



FINANCIAL STATEMENTS
of the
Federal Government
Financial Year 2009-10

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, 2010 together with the Auditors' Report thereon along with the management analysis report.

The Financial Statements of the Federal Government for the financial year 2009-10 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 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 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: 18 January, 2011



Controller General of Accounts

MANAGEMENT ANALYSIS

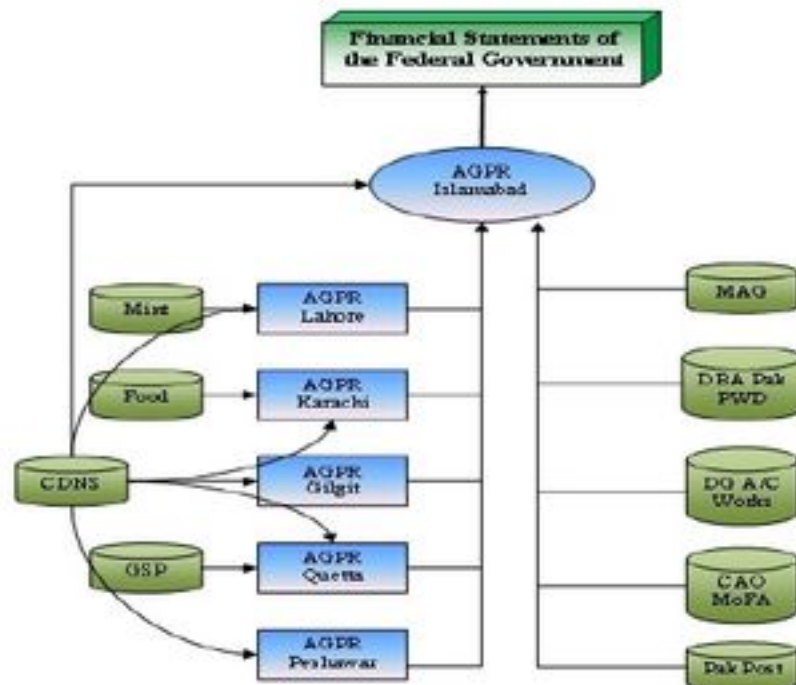
INTRODUCTION

The Financial Statements of the Federal Government provide a record of the Government's financial performance over the financial year 2009-10 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. These financial statements have been prepared as per the requirements of New Accounting Model (NAM) on cash basis of accounting.

The financial statements for the financial year 2009 - 10 have been prepared and presented in order to make a fair

presentation of all the relevant financial information without making any change in the fundamentals applied and all policies have been applied on a basis consistent with the previous year.

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 for which a snapshot of information flow for preparation of financial statements is presented below.



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 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).
6. 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 and the Federal Government's Financial Statements for the current financial year have been prepared as per the requirements of NAM. 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

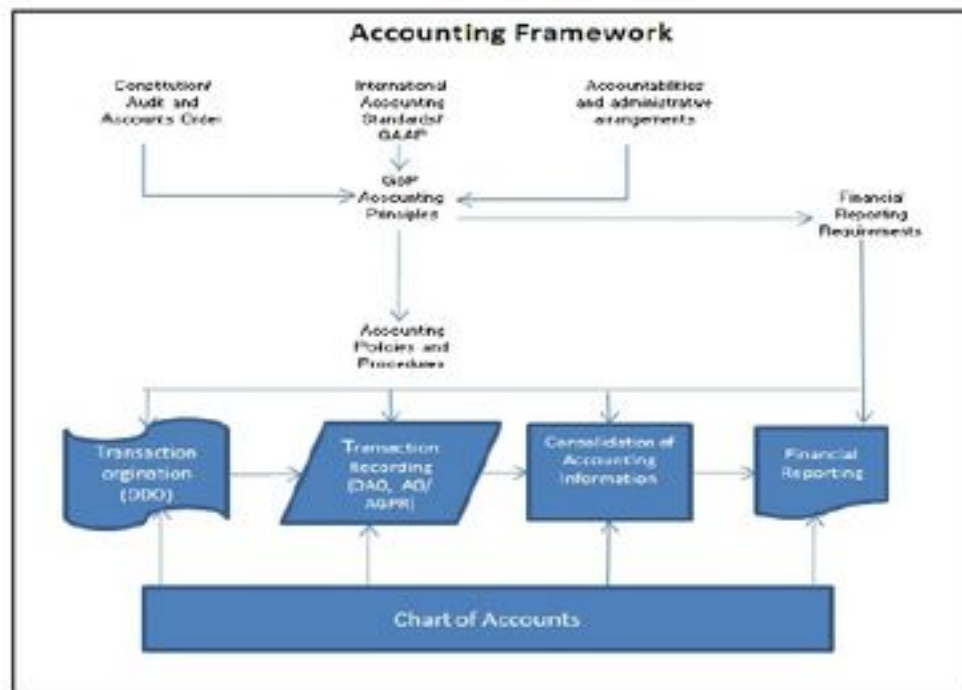
following additional concepts were introduced:

