Husbandry		28	11
Forest		141	102
Cooperation, Irrigation, Embankment Drainage		190	204
Mines & Mineral Resources		219	207
		<u>826</u>	<u>988</u>
<b>12. DEVELOPMENT SURCHARGE AND ROYALTIES - RECEIPTS</b>			
Development Surcharge on Gas	<i>12.1</i>	7,637	10,737
Royalty on Crude Oil	<i>12.2</i>	10,130	7,731
Royalty on Natural Gas	<i>12.2</i>	28,610	26,118
		<u>46,377</u>	<u>44,586</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>	<b>2013</b> <b>Rupees</b> <b>in Million</b>	2012 Rupees in Million
<b>13. OTHER RECEIPTS</b>			
Sale of Land		2,935	4,736
Miscellaneous Receipts		18,172	3,857
		<u>21,107</u>	<u>8,593</u>

**GOVERNMENT OF SINDH**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2013**

	<i>Note</i>	<b>2013 Rupees in Million</b>	<b>2012 Rupees in Million</b>
<b>14. GRANTS AND AID - RECEIPTS</b>			
Federal Grants	<i>14.1</i>	<u>25,644</u>	<u>20,744</u>
<b>14.1 Federal Grants</b>			
Development Grants		<u>13,426</u>	<u>2</u>
Non-Development Grants		<u>12,218</u>	<u>20,742</u>
		<u>25,644</u>	<u>20,744</u>
<b>15. FOREIGN DEBT - RECEIPTS</b>			
Permanent Debt-Federal Government		<u>1,941</u>	<u>9,743</u>
<b>16. DOMESTIC DEBT - RECEIPTS</b>			
Floating Debt	<i>16.1</i>	<u>30,350</u>	<u>27,250</u>

**16.1** 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>	<b>2013 Rupees in Million</b>	<b>2012 Rupees in Million</b>
<b>17. CAPITAL RECEIPTS</b>			
Recovery of Loans and Advances		<u>321</u>	<u>70</u>
<b>18. TRADING ACTIVITIES - RECEIPTS</b>			
Sale of Wheat and Rice		<u>36,742</u>	<u>35,309</u>

**GOVERNMENT OF SINDH**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2013**

	<i>Note</i>	<b>2013</b> <b>Rupees</b> <b>in Million</b>	Upto 10 <sup>th</sup> November 2011 Rupees in Million
<b>19. RECEIPTS OF DISTRICTS GOVERNMENTS</b>			
<b>Direct Taxes</b>			
Taxes on Income		-	(3)
Property Tax		-	129
Tax on Profession, Trade & Callings		-	3
		-	129
		-	7
<b>Indirect Taxes</b>			
<b>Other Receipts</b>			
Grants from Provincial Government Sindh		-	36,407
Foreign Aided Projects		-	20
Recovery of Loan and Advances		-	7
Community Services		-	30
Social Services		-	7
Miscellaneous Receipts		-	270
		-	36,741
		-	36,877
Less: Grants from Provincial Government Sindh & FAPs	<b>19.1</b>	-	(36,427)
	<b>19.2</b>	-	450

**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>	<b>2013</b> <b>Rupees</b> <b>in Million</b>	2012 Rupees in Million
<b>20. SALARIES AND EMPLOYEE BENEFITS</b>			
Pay of Officers		14,657	12,360
Pay of Other Staff		65,076	49,565
Allowances		87,580	53,232
Retirement Benefits		29,898	24,076
		197,211	139,233
<b>21. GRANTS, SUBSIDIES AND WRITE-OFF OF LOANS</b>			
Grants, Subsidies & Write-Off of Loans		50,872	85,887
Less: Transfers to District Governments	<b>19.1</b>	-	(36,427)
		50,872	49,460

