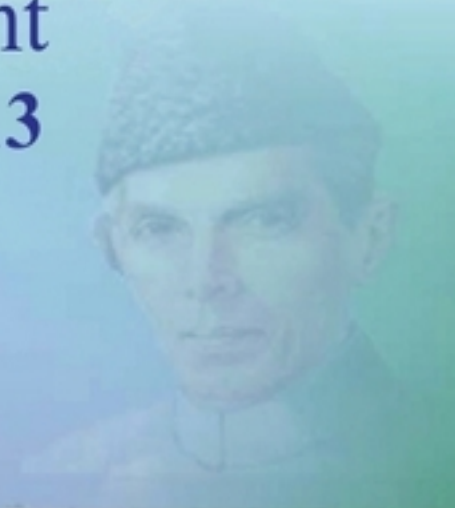




FINANCIAL STATEMENTS

of the
Federal Government
Financial Year 2012-13



Government of Pakistan



FINANCIAL STATEMENTS

of the

Federal Government

Financial Year 2012 – 13

Government of Pakistan

Controller General of Accounts

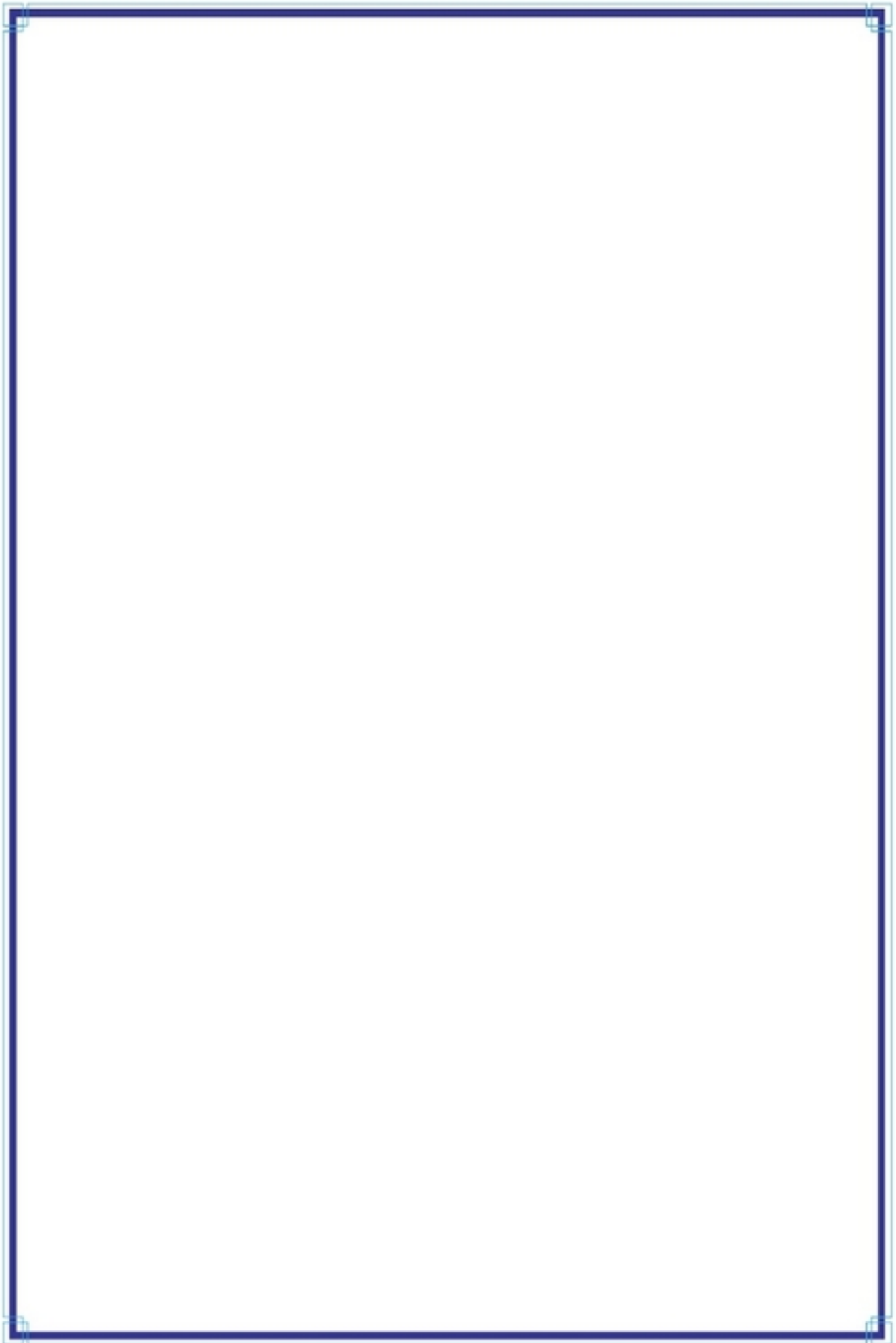
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PREFACE

I am pleased to present the Audited Financial Statements of the Federal Government for the year ended 30 June, 2013 together with the Auditors' Report thereon along with the management analysis report.

The Financial Statements of the Federal Government for the financial year 2012-13 have been prepared by the Accountant General Pakistan Revenues, Islamabad 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.

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 and Management Analysis report 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 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 Federal Consolidated Fund and Public Account for which Annual Budget Statement is authorized by the Parliament 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

MANAGEMENT ANALYSIS

INTRODUCTION

The Financial Statements of the Federal Government provide a record of the Government's financial performance over the financial year 2012-13 in the statement of cash receipts and payments, its cash flows along with comparison with the revised budget approved by the Parliament in the statements of comparison of budget and actual amounts by function and actual expenditure by division.

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 year.

The financial statements have been prepared by the Accountant General Pakistan Revenues (AGPR) by consolidating the information relating to all Federal Government entities which it receives from AGPR sub offices and Self Accounting Entities.

FINANCIAL MANAGEMENT

The financial management cycle starts with the preparation of annual budget statement which is approved by the parliament. A detailed elaboration of the financial management cycle is as follows;

1. Each year Ministry of Finance receives budget estimates from the Government agencies.
2. Based on the resources available and priorities of the Government the annual budget is prepared.
3. Parliament approves the budget.
4. Principal Accounting Officer sanctions the expenditure.
5. Controller General of Accounts is responsible for the regulation of preparation of annual financial statements. This task is accomplished
6. through Accountant General Pakistan Revenues (AGPR) who has the prime responsibility for disbursements, keeping a record of transactions and preparation of annual financial statements of the Federal Government whereas for self accounting entities this task is accomplished by the Principal Accounting Officer (PAO).
7. Each year Auditor-General of Pakistan certifies the financial statements of federal, provincial and district governments.
7. Audited Financial Statements and Audit Reports are laid before the National Assembly. These reports are then discussed in the Public Accounts Committee who then reports back to the National Assembly.

Financial Management Cycle



GOVERNANCE STRUCTURE

Pakistan is a federal republic to be known as Islamic Republic of Pakistan and the territories of Pakistan comprises of the provinces of Balochistan, Khyber Pakhtunkhwa, Punjab and Sindh, Islamabad Capital Territory and Federally Administered Tribal Areas.

As per the Constitution of the Islamic Republic of Pakistan, 1973, the President of Pakistan has the executive authority of the federation with a Cabinet of Ministers headed by the Prime Minister to aid and advise the President in the discharge of his duties and all executive actions of the federal government shall be expressed to be taken in the name of the President. The executive authority of the federation extends to the matters with respect to which Parliament has power to make law including exercise of rights, authority and jurisdiction in relation to areas outside Pakistan.

To perform the executive function and to carry out the functions and fulfill the responsibilities, the Constitution requires the President of Pakistan to make rules for the allocation and transaction of the business of the Federal Government. Under the provision of Article 90 and 99 of the Constitution, Rules of Business 1973 were made which define the administrative structure, allocation and transaction of the business of the Federal Government.

A Division is the basic self contained unit for the conduct of the business of the Federal Government and a division or group of divisions can be constituted as a Ministry with a Minister-in-Charge under Rules of Business, 1973. Each ministry or division may have attached departments working directly under it to perform specific functions. In addition Federal Government includes subordinate offices, special purpose authorities and commercial enterprises

which perform functions on behalf of the Federal Government. Prime Minister is responsible for important

policy decisions and formulation of ministries or divisions and allocation of business amongst them.

Administrative Structure of the Federal Government



FINANCIAL ACCOUNTING AND REPORTING FRAMEWORK

Public Sector Accounting practices in Pakistan are currently undergoing major reforms aimed at increasing transparency, streamlining accountability and improving overall financial management in line with international standards and practices, which mainly include;

- Implementation and Use of SAP R/3
- Development and Implementation of New Accounting Model

The SAP R/3 solution being currently implemented on a nationwide basis covers all the District Accounts Offices (DAO) and Agency Sub-Offices at the lowest level. The solution covers all Accountant General (AG) Offices and Accountant General Pakistan Revenues (AGPR) sub-offices at the provincial level, the AGPR Head Office and the Controller General of Accounts (CGA) headquarters.