- 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 current year's Financial Statements have been prepared under NAM and adopt the format of International Public Sector Accounting Standards (IPSAS) Cash Basis - Financial Reporting under the Cash Basis of Accounting. 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.

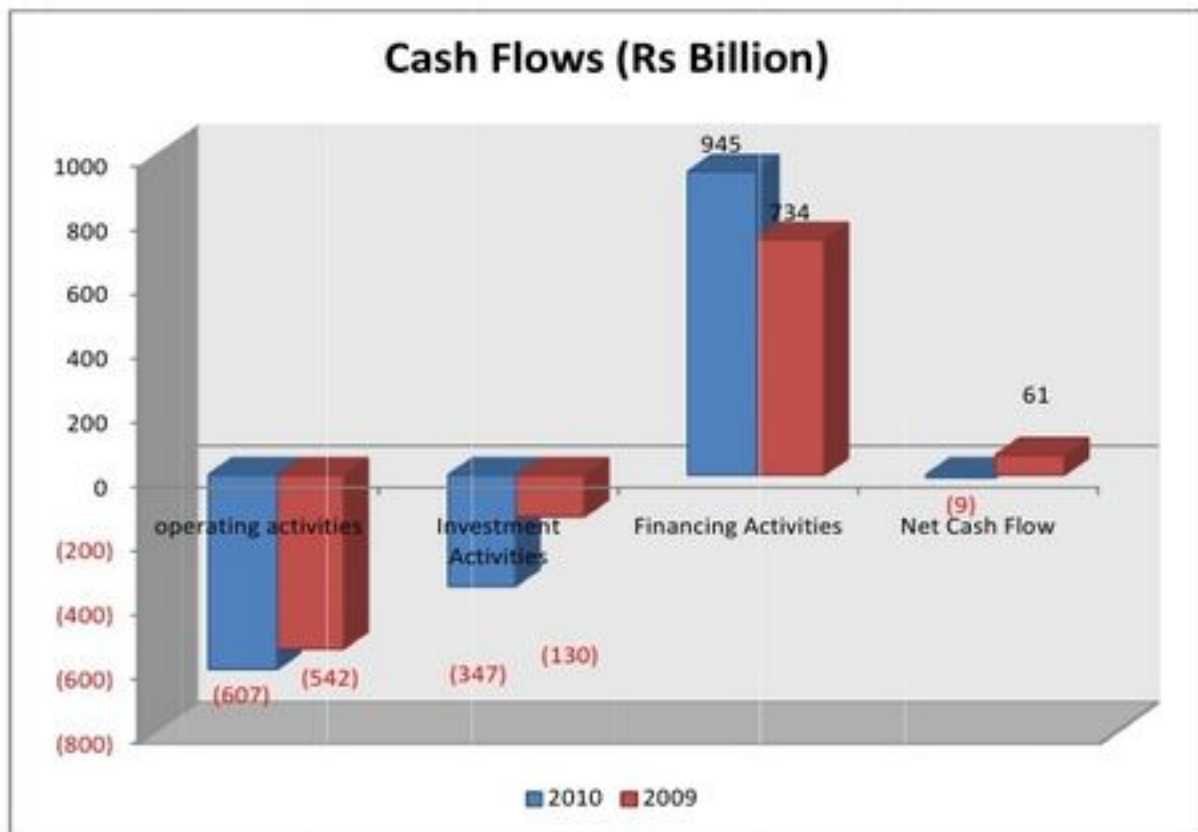
Assets and liabilities of the Federal Government are disclosed in the notes to the Financial Statements and are recorded on a historical cost basis and do not include accrued receipts and payments.