**GOVERNMENT OF SINDH**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2013**

	<i>Note</i>	<b>2013</b> <b>Rupees</b> <b>in Million</b>	2012 Rupees in Million
<b>22. PRINCIPAL REPAYMENT OF DEBT</b>			
Foreign Debt		6,174	5,886
Domestic Debt	22.1	37,296	30,639
		<u>43,470</u>	<u>36,525</u>
<b>22.1 Domestic Debt</b>			
Permanent Debt		6,946	3,389
Floating Debt		30,350	27,250
		<u>37,296</u>	<u>30,639</u>
<b>23. SERVICING OF DEBT</b>			
Foreign Debt		1,318	2,542
Domestic Debt		2,600	2,581
General Provident Fund		7,091	7,243
		<u>11,009</u>	<u>12,366</u>
<b>24. LOANS AND ADVANCES</b>			
Non-Financial Institutions		<u>403</u>	<u>1,190</u>
			Upto 10 <sup>th</sup> November 2011
	<i>Note</i>	<b>2013</b> <b>Rupees</b> <b>in Million</b>	Rupees in Million
<b>25. PAYMENTS OF DISTRICTS GOVERNMENTS</b>			
Revenue Expenditure	25.1	-	29,082
Capital Expenditure	25.2	-	1,991
	19.2	<u>-</u>	<u>31,073</u>

**GOVERNMENT OF SINDH**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2013**

	<i>Note</i>	<b>2013</b> <b>Rupees</b> <b>in Million</b>	Upto 10 <sup>th</sup> November 2011 Rupees in Million
<b>25.1 Revenue Expenditure</b>			
Housing & Community Amenities		-	3
Recreation, Culture and Religion		-	11
Public Order & Safety Affairs		-	18
Social Protection		-	174
Health Affairs & Services		-	3,114
Economic Affairs		-	2,430
General Public Services		-	4,385
Education Affairs & Services		-	18,947
		<u>-</u>	<u>29,082</u>
<b>25.2 Capital Expenditure</b>			
Recreation, Culture and Religion		-	1
Environment Protection		-	32
Social Protection		-	61
Housing & Community Amenities		-	7
Health Affairs & Services		-	120
Education Affairs & Services		-	463
Economic Affairs		-	1,307
		<u>-</u>	<u>1,991</u>
<b>26. NET RECEIPTS OF PUBLIC ACCOUNT</b>		<b>2013</b> <b>Rupees</b> <b>in Million</b>	2012 Rupees in Million
<i>Receipts</i>			
Trust & Other Public Accounts	<i>26.1</i>	1,496,320	1,519,450
Special Deposits		60,691	34,074
State Provident Fund		12,293	12,822
		<u>1,569,304</u>	1,566,346
<i>Payments</i>			
Trust & Other Public Accounts	<i>26.1</i>	1,508,950	1,532,564
Special Deposits		62,954	30,484
State Provident Fund		3,737	4,932
		<u>1,575,641</u>	1,567,980
	<i>26.1</i>	<u>(6,337)</u>	<u>(1,634)</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 2013**

	<b>2013</b>	2012
	<b>Rupees</b>	Rupees
	<b>in Million</b>	in Million
<b>27. CASH AND BANK</b>		
Provincial Government's Balance	<u>(13,817)</u>	<u>(10,949)</u>
<b>28. ASSETS AND LIABILITIES</b>		
<i>Assets</i>		
Long Term Assets	<b>618,094</b>	531,176
Investments	<b>37,801</b>	33,988
Loans and Advances	<b>23,553</b>	23,276
Current Assets	<b>1,905</b>	1,907
Cash at Bank	<b>(13,817)</b>	(10,949)
<b>28.1</b>	<u><b>667,536</b></u>	<u>579,398</u>
<b>Liabilities and Equity</b>		
Public Debt	<b>20,746</b>	31,926
Special Deposits and Trust Accounts	<b>13,365</b>	29,816
Deferred Liabilities	<b>73,396</b>	63,283
Capital Receipts	<b>878</b>	878
Residual Equity	<b>559,151</b>	453,495
<b>28.1</b>	<u><b>667,536</b></u>	<u>579,398</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.



**GOVERNMENT OF SINDH**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2013**

**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>	<b>2013 Rupees in Million</b>	<b>2012 Rupees in Million</b>
<b>Receipts</b>			
Actual Receipts in Statement of Comparison of Budget & Actual Amounts by Function		<b>508,792</b>	450,468
Less: Grants from Provincial Government	<i>19.1</i>	-	(36,427)
Actual Receipts in Statement of Cash Receipts and Payments		<b>508,792</b>	414,041
<b>Payments</b>			
Actual Payments in Statement of Comparison of Budget & Actual Amounts by Function and Actual Expenditure by Department		<b>505,323</b>	523,766
Less: Transfers to District Governments	<i>19.1</i>	-	(36,427)
Actual Payments in Statement of Cash Receipts and Payments		<b>505,323</b>	487,339

**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 August 2013**.

**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.

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**Accountant General Sindh**