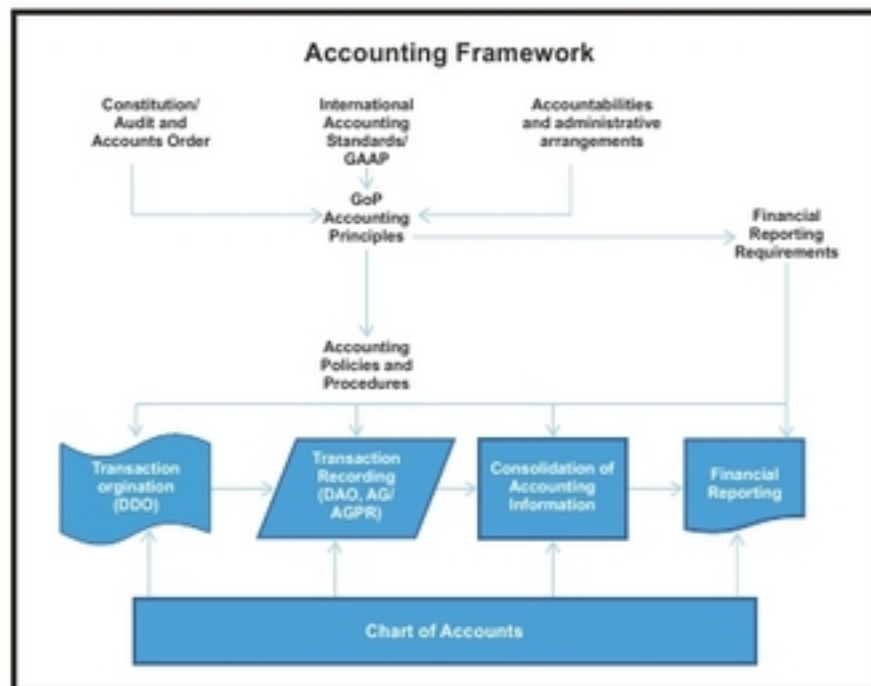
New Chart of Accounts was adopted from 1st July 2004. In December 2000, Auditor General of Pakistan prescribed NAM with the approval of the President of Pakistan under Article 170 of the Constitution of Islamic Republic of Pakistan. NAM is based on Modified Cash Basis of Accounting in which, though cash 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 under the cash basis of accounting that recognizes transactions and events only when cash is received or paid by the entity.

The accounting framework of the Federal Government focuses 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 Federal Consolidated Fund and Public Account and consists of accounting principles, policies and procedures. The framework prescribes a particular basis of accounting, which is relevant and applicable to Pakistan, but also adopts, where applicable, the accounting concepts laid down in Generally Accepted Accounting Principles (GAAP) and International Standards.

The accounting framework integrates the accounting principles with the financial reporting requirements, the chart of accounts and the detailed accounting procedures. These linkages are shown in the following diagram:



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.

. The Financial Statements include;

- Statement of Cash Receipts and Payments
- Statement of Cash Flows
- Statement of Comparison of Budgeted and Actual Amounts by Function
- Statement of Comparison of Budget and Actual Expenditure by Division
- Statement of Appropriation of Grants by Object
- Notes to the Financial Statements

The statements of comparison of budget and actual amounts by function and actual

expenditure by division are presented on a gross basis, whereas receipts and payments of floating debt in the Statement of Cash Receipts and Payments and Statement of Cash Flows have been netted off for which a reconciliation has been presented on a net basis as disclosed in the notes to the financial statements.

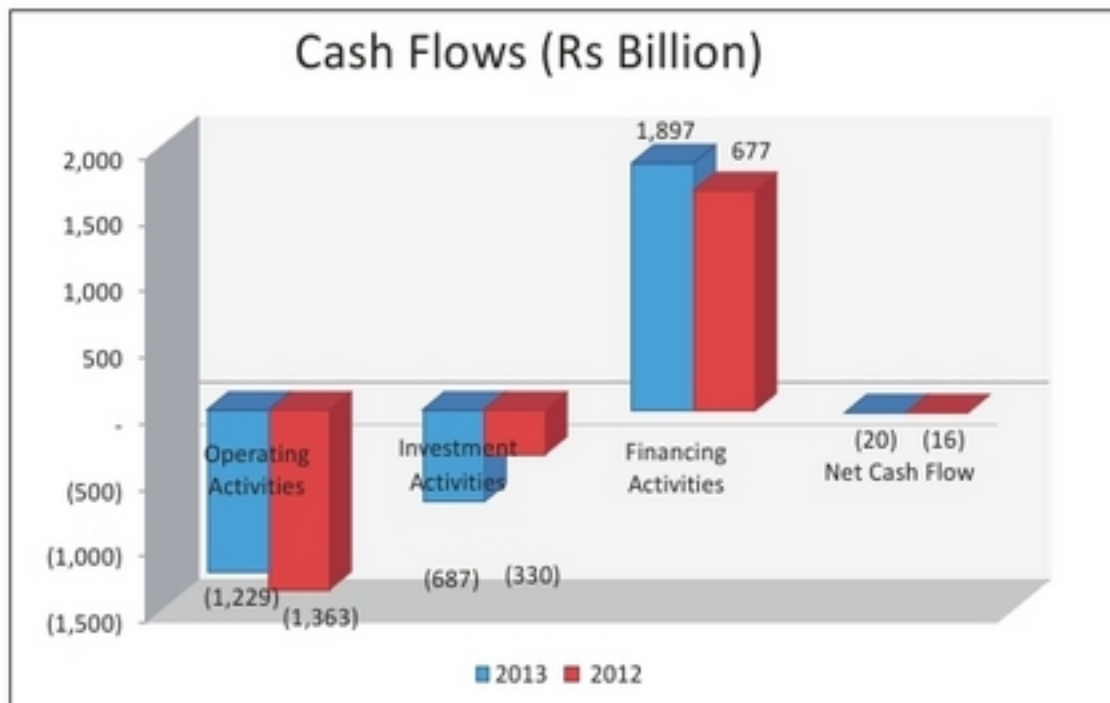
Assets and liabilities of the Federal Government are disclosed in the notes to the Financial Statements and are recorded on a historical cost basis and do not include accrued receipts and payments.

FINANCIAL REVIEW

CASH FLOWS

The net cash flows for the year have decreased by Rs. 19,786 million (2011-12: decrease by Rs. 15,862 million), reducing the balance of cash and cash equivalents at end of the year from a balance of Rs.124,149 million last year to a balance of Rs.104,363 million. Cash

used in operating activities decreased by 10.87%. The deficit in investing activities has increased by 51.93%. The cash flows from financing activities has increased by 11.57%.



RECEIPTS AND PAYMENTS

RECEIPTS

Taxation

During the year under review tax receipts were Rs. 1,927,377 million as compared to Rs. 1,868,226 million for the previous financial year, which represents an increase of 3.01%. Out of total tax collections for the financial year 2012-2013, the Federal Government has transferred Rs. 1,134,194 million to the

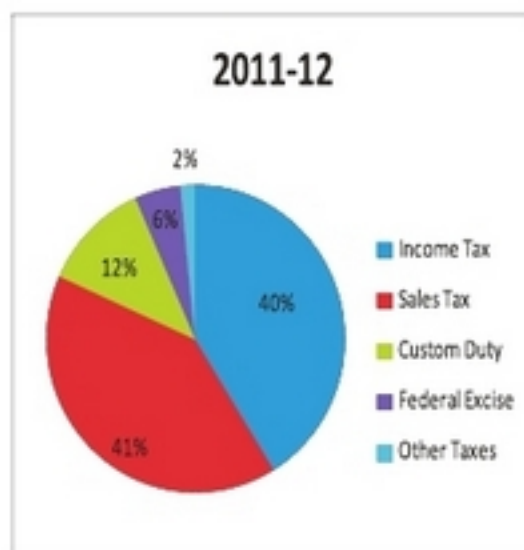
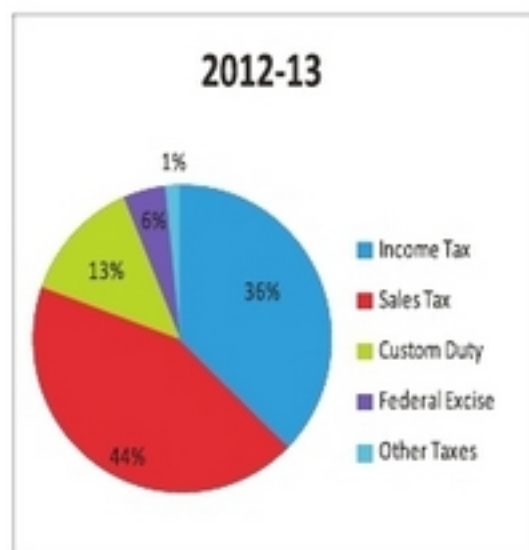
provinces. These transfers are made from all heads of taxes in accordance with the NFC award. The net tax reported after the transfers leaves the Federal Government with a tax revenue of Rs 793,183 million against Rs.857, 119 million in comparison with the previous financial year.

The Federal Board of Revenue (FBR) introduced a wide-ranging tax and tariff reforms implemented under Tax Administration Reform Program (TARP). TARP was reportedly effectively implemented by widening the tax base by reducing exemptions, incentives and concessions, reducing multiplicity of rates, lowering tax rates, shifting the incidence of tax burden from production to consumption, moving away from the excessive reliance

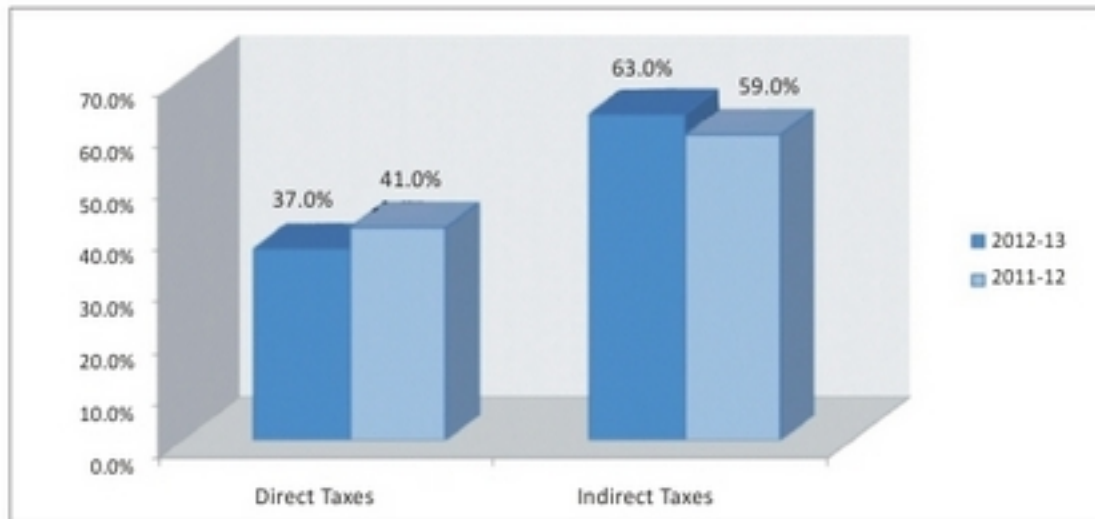
on manufacturing and taxing all value additions including services, enhancing the neutrality between present and future consumption, enhancing the neutrality of the tax system to forms of business organizations and sources of finance, and re-engineering business process of the tax system to overcome the culture of tax avoidance and evasion.