FINANCIAL REVIEW

CASH FLOWS

The net cash flows for the year have decreased by Rs. 8,728 million (2009: increase by Rs. 61,156 million), reducing the balance of cash and cash equivalents at end of the year from a balance of Rs.55,622 million last year to a balance of Rs.46,894 million. Cash used in operating

activities increased by 12% (2009: 25.15%) mainly due to increased Tax and non-tax revenue. The deficit in investing activities has increased by 166% (2009: 100%). The cash flows from financing activities have increased by 29% (2009: 88.77%).



RECEIPTS AND PAYMENTS

RECEIPTS

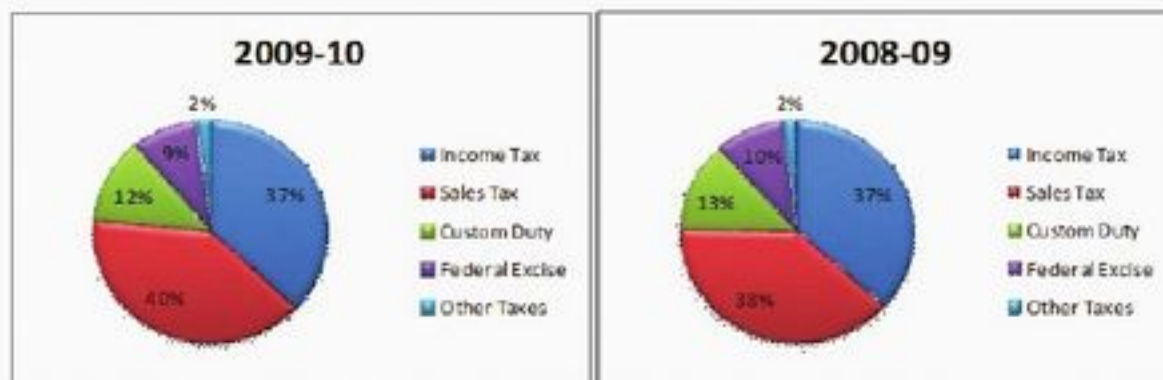
Taxation

During the year under review tax receipts were Rs. 1,312,806 million as compared to Rs. 1,145,109 million for the previous financial year, which represents an increase of 14.64%. Out of total tax collections for the financial year 2009-2010, the Federal Government has transferred Rs. 575,623 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 737,183 million against Rs.675,891 million in comparison with the previous financial year, thereby showing an increase of 9.07%.

The reason for the increase of tax receipts has been attributed by Federal Board of Revenue (FBR) to be the result of a wide-ranging tax and tariff reforms implemented by FBR under Tax Administration Reform Program (TARP). TARP was reportedly effectively implemented by widening the tax base by reducing exemptions, incentives and