The basic philosophy of tax and tariff reform has been to move away from investment and production based taxes to income (direct taxes) and consumption (sales tax) based taxes. Pakistan has

succeeded in changing the composition of its taxes but much more effort will be needed to enhance the share of direct taxes in total taxes. A bird eye view of the tax composition is presented below;



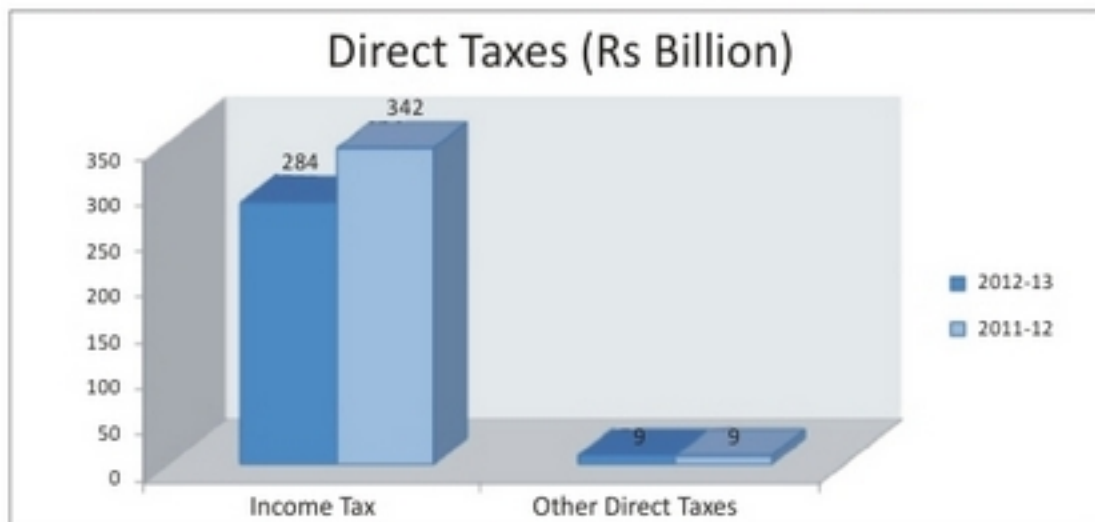
The composition of direct taxes and indirect taxes for the year under review has been; Direct taxes 41% and indirect taxes 59% (2011-12: Direct taxes 37% & Indirect taxes 63%) out of total taxes.



Direct Taxes

The direct taxes are a major source of federal tax revenues after sales tax. Direct tax consists of Income Tax, withholding tax, capital value tax, tax on profession, trade and callings and other miscellaneous taxes.

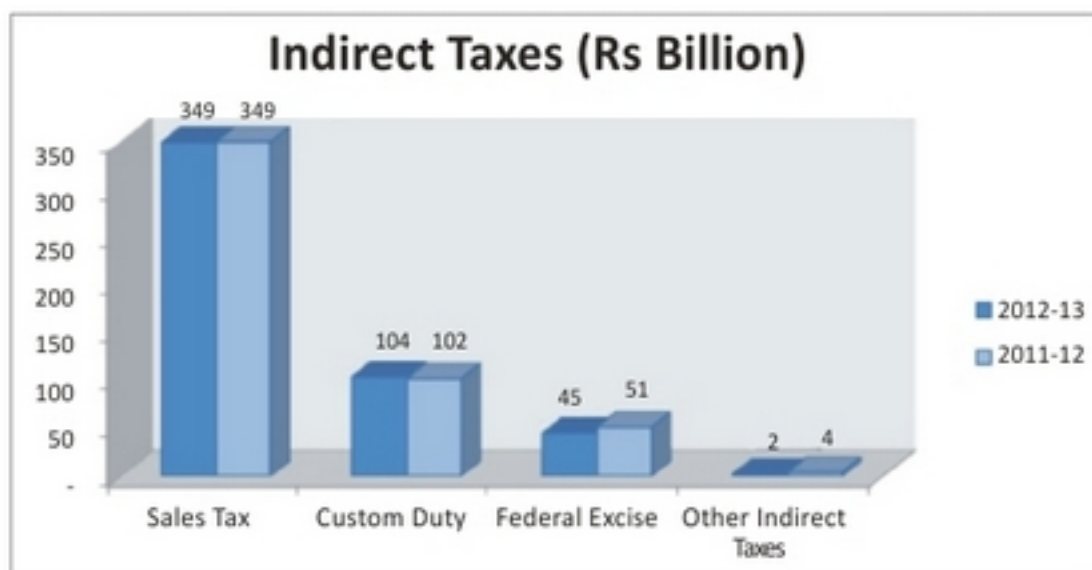
The net collection of direct taxes has decreased by 58 billion as compared to previous year, the major reason being the increase in shares of provinces. Composition of direct taxes for the financial years is depicted below.



Indirect Taxes

Indirect taxes are the largest contributor to federal tax revenues. Indirect taxes comprise of sales tax, customs duty and federal excise duty. The total revenue from Indirect taxes for the current year amounted to Rs. 500 billion. Sales tax has

emerged as the leading revenue source in recent years. Due to its buoyant nature, the share of sales tax has come to 69.73% of the total indirect tax collected, customs to 20.79% and Federal Excise 8.99% of the total indirect taxes.



Development Surcharge and Royalties

Items exhibiting major movements here are Development Surcharge on Gas showing 58.25% increase from previous year, Gas Infrastructure Development Cess

178.38% increase from last year. The Petroleum Development Levy has increased by 81.56%.

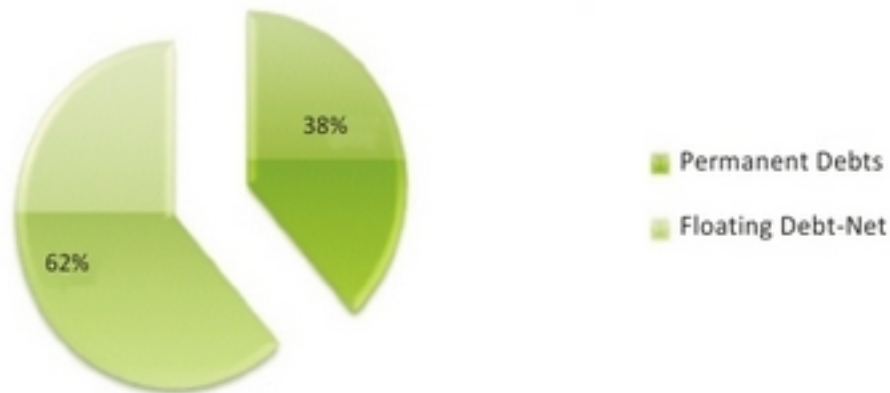
Borrowings

1. Domestic Debt

During the year under review domestic debt receipts amounted to Rs. 1,704,444 million which consist of permanent debt and floating debt-net basis. An increase of 2.43% in domestic debt receipts was witnessed in the current year as compared

to the previous year. The composition of floating debt-net and permanent debt was 62% and 38% respectively this year as highlighted below;

Domestic Debt Receipts (2012-13)



Permanent domestic debt raised during the current financial year was Rs. 653,130 million as compared to Rs. 756,978 million in the last financial year showing a decrease of 13.72%. The major sources were sale of National Prize Bonds (Rs. 155,617 million), Pakistan Investment Bonds (Rs. 408,069 million) and Ijara Sukuk Bond (Rs. 90,036 million).

2. Foreign Debt

In the year under review, the burden of foreign debt on the Federal Government has decreased by Rs. 13,947 million. Receipts of foreign debt recorded were Rs. 200,726 million this year as compared to Rs. 214,223 million last year which represents 6.3% decrease. Amongst foreign lenders, Chinese Loan amounted to Rs. 50,659 million during the year. Other major donors were Asian Development Bank (ADB) Rs. 40,291 million, International Development Association (IDA) Rs. 43,686 million and Islamic Development Bank (IDB) Rs. 33,424 million.

Dividend and profit share

Dividend represents dividends received against the investments made by the Federal Government in financial and non-financial institutions. Non-financial institutions were the prime source of dividends received in the Federal Consolidated Fund. An increase of 28.63% in total dividend receipts was recorded in comparison to the previous financial year, the current year's receipt amounted to Rs. 63,485 million. Out of total dividend income, dividend from OGDCL was Rs. 26,602 million, i.e. 42.41% of total dividend income.

Share of profits represents distributable profits from the State Bank of Pakistan and Pakistan Post Office to the Federal Government against the appropriation of their net profits from their investment holdings. The profit share received during the year was Rs. 220,000 million was from State Bank of Pakistan. Profit share from State Bank of Pakistan has shown 7.84% increase from the previous year.

The surplus profit of the SBP, after making provision of reserve fund dividend payments, is transferred to the Federal Government.

Recovery of loans and advances

This item has witnessed normal movement in aggregate. Compared to previous year, a decrease of 11.17% in recoveries from provinces and an increase of 9.47% in recoveries from financial institutions have been recorded. As far as recoveries from provinces are concerned, figure of last year stood at Rs. 36,142 million compared to Rs. 32,104 million this year.

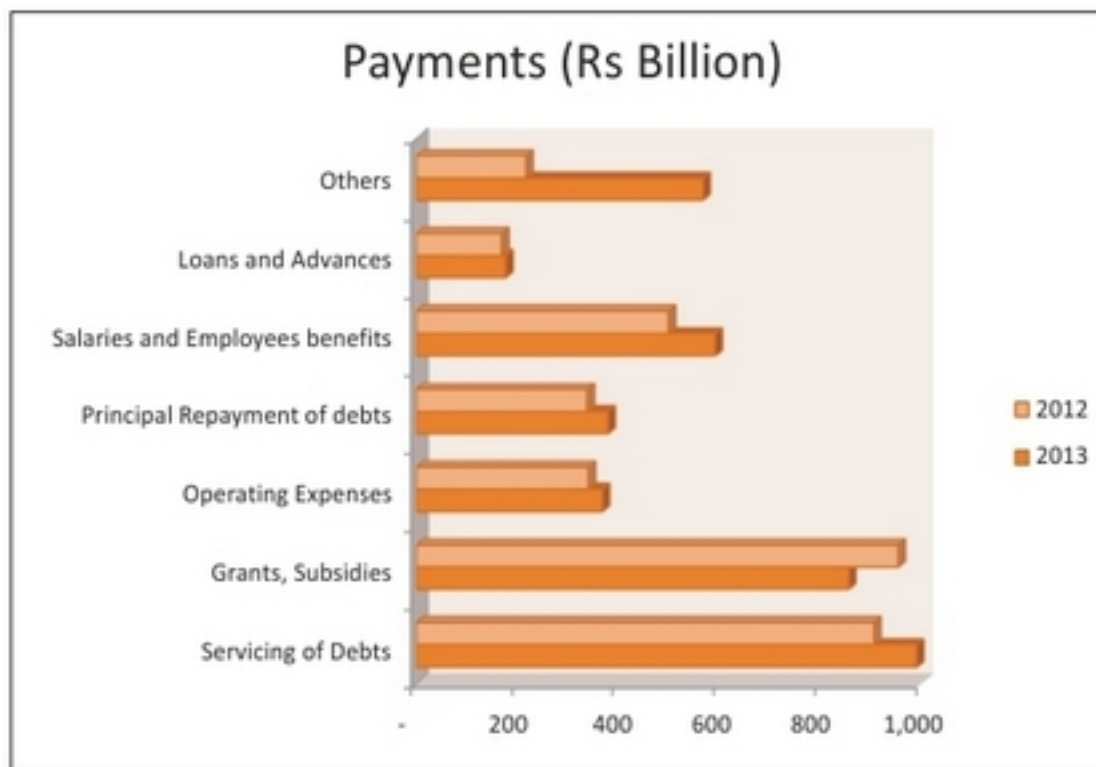
PAYMENTS

The Federal Government's plan of better fiscal transparency and improving expenditure management is still at the forefront of policy despite the impediments faced by the country during this fiscal year. Total payments made from Federal Consolidated Fund during the current year increased by Rs. 506,057 million (14.77%) over the previous year. Total payments made during the year amounted to Rs. 3,933,187 million as compared to Rs. 3,427,130 million last year.

The major payments include salaries and employees benefits amounting to Rs. 591,150 million, operating expenditure amounting to Rs. 369,543 million, servicing of debt Rs. 990,354 million, grants, subsidies and write-off of loans Rs. 856,216 million and principal repayment of debts amounting to Rs. 380,427 million. The Principal

Repayment of Debt consisted of repayment of domestic debt of Rs. 163,988 million and Rs. 216,439 million for repayment of foreign debt. Out of total debt servicing payments of Rs. 990,354 million, the domestic debt servicing cost was Rs. 919,740 million and foreign debt servicing cost was Rs. 70,614 million. Compared to the payments in the previous years, the major increases have been witnessed in the areas of salaries and employees benefits with 18.41%, operating expenses with 8.49%, servicing of debts with 9.35%, investments with 1,794% and loans and advances with 4.44%.

The composition of payments made has been detailed below;



Payments - Comparison of two years

THE BUDGET 2012-2013

The budget is the principal document by which the Government sets out its financial plan for each financial year, namely how much the plan will cost (i.e. expenditure) and how much and in what way, money will be raised to finance the expenditure (i.e. revenue). It consists of the following documents;

- Annual Budget Statement (article 80 of constitution)

- Schedule of Authorized Expenditure - detailed estimates of Consolidated Fund - current expenditure and detailed estimates of Consolidated Fund - development expenditure (Article 83 of the constitution)
- Finance Act - the legal instrument through which the budget becomes an act of law.

Medium-Term Budgetary Framework (MTBF)

Previously the budget process was structured to provide only annual budget. This did not permit spending agencies to formulate their programs more than a

year with uncertainty regarding the availability of resources beyond the annual budget. In order to allow these spending agencies to plan their programs

in a consistent and coherent manner, the Government has initiated the process of putting in place a Medium - Term Budgetary Framework (MTBF). MTBF assists in improving the overall quality of planning and budgetary process and also enhancing the quality and effectiveness of public expenditure. It has introduced the concept of multi-year budgeting. MTBF will enable ministries to prioritize their spending plan within the indicated envelop and will, to a great extent, reduce the uncertainties that impede effective planning.

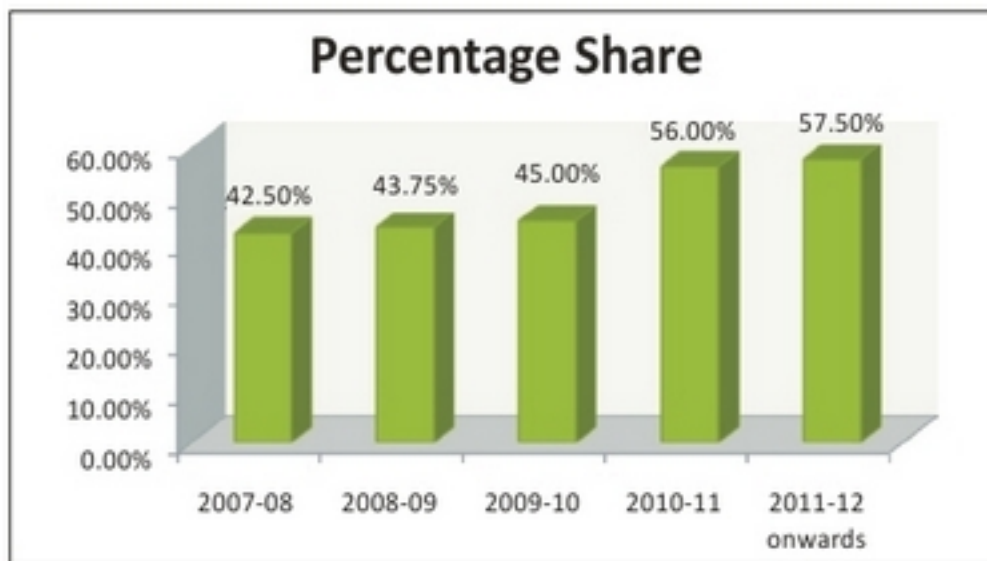
The MTBF reforms initiated in 2003 comprise two major components – the strategic or "top-down" component implemented in the Ministry of Finance and the "bottom up" component which introduces strengthened budget preparation through output based

budgeting, progressively across the Federal Ministries.

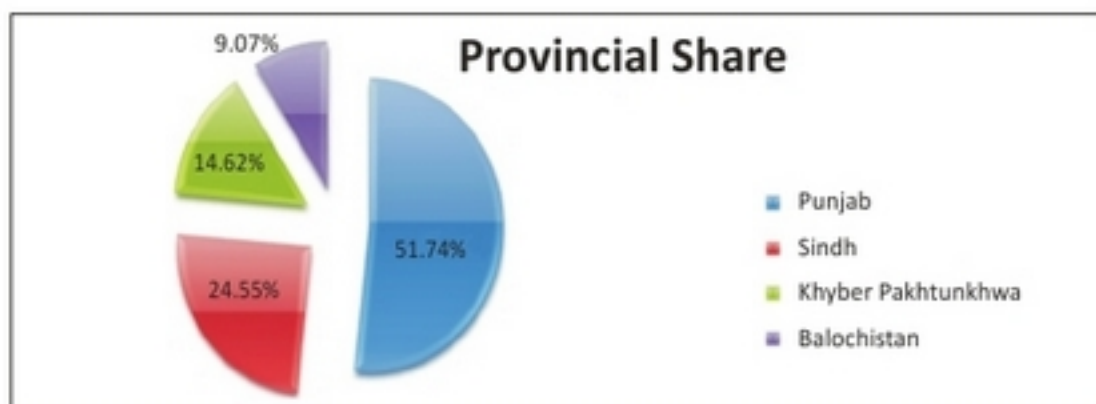
National Finance Commission (NFC) Award

According to 7th National Finance Commission Award notified through President's order No 5 of 2010 issued on 10th May 2010, provinces shall be assigned in each financial year a share equal to the percentage of the net proceeds of the following taxes and duties levied and collected by the Federal Government:

- (a) Income tax
- (b) Wealth Tax
- (c) Capital Value Tax
- (d) Taxes on Sales & Purchase of goods
- (e) Export Duty on Cotton
- (f) Custom Duties
- (g) Federal Excise Duties
- (h) Any other tax which may be levied by the Federal Government.



One percent of the net proceeds of the divisible taxes were assigned to Khyber Pakhtunkhwa to meet the expenses on war on terror. The balance was distributed amongst the provinces as per the percentage shown in the pie chart below:



Analysis of Budget - Comparison of Actual With Budget

Capital and Revenue are two major categories of receipts disclosed in the financial statements. An amount of

Rs.1,615,540 million was budgeted as revenue receipts against which actual receipts collected were Rs. 1,591,745 million. Capital receipts budgeted were Rs. 8,686,243 million and the actual receipts were of Rs. 10,064,550 million.

Budgeted Payments

The detail below depicts the allocation of original and revised budget of revenue expenditure. This entails distribution of original and revised budget on different

functions of the Government i.e. percentage of budget allocated originally and its subsequent revision in different functions.

2013 (Rupees in million)			2012 (Rupees in million)		
Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
Original	Revised		Original	Revised	

PAYMENTS

	2013 Original	2013 Revised	2013 Actual	2012 Original	2012 Revised	2012 Actual
Revenue						
General public services	2,093,616	2,326,292	2,089,438	1,843,843	2,079,793	1,976,024
Defence affairs and services	547,407	570,844	570,104	496,705	511,572	511,150
Public order and safety affairs	75,649	74,414	81,744	62,662	65,650	80,780
Economic affairs	151,903	129,330	105,628	121,034	176,204	171,227
Environment protection	871	1,795	1,859	577	599	634
Housing and community amenities	4,458	4,000	3,334	4,999	5,013	1,694
Health affairs and services	9,360	11,600	11,383	3,280	7,434	10,493
Recreation, culture and religion	6,413	6,815	6,816	4,302	5,461	6,766
Education affairs and services	65,250	69,425	70,115	54,363	61,318	57,993
Social protection	12,254	12,206	15,726	2,100	34,872	43,416
Total revenue payments	2,967,021	3,206,732	2,956,146	2,593,865	2,947,916	2,860,177
Capital						
General public services	7,597,637	8,955,740	9,083,152	6,441,522	6,305,660	6,335,773
Economic affairs	4,588	9,674	8,570	4,909	5,961	4,077
Total capital payments	7,602,225	8,965,414	9,091,722	6,446,431	6,311,621	6,339,850
TOTAL PAYMENTS	10,569,246	12,172,146	12,047,868	9,040,296	9,259,537	9,200,027

Financial System and Control

The effectiveness and credibility of government policies is critically dependent on the availability of timely and accurate financial and management information, a framework of financial and accounting principles and procedures designed according to internationally accepted standards. The Government has made significant progress in its efforts to re-engineer its economic and financial management function to include as key elements of its strategy:

- Modern accounting system designed according to internationally recognized accounting principles and standards, and based on modern information technology to ensure ready availability of relevant, Accurate and timely information required by economic managers as a decision support system.
- Implementation of the world most advanced Enterprise Resource Planning (ERP) system, SAP has been implemented at AG offices. Two modules namely Financial and Controlling (SAP-FICO) and Human Resources (SAP-HR) are currently in use. This system has contributed a lot in the preparation of financial statements. Additionally, procedures of Payroll and General Provident Fund have become more effective. Burden on the employees has been reduced and

effectiveness ensured. Due to its advanced functionalities, tracking of each and every case of GP fund or payroll has become very easy and full information can be retrieved even after a number of years.

- Increasing professionalization of the elements of its civil services which deal with financial and economic management, requiring key competencies in staff training and appropriate human resource management policies emphasizing performance, experience and knowledge; and,
- Increasing partnership between the private and public sectors in their respective areas of comparative advantage.

The Government has implemented *New Accounting Model (NAM)* to improve expenditure management and fiscal transparency. NAM was approved subject to its implementation which is in process. Keeping in view the massive scale and complexity of government accounting significant progress has taken place. However, at present memorandum registers for assets and commitments do not exist and accounting of liabilities is still in the process of completion.

The CGA has circulated the Principles for Internal Financial Control (PIFC) to Ministry of Finance and the Provincial Finance department as required under section 5(d) of the Controller General of Accounts Ordinance, 2001. These principles have been based on the Committee of Sponsoring Organizations (COSO) Framework that confirms to best practices of internal controls standards.

These PIFC principles are discussed in twenty high levels internal financial controls governed by five major components namely control environment, risk assessment, control activities, information and communications and monitoring.

These concepts define the minimum level of quality acceptable for internal control in Government and provide the basis against which internal controls are to be evaluated.

These concepts apply to all aspects of an organization's operations. However, they do not intend to limit or interfere with duly granted authority related to developing legislation, rule making, or other discretionary policy making in an

organization and focuses on ensuring reliability of financial information being generated, safeguarding of assets as well as compliance with laws and regulations affecting financial reporting, disbursements and financial control.

The role of Principal Accounting Officers (PAO) and Chief Finance and Account Officers (CFAO's) is to establish a control mechanism to exercise oversight responsibility relating to financial management including financial control and reporting and as an effective member of the audit committee established by the management.

Legal Compliance

All Federal Ministries, Self Accounting Entities and Government Departments are required to comply with a wide range of laws and regulations, including budgetary appropriations, employment, health and safety and others. The responsibility of compliance primarily rests with the Principal Accounting Officers and its compliance with relevant laws is conducted by the Auditor- Generals Office as part of its financial statement audit.



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

Auditor's Report

I have audited the accompanying financial statements of the Federal Government, which comprise the statements 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, actual expenditure by division and statement of appropriation of grants by object 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 Terms & 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 assessment, 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 my opinion:

- (a) These financial statements properly present, in all material respects, the financial position of the federal government as at 30 June, 2013 and the results of its operations, its cash flow and its expenditures and receipts, by appropriation for the year then ended in accordance with the stated accounting policies of the Government of Pakistan.
- (b) The sums expended have been applied, in all material respects, for the purposes authorized by the Parliament and have, in all material respects, been booked to the relevant grants and appropriations.

Emphasis of Matter

Without qualifying my opinion, I draw your attention to Note 6.12 in 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 statements and should be disclosed separately on the face of the statement of receipts and payments of the Federal Government. The Federal Government has disclosed third party payments as NIL on the basis that neither the Federal Government has been formally advised by the third party or the recipients nor such payments have otherwise been verified.

Other Reports

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

Islamabad, Pakistan
Dated:

Auditor General of Pakistan

FEDERAL GOVERNMENT
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 Federal Government	Payments by Third Parties	Receipts / Payments Controlled by Federal Government	Payments by Third Parties
FEDERAL CONSOLIDATED FUND					
RECEIPTS					
<i>Taxation</i>					
Income tax		283,667	-	342,215	-
Sales tax		348,684	-	348,493	-
Custom duty		103,992	-	102,474	-
Federal excise		44,977	-	51,068	-
Other taxes		11,863	-	12,869	-
	7	793,183	-	857,119	-
<i>Non-Tax Revenue and Other Receipts</i>					
General administration receipts	8	7,011	-	3,558	-
	9	1,446	-	1,871	-
Defence services receipts	10	180,364	-	9,875	-
Development surcharge and royalties	11	199,029	-	107,278	-
Citizenship, nationalization, passport and copyright		16,242	-	10,962	-
Interest on loans and advances	12	26,254	-	23,449	-
Dividend and profit share	13	283,485	-	253,354	-
Others		45,692	-	48,528	-
		759,523	-	458,875	-
<i>Grants and Aid</i>					
Development grants	14	30,368	-	21,973	-
<i>Borrowings</i>					
Foreign debt	15	200,726	-	214,223	-
Domestic permanent debt	16	653,130	-	756,978	-
Domestic floating debt-net	17	1,051,314	-	907,078	-
		1,905,170	-	1,878,279	-
<i>Capital Receipts</i>					
Privatization proceeds	18	-	-	1,300	-
Recovery of loans and advances	19	44,596	-	47,864	-
Investment recovery		103	-	130	-
		44,699	-	49,294	-
<i>Trading Activities</i>					
	20	8,671	-	8,252	-
TOTAL RECEIPTS		3,541,614	-	3,273,792	-

FEDERAL GOVERNMENT
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 Federal Government	Payments by Third Parties	Receipts / Payments Controlled by Federal Government	Payments by Third Parties
PAYMENTS					
<i>Operations</i>					
Salaries and employees benefits	21	591,150	-	499,210	-
Operating expenses		369,543	-	340,606	-
		960,693	-	839,816	-
<i>Transfers</i>					
Grants, subsidies and write-off of loans		856,216	-	953,656	-
Other transfer payments		13,500	-	9,643	-
		869,716	-	963,299	-
<i>Expenditures on</i>					
Physical assets		123,724	-	132,884	-
Civil works		61,346	-	52,928	-
Others		4,283	-	4,307	-
		189,353	-	190,119	-
<i>Debt and Interest Payments</i>					
Principal repayments of debts	22	380,427	-	338,619	-
Servicing of debts	23	990,354	-	905,680	-
		1,370,781	-	1,244,299	-
<i>Other Payments</i>					
Loans and advances	24	177,897	-	170,338	-
Investments	25	364,747	-	19,259	-
		542,644	-	189,597	-
TOTAL PAYMENTS		3,933,187	-	3,427,130	-
NET PAYMENT OF FEDERAL CONSOLIDATED FUND		(391,573)	-	(153,338)	-
NET RECEIPT OF PUBLIC ACCOUNT	26	371,787	-	137,476	-
INCREASE / (DECREASE) IN CASH		(19,786)	-	(15,862)	-
CASH AT THE BEGINNING OF THE YEAR		124,149	N/A*	140,011	N/A*
INCREASE / (DECREASE) IN CASH		(19,786)	N/A*	(15,862)	N/A*
CASH AT THE END OF THE YEAR	27	104,363	N/A*	124,149	N/A*

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

N / A* - Not Applicable

Accountant General Pakistan Revenues

FEDERAL GOVERNMENT
Statement of Cash Flows
For the Year Ended 30 June 2013

	Note	2013 Rupees in million	2012 Rupees in million
CASH FLOWS FROM OPERATING ACTIVITIES			
Tax receipts	7	793,183	857,119
Non-tax revenue & other receipts		759,523	458,875
Development grants	14	30,368	21,973
Trading activities	20	8,671	8,252
Operations payments		(960,693)	(839,816)
Servicing of debt	23	(990,354)	(905,680)
Transfers		(869,716)	(963,299)
<i>Cash used in Operating Activities</i>		(1,229,019)	(1,362,576)
CASH FLOWS FROM INVESTING ACTIVITIES			
Privatization proceeds	18	-	1,300
Recoveries of loans and advances	19	44,596	47,864
Investments recoveries		103	130
Expenditure on physical assets, civil works & others		(189,353)	(190,119)
Investments	25	(364,747)	(19,259)
Payments of loans and advances	24	(177,897)	(170,338)
<i>Cash used in Investing Activities</i>		(687,298)	(330,422)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of domestic permanent debt	16	653,130	756,978
Receipt of foreign debt	15	200,726	214,223
Domestic floating debt-net	17	1,051,314	907,078
Principal repayments of debt	22	(380,427)	(338,619)
Net receipt of public account	26	371,787	137,476
<i>Cash from Financing Activities</i>		1,896,530	1,677,136
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(19,786)	(15,862)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		124,149	140,011
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	27	<u>104,363</u>	<u>124,149</u>

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

Accountant General Pakistan Revenues

FEDERAL GOVERNMENT
Statement of Comparison of Budgeted and Actual Amounts by Function
For the Year Ended 30 June 2013

	Note	2013 (Rupees in million)			2012 (Rupees in million)		
		Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
		Original	Revised		Original	Revised	
RECEIPTS							
Revenue							
Taxation		1,011,943	872,195	793,183	822,308	827,278	857,119
Non-taxation		765,966	743,345	798,562	796,523	500,859	489,100
Total revenue receipts		1,777,909	1,615,540	1,591,745	1,578,831	1,328,137	1,346,219
Capital							
Domestic debt		7,607,699	8,409,260	9,819,125	6,448,145	6,437,227	7,436,993
Foreign debt		274,858	214,461	200,726	287,236	180,523	214,223
Privatisation proceeds		-	-	-	-	-	1,300
Recoveries of loans and advances		54,058	62,522	44,596	51,610	56,993	47,864
Others		-	-	103	-	-	130
Total capital receipts	29	7,936,615	8,686,243	10,064,550	6,736,991	6,674,743	7,700,479
TOTAL RECEIPTS		9,714,524	10,301,783	11,656,295	8,315,822	8,002,880	9,046,698
PAYMENTS							
Revenue							
General public services		2,093,616	2,326,292	2,089,438	1,843,643	2,079,793	1,976,024
Defence affairs and services		547,607	370,844	370,104	496,700	511,572	511,150
Public order and safety affairs		75,689	74,414	81,744	62,662	65,650	86,780
Economic affairs		151,903	129,330	105,628	821,034	176,204	171,227
Environment protection		871	1,795	1,859	577	599	634
Housing and community amenities		4,458	4,010	3,334	4,999	5,813	1,694
Health affairs and services		9,160	11,601	11,383	3,280	7,434	10,493
Recreation, culture and religion		6,413	6,815	6,816	4,302	5,461	6,766
Education affairs and services		65,250	69,425	70,115	54,363	61,318	37,993
Social protection		12,254	12,206	15,726	2,100	34,872	43,416
Total revenue payments		2,947,023	3,296,732	2,956,346	2,993,895	2,947,916	2,966,177
Capital							
General public services		7,597,637	8,955,140	9,083,152	6,441,522	6,305,660	6,333,773
Economic affairs		4,588	9,574	8,570	4,909	5,861	4,077
Total capital payments		7,602,225	8,964,714	9,091,722	6,446,431	6,311,521	6,337,850
TOTAL PAYMENTS	29	10,549,248	12,172,546	12,047,868	9,440,296	9,259,437	9,200,027

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

Accountant General Pakistan Revenues

FEDERAL GOVERNMENT
Statement of Comparison of Budgeted and Actual Expenditure by Division
For the Year Ended 30 June 2013

DIVISIONS	Note	2013 (Rupees in million)			2012 (Rupees in million)		
		Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
		Original	Revised		Original	Revised	
Cabinet Secretariat		167,037	191,054	172,027	133,357	171,810	184,614
Capital Administration and Development Division		9,738	9,908	12,718	4,448	7,960	10,883
Climate Change Division		444	1,368	3,419	-	22	339
Commerce Division		5,704	5,545	5,122	5,288	4,659	4,871
Communications Division		5,553	5,554	5,801	5,087	5,704	7,718
Defence Division		11,642	11,626	11,169	10,679	11,602	15,071
Defence Production Division		2,554	1,130	278	1,986	1,972	1,486
Defence Services		543,823	568,617	568,744	493,745	508,221	508,291
Economic Affairs Division		458,199	466,244	408,647	428,678	337,299	308,836
Establishment Division		3,362	3,412	3,356	3,646	2,870	2,995
Finance Division		9,024,884	10,597,540	10,545,926	7,658,458	7,914,407	7,880,763
Foreign Affairs Division		12,961	13,011	13,997	12,384	12,427	12,047
Higher Education Commission		32,778	36,278	36,278	26,887	31,500	28,889
Housing and Works Division		5,348	10,430	9,342	4,408	5,662	5,456
Human Resource Development Division		304	304	306	-	224	260
Human Rights Division		367	367	247	111	276	241
Industries Division		1,494	1,500	1,147	2,778	1,606	1,611
Information and Broadcasting Division		5,610	5,987	6,240	4,232	4,994	6,304
Information Technology & Telecommunication Division		3,436	3,423	3,489	3,332	3,310	3,167
Inter Provincial Coordination Division		1,412	4,643	3,467	336	1,662	3,804
Interior Division		44,037	62,019	69,559	95,007	97,622	72,181
Kashmir Affairs & Gilgit Baltistan Division		9,301	9,294	8,605	31,535	12,370	11,686
Law and Justice Division		3,942	4,244	3,804	-	-	-
Law, Justice and Parliamentary Affairs Division		-	-	-	3,453	3,870	2,766
Narcotics Control Division		1,535	1,522	1,697	1,387	1,258	1,615
National Assembly		2,074	2,074	1,702	1,803	1,803	1,740
National Food Security and Research Division		3,046	3,572	3,470	-	1,480	1,344
National Harmony Division		209	183	90	-	84	72
National Heritage and Integration Division		850	870	750	-	285	422
National Regulations and Services Division		439	788	761	-	22	23
Overseas Pakistanis Division		604	652	604	491	512	493
Pakistan Railways Division		16,596	14,426	12,987	12,500	10,948	8,870
Parliamentary Affairs Division		246	246	145	-	-	-
Petroleum and Natural Resources Division		946	1,164	905	703	868	853
Planning & Development Division		38,927	1,617	2,153	32,482	32,954	3,582
Ports and Shipping Division		862	862	561	1,239	1,266	614
Postal Services Division		13,062	13,159	13,976	10,987	10,984	12,657
Privatization Division		109	115	131	75	121	111
Production Division		684	827	543	-	1,111	368
Professional and Technical Training Research Division		3,948	3,992	4,483	-	3,846	3,019
Religious Affairs Division		636	667	721	529	595	611
Revenue Division		15,557	15,049	16,412	14,105	12,630	15,063
Scientific and Technological Research Division		5,404	5,671	5,698	4,834	5,410	5,411
States and Frontier Regions Division		34,141	33,913	35,553	26,471	27,106	31,760
Statistics Division		1,482	1,473	1,530	1,287	1,985	1,610
Textile Industry Division		333	333	300	275	292	297
The Serais		1,207	1,207	1,179	1,041	1,041	1,016
Water and Power Division		45,620	43,743	36,626	34,497	34,625	27,325
Audit		2,796	2,796	2,921	2,300	2,300	2,452

FEDERAL GOVERNMENT
Statement of Comparison of Budgeted and Actual Expenditure by Division
For the Year Ended 30 June 2013

DIVISIONS	Note	2013 (Rupees in million)			2012 (Rupees in million)		
		Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
		Original	Revised		Original	Revised	
Election Commission		1,572	4,718	5,811	1,390	1,890	2,480
Federal Tax Ombudsman		100	106	109	90	90	89
Islamabad High Court		355	355	317	-	-	-
Staff Household and Allowances of the President		417	799	905	483	483	649
Supreme Court		1,038	1,038	979	1,199	1,229	1,042
Wajuh Mehtash		300	391	371	271	270	260
TOTAL PAYMENTS	29	10,569,346	12,072,146	12,047,868	9,040,296	9,259,537	9,200,027

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

Accountant General Pakistan Revenues

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FEDERAL GOVERNMENT

Notes to the Financial Statements

For the Year Ended 30 June 2013

1. REPORTING ENTITY

Federal Government – Islamic Republic of Pakistan (“the Government”) conducts its operations under the Rules of Business 1973. These rules were made pursuant to Article 90 and 99 of the Constitution of the Islamic Republic of Pakistan, 1973 (“the Constitution”) and envisages Federal Government as comprising of ministries, divisions and attached departments. Financial procedures of the Constitution describes the Government as Federal Fund and Public Account for which Annual Budget Statement is authorized by the Parliament 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 federation 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 Federal Government as an accounting and reporting entity comprising of;

- a) Centralized Accounting Entities; for which the Accountant General Pakistan Revenues 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. Defence Services
 - 2. Pakistan Post Office Department
 - 3. Foreign Office
 - 4. Pakistan Public Works Department
 - 5. Central Directorate of National Savings
 - 6. Pakistan Mint
 - 7. Geological Survey of Pakistan
 - 8. Pakistan Railways
- 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 included in the financial statements of the Federal Government. New investments by the Federal Government in such entities are capitalized and any grants to the entities are classified as an expense of the Federal Government 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.

These financial statements include all centralized and self accounting entities except for Pakistan Railways. Financial statements of Pakistan Railways are prepared on a basis other than cash and are separately presented.

FEDERAL GOVERNMENT

Notes to the Financial Statements

For the Year Ended 30 June 2013

2. 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. However commitment, asset and liability accounting practices have not yet been implemented and memorandum registers for assets and commitments do not exist and accounting of liabilities is not done in accordance with NAM.

3. 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. The statement of receipts and payments, statement of cash flows, statements of comparison of budget and actual amounts by function, statements of comparison of budget and actual expenditure by division and notes forming parts thereof have been prepared on the format of Cash Basis IPSAS - Financial Reporting under the Cash Basis of Accounting. The statement of cash flows as required by IPSAS 2 - Cash Flow Statements has also been presented, as encouraged by Cash Basis IPSAS.

The Financial Statements for the financial year 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 year.

4. REPORTING AND BUDGET PERIOD

The reporting and budget period of these financial statements is the financial year 2012-13 (from 1 July, 2012 to 30 June, 2013).

5. REPORTING CURRENCY

The reporting currency of these financial statements is Pakistani Rupee.

6. SIGNIFICANT ACCOUNTING POLICIES

6.1. 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.

FEDERAL GOVERNMENT

Notes to the Financial Statements

For the Year Ended 30 June 2013

6.2. 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

Direct payments into bank account, expenditure is recognized on the date the payment is made by the bank.

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

Repayment of loans and other direct payments by the SBP, expenditure is recognized on the date State Bank of Pakistan advises the relevant accounting office.

e) Imprest payments

Expenditure is recognized when the required claim vouchers are submitted and imprest account is reimbursed.

6.3. Foreign currency transactions

Cash receipts and payments arising from transactions in foreign currencies are recorded in Pak Rupee by applying to the foreign currency amount the exchange rate between the Pak Rupee and the foreign currency at the date of the receipts and payments.

6.4. Employee benefits

The government has following plans for its employees:

a) General Provident Fund

An employee is 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.

FEDERAL GOVERNMENT

Notes to the Financial Statements

For the Year Ended 30 June 2013

b) Pension

It is 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.

6.5. Investments

Investments 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 Federal Consolidated Fund.

6.6. Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash with State Bank of Pakistan and federal treasuries.

6.7. Reporting on net basis

Floating debt includes treasury bills auctioned by the government in which the turnover is quick, the amounts are large and maturities are short. These have been reported on a net basis in compliance with IPSAS Cash Basis. A reconciliation of gross and net amounts is presented in note 29 to the financial statements.

6.8. Liability

Liabilities are future sacrifices of economic benefits that the government is presently obliged to make as a result of the past transaction. All liabilities are recorded at historical cash value.

6.9. 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.

6.10. 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.

FEDERAL GOVERNMENT
Notes to the Financial Statements
For the Year Ended 30 June 2013

6.11. Loans and advances

Loans and advances include loans and advances due from provincial governments, autonomous bodies, financial and non-financial institutions, government servants for housing building and purchase of conveyances and other loans. Loans to government servants are interest bearing and interest are calculated in accordance with the General Financial Rules.

6.12. Payments by third parties

The Federal 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 aids. The payments made by the third parties do not constitute cash receipts or payments controlled by the Federal Government as defined in the Cash Basis IPSAS - Financial Reporting under the Cash Basis of Accounting, but do benefit the Federal Government, as the Federal 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.

FEDERAL GOVERNMENT
Notes to the Financial Statements
For the Year Ended 30 June 2013

7. TAXATION

	Note	2013(Rupees in million)			2012 (Rupees in million)		
		Tax Collected	Transfers	Net Tax Collected	Tax Collected	Transfers	Net Tax Collected
Income tax	7.1	712,430	(428,763)	283,667	711,016	(368,801)	342,215
Sales tax	7.2	842,530	(493,846)	348,684	804,860	(456,367)	348,493
Customs	7.3	239,459	(135,467)	103,992	216,915	(114,441)	102,474
Federal excise	7.4	120,964	(75,987)	44,977	122,506	(71,438)	51,068
Others	7.5	11,994	(131)	11,863	12,929	(60)	12,869
		1,927,377	(1,134,194)	793,183	1,868,226	(1,011,107)	857,119

7.1. The Federal levy on income (Income Tax), with effect from July 01, 2002, is governed by the Income Tax Ordinance, 2001 and Income Tax Rules, 2002. It is an annual charge on the taxable income for a tax year, if it exceeds the maximum amount that is not chargeable to tax. Tax rates and method of calculating taxable income varies with fiscal status of the tax payer. The broad categories of taxpayers include companies, non salaried individuals, association of persons, Hindu undivided families and salaried individuals.

7.2. Sales Tax is a tax on consumption, levied on manufacturers and retailers as well as on the importers, wholesalers, distributors, dealers and specified services ranging from @ 17% to 22%. However, all the exports and other goods/ items mentioned in the fifth schedule to Sales Tax Act, 1990 or in a notification issued under section 4 of the Act are chargeable to tax @ 0%.

7.3. Goods imported into Pakistan are liable to custom duties at the rates specified in the first schedule to the Customs Act, 1969 (IV of 1969).

7.4. The federal excise duty is leviable under the Federal Excise Act, 2005 on exercisable goods produced or manufactured in Pakistan or imported into Pakistan or such goods as the Federal Government may, by notification in the official Gazette, specify, as are produced or manufactured in the non-tariff areas and are brought to the tariff areas for sale or consumption therein; and services, provided or rendered in Pakistan.

7.5. TAXATION OTHERS

Direct Taxes

Capital Value Tax		
Land Revenue		
Tax on Profession, Trade and Callings		
Other Direct Taxes		

Indirect Taxes

Receipts Under Motor Vehicles Act		
Stamp Duties		
Provincial Excise		
Others Indirect Taxes		

Note	2013 Rupees in million	2012 Rupees in million
------	------------------------------	------------------------------

	426	73
	299	192
	32	8
	8,688	9,051
	9,445	9,324
	1,310	1,375
	442	648
	144	136
	22	1,386
	2,418	3,545
	11,863	12,869

8. GENERAL ADMINISTRATION RECEIPTS

Fiscal Administration	2,889	205
Social Services	1,331	1,103
Community Services	1,204	731
Law and Order	841	676
Economic Regulations	645	753
Organs of State	84	87
Statistics	17	3
	7,011	3,558

FEDERAL GOVERNMENT
Notes to the Financial Statements
For the Year Ended 30 June 2013

	Note	2013 Rupees in million	2012 Rupees in million
9. ECONOMIC SERVICES RECEIPTS			
Receipts under Oilfields and Mineral Development Act		461	547
Fisheries and Animal Husbandry		260	224
Food and Agriculture		229	174
Forest and Irrigation		11	2
Special Communication Organization Receipts		-	924
Others		485	-
		<u>1,446</u>	<u>1,871</u>
10. DEFENCE SERVICES RECEIPTS			
Administrative Services		173,421	696
Military Engineering Services		1,398	1,614
Air Force		980	1,399
Purchase and Sale of Stores, Equipment and Animals		301	2,566
Pakistan Navy		672	882
Procurement, Research & Product Development		646	301
Receipts on certain measures of Inter-Services Nature		630	698
Military Farms		427	194
General Headquarters		-	1
Defence Services Others		339	1,524
		<u>180,364</u>	<u>9,875</u>

10.1. Defence services receipts mainly represent receipts realized on account of service charges in accordance with the protocol agreements, dues from civil agencies, sale & auction of obsolete stores, charges realized on account of use of army aviation facilities and leave salary etc. of armed forces personnel on deputation abroad.

	Note	2013 Rupees in million	2012 Rupees in million
11. DEVELOPMENT SURCHARGE AND ROYALTIES			
Petroleum Development Levy	11.1	109,666	60,371
Development Surcharge on Gas	11.2	30,422	19,224
Royalty on Crude Oil	11.3	28,246	23,275
Royalty on Natural Gas	11.3	36,395	39,530
Discount Retained on Local Crude Price	11.4	15,479	20,027
Gas Infrastructure Development Cess	11.5	35,313	12,685
Petroleum Levy on LPG		10	165
Mineral Royalties		36	40
Windfall Levy on Crude Oil		23,752	10,734
		<u>279,319</u>	<u>186,051</u>
Less: Provincial Share		<u>(80,790)</u>	<u>(78,773)</u>
		<u>199,029</u>	<u>107,278</u>

11.1. Petroleum development levy is imposed through Finance Ordinance, 2001 at per liter price of various selected products notified by the Government.

11.2. 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.

11.3. 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.

11.4. Discount retained on local crude price is received from oil exploration companies selling petroleum products to refineries on the basis of prices prevailing at international markets. The profit margin available between sale price and cost of production is shared by exploration companies and Federal Government.

FEDERAL GOVERNMENT
Notes to the Financial Statements
For the Year Ended 30 June 2013

11.5. Gas Infrastructure Development Cess was levied vide "Gas Infrastructure Development Cess Act, 2011". The cess is chargeable from gas consumers, other than domestic sector consumers of the company aver and above the fixed sale price. The Cess shall be utilized for or in connection with Infrastructure Development of Iran Pakistan Pipeline Project, TAPI Pipeline Project, LNG or other projects or for equalization of other imported alternative fuel including LPG.

	Note	2013 Rupees in million	2012 Rupees in million
12. INTEREST ON LOANS AND ADVANCES			
Provinces		14,831	12,875
Loans and Advances - Others		6,355	6,181
Financial Institutions		2,615	3,101
Non-Financial Institutions		2,378	1,220
Interest on Loans and Advances to Govt. Servants		66	60
District Governments		9	12
		<u>26,254</u>	<u>23,449</u>

13. DIVIDEND AND PROFIT SHARE			
Dividends Receipts	13.1	63,485	49,354
Profit share	13.2	220,000	204,000
		<u>283,485</u>	<u>253,354</u>

13.1. Dividends Receipts

Financial Institution

Pakistan Re-Insurance Corporation	337	404
Pak Oman Investment Company	123	108
Habib Bank Ltd	85	-
Allied Bank Ltd	78	-
National Bank of Pakistan	38	-
National Investment Trust	33	23
Pak Brunei Investment Company	-	100
Others	59	12
	<u>753</u>	<u>647</u>

Non-Financial Institution

Oil and Gas Development Corporation	26,602	22,572
Govt Holding Pvt LTD	16,778	13,000
Pakistan Petroleum Ltd	11,909	6,358
Pak Arab Refinery	2,400	2,400
Saindak Metal (Pvt) Limited	2,000	2,000
Sui Southern Gas Company Ltd	1,054	1,115
National Insurance Corporation	330	-
Sui Northern Gas Pipe Lines Ltd	457	174
Pakistan Security Printing Corporation	400	360
Fauji Fertilizer Co Limited	98	91
Pakistan State Oil Company Ltd	-	592
Others	154	45
	<u>62,732</u>	<u>48,707</u>
	<u>63,485</u>	<u>49,354</u>

13.2. Profit share

State Bank of Pakistan	13.2.1	220,000	204,000
		<u>220,000</u>	<u>204,000</u>

13.2.1. The share of profits from the State Bank of Pakistan represents distributable profits to the federal government against the appropriation of net profits of the bank.

FEDERAL GOVERNMENT
Notes to the Financial Statements
For the Year Ended 30 June 2013

	Note	2013 Rupees in million	2012 Rupees in million
14. DEVELOPMENT GRANTS			
Foreign Governments			
United Kingdom		18,187	2,041
United States of America		7,744	9,082
Germany		283	720
Saudi Arabia		-	172
Others		335	36
		<u>26,549</u>	<u>12,051</u>
Foreign Organisations			
International Bank for Re-construction and Development		2,055	8,496
European Union		1,430	-
International Development Association		334	86
Asian Development Bank		-	1,340
		<u>3,819</u>	<u>9,922</u>
		<u>30,368</u>	<u>21,973</u>
15. FOREIGN DEBT - RECEIPTS			
Asian Development Bank		40,291	36,582
International Development Association		43,686	47,996
Islamic Development Bank		33,424	13,471
Chinese Loan		50,659	91,208
Saudi Arabia		1,019	746
Loans from International Bank for Re-construction and Development		6,840	7,035
Yen Credit from Japan		12,288	12,892
International Fund for Agricultural Development		565	1,151
French Credit		2,139	233
Italy		3,805	-
German Export Credit		335	321
Kuwait		3,013	1,276
O.P.E.C. Special Fund Loan		901	812
Others		1,761	500
		<u>200,726</u>	<u>214,223</u>
16. DOMESTIC DEBT - RECEIPTS			
Government Securities			
Permanent Debt	16.1	653,130	756,978
Floating Debt-net	17	1,051,314	907,078
		<u>1,704,444</u>	<u>1,664,056</u>
16.1 Permanent Debt			
National Prize Bonds		155,617	162,881
Pakistan Investment Bonds		408,069	407,303
Ijara Sukuk Bond		90,036	186,791
National Savings Bonds		(592)	-
Special U.S. Dollar Bonds		-	3
		<u>653,130</u>	<u>756,978</u>

FEDERAL GOVERNMENT
Notes to the Financial Statements
For the Year Ended 30 June 2013

	Note	2013 Rupees in million	2012 Rupees in million
17. DOMESTIC FLOATING DEBT-NET			
Floating Debt Receipts			
6 Months Market Treasury Bills purchased by SBP		3,882,249	3,263,503
6 Months Market Treasury Bills (Auction)		5,283,508	3,416,472
Cash Credit Accomodation		238	-
		<u>9,165,995</u>	<u>6,679,975</u>
Floating Debt Payments			
6 Months Market Treasury Bills purchased by SBP		3,330,519	2,742,853
6 Months Market Treasury Bills (Auction)		4,783,523	3,029,350
Cash Credit Accomodation		-	-
Promissory Note		639	694
		<u>8,114,681</u>	<u>5,772,897</u>
		<u>1,051,314</u>	<u>907,078</u>
18. PRIVATIZATION PROCEEDS			
Others		-	1,300
		<u>-</u>	<u>1,300</u>
19. RECOVERY OF LOANS AND ADVANCES			
Provinces		32,104	36,142
Financial Institution		6,243	5,703
Non-Financial Institution		2,246	1,679
Government Servants		2,230	1,897
Others		1,773	2,443
		<u>44,596</u>	<u>47,864</u>
20. TRADING ACTIVITIES			
Pakistan Post Office - Receipts		8,670	8,250
Sale of wheat		1	2
		<u>8,671</u>	<u>8,252</u>
21. SALARIES AND EMPLOYEES BENEFITS			
Pay and Allowances		414,733	351,057
Retirement Benefits		176,417	148,153
		<u>591,150</u>	<u>499,210</u>
22. PRINCIPAL REPAYMENTS OF DEBT			
Foreign Debt			
Asian Development Bank		71,886	63,861
Islamic Development Bank		39,552	630
International Monetary Fund		35,382	-
International Development Association		21,535	17,180
International Bank for Re-construction and Development		15,720	13,949
Saudi Arabia		7,495	9,603
Yen Credit from Japan		5,912	5,720
Chinese Loan		5,858	12,708
French Credit		3,902	3,038
German Loan		1,759	2,148
Korea		1,416	1,156
Dollar Bond N.C.C.		827	670
Italian Credit		64	52
Others		5,131	4,571
		<u>216,439</u>	<u>135,286</u>

FEDERAL GOVERNMENT
Notes to the Financial Statements
For the Year Ended 30 June 2013

	Note	2013 Rupees in million	2012 Rupees in million
Domestic Debt-Permanent			
National Prize Bonds		99,957	107,079
Pakistan Investment Bonds		47,156	68,297
Sukuk Bonds		14,396	27,848
National Savings Bonds		2,467	-
Special U.S. Dollar Bonds		9	106
Others		3	3
		<u>163,988</u>	<u>203,333</u>
		<u>380,427</u>	<u>338,619</u>
23. SERVICING OF DEBT			
Domestic Debt		919,740	837,751
Foreign Debt		70,614	67,929
		<u>990,354</u>	<u>905,680</u>
24. LOANS AND ADVANCES			
Revenue Expenditure			
		-	-
Capital Expenditure			
Non-Financial Institutions		78,904	76,488
Provincial Governments		48,015	42,666
District Governments		22,213	27,085
Government Employees	24.1	3,760	3,786
Others		25,005	20,313
		<u>177,897</u>	<u>170,338</u>
		<u>177,897</u>	<u>170,338</u>
24.1. Government Employees			
House Building Advance		2,997	3,245
Motor Car Advance		464	272
Motor Cycle Advance		293	266
Cycle Advance		6	3
		<u>3,760</u>	<u>3,786</u>
24.2. Advances to government employees are provided according to Rule 252, 253, 256, 262 and 263 of the General Financial Rules as per their entitlements.			

	Note	2013 Rupees in million	2012 Rupees in million
25. INVESTMENTS - PAYMENTS			
Pakistan Electric Power Company		332,058	-
P.I.A. Corporation		17,561	2,840
Pakistan Railways		12,987	8,870
Islamic Development Bank		730	1,127
Asian Development Bank		587	541
NIP Karachi		371	249
Pakistan Steel Mills Ltd.		160	-
Pakistan Broadcasting Corporation		143	60
Islamic Corporation for the Insurance of Investment & Export Credit		93	-
PASDEC Islamabad		42	54
Pakistan Television Corporation		5	50
Karachi Electricity Supply Company		-	3,272
E.C.O. Trade and Development Bank		-	2,196
		<u>364,747</u>	<u>19,259</u>

FEDERAL GOVERNMENT
Notes to the Financial Statements
For the Year Ended 30 June 2013

	Note	2013 Rupees in million	2012 Rupees in million
26. NET RECEIPT OF PUBLIC ACCOUNT			
Receipts			
Other Public Accounts		1,664,855	1,010,282
National Saving Schemes		1,115,143	811,389
Deposits		386,285	595,481
State Provident Fund		40,485	55,794
		<u>3,206,768</u>	<u>2,472,946</u>
Payments			
Other Public Accounts		(1,681,709)	(1,066,684)
National Saving Schemes		(760,643)	(679,428)
Deposits		(370,812)	(557,247)
State Provident Fund		(21,817)	(32,111)
		<u>(2,834,981)</u>	<u>(2,335,470)</u>
		<u>371,787</u>	<u>137,476</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 Parliament or Presidential order. The balances in the public account are carried forward at year end, to be used for the specific purpose for which they are established.

	Note	2013 Rupees in million	2012 Rupees in million
27. CASH AT BANK AND TREASURIES			
Cash with State Bank of Pakistan (SBP)		104,536	124,351
Cash Balance with Treasuries		(173)	(202)
		<u>104,363</u>	<u>124,149</u>
28. ASSETS AND LIABILITIES			
Assets			
Long Term Assets		787,148	602,078
Investments		896,655	532,011
Loans and Advances		1,460,503	1,327,202
Current Assets		113,062	66,438
Cash at Bank and Treasuries		104,363	124,149
		<u>3,361,731</u>	<u>2,651,878</u>
Liabilities and Equity			
Public Debt		11,047,958	9,523,215
Special Deposits and Trust Accounts		2,326,581	1,924,859
Deferred liabilities		107,781	91,092
Capital Receipts		265,981	265,981
Residual Equity		(10,386,570)	(9,153,269)
		<u>3,361,731</u>	<u>2,651,878</u>

28.1 These financial statements have been prepared under cash basis of accounting, the information of asset and liability have been presented which are not mandatory but encouraged disclosures as per international standards.

29. COMPARISON OF BUDGET AND 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 above.

The statements of comparison of budgeted and actual amounts by function and by division are presented on a gross basis, whereas receipts and payments of floating debt in the Statement of Cash Receipts and Payments have been netted off as explained in note 6.7 for which a reconciliation is presented below.

FEDERAL GOVERNMENT
Notes to the Financial Statements
For the Year Ended 30 June 2013

	Note	2013 Rupees in Million	2012 Rupees in Million
Receipts			
Actual receipts in Statement of Comparison of Budget and Actual Amounts by Function		11,656,295	9,046,689
Add: Floating debt-net	17	1,051,314	907,078
Less : Floating debt receipts	17	<u>(9,165,995)</u>	<u>(6,679,975)</u>
Actual receipts in Statement of Cash Receipts and Payments		<u>3,541,614</u>	<u>3,273,792</u>
Payments			
Actual payments in Statements of Comparison of Budget & Actual Amounts by Function and Actual Expenditure by Division		12,047,868	9,200,027
Less : Floating debt payments	17	<u>(8,114,681)</u>	<u>(5,772,897)</u>
Actual payments in Statement of Cash Receipts and Payments		<u>3,933,187</u>	<u>3,427,130</u>

30. AUTHORIZATION FOR ISSUE

Under section 7 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, read with Article 171 of the Constitution, the Auditor-General submits the certified financial statements of the federal government together with the audit reports on these financial statements to the President of the Islamic Republic of Pakistan who shall cause them to be laid before the National 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 Pakistan Revenues

Controller General of Accounts
CGA Complex
Sector G-5/2, Islamabad
Tel: (051) 9201322-25

Accountant General Pakistan Revenues
AGPR Complex
Sector G-8/4, Islamabad
Tel: (051) 9260372-78