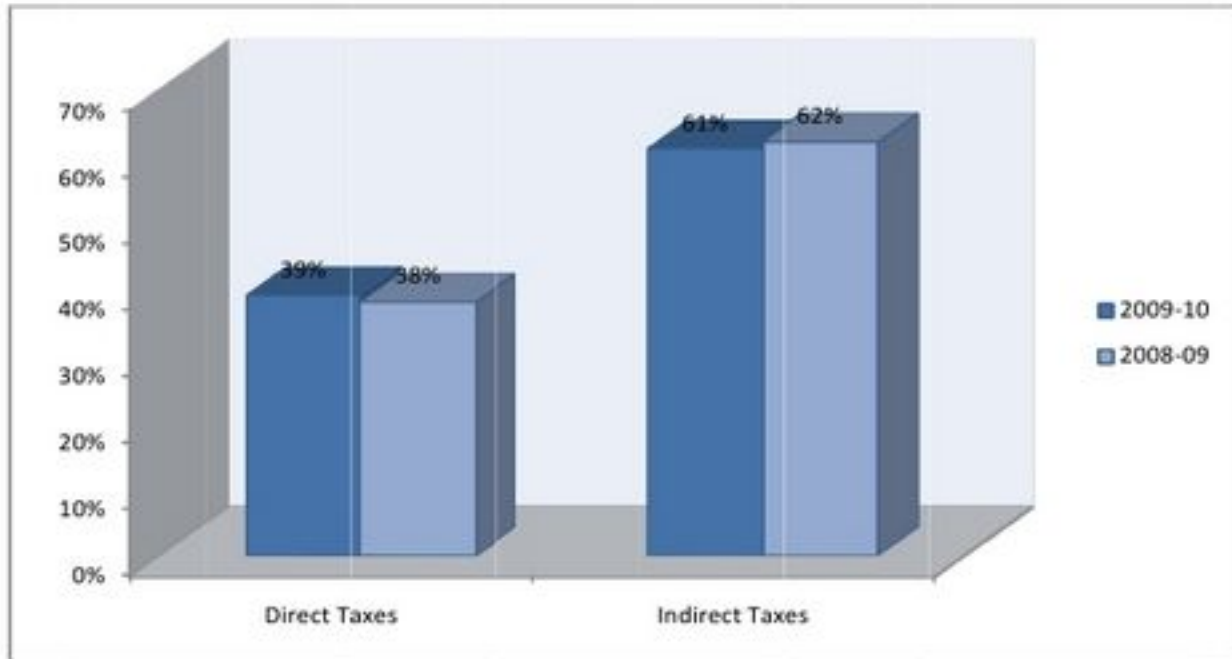
concessions, reducing multiplicity of rates, lowering tax rates, shifting the incidence of tax burden from production to consumption, moving away from the excessive reliance on manufacturing and taxing all value additions including services, enhancing the neutrality between present and future consumption, 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 remained almost the same as of previous year (2009: Direct taxes 38% & Indirect taxes 62%) out of total taxes. However, there is a slight increase of 0.84% in direct taxes and vice versa.

Although there is a nominal increase in percentage share of direct taxes still much more efforts are required to enhance the percentage share of direct taxes in total taxes.



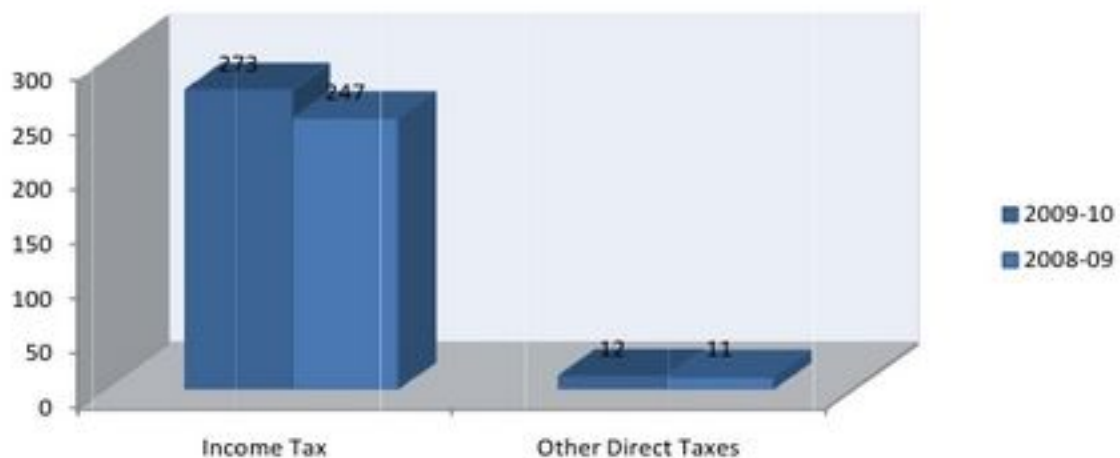
Direct Taxes

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 grown at pace of 10.22% from Rs. 258

billion in 2008 – 2009 to Rs. 284 billion in 2009 - 2010. The major change has been observed in income tax with 10.36% increase while other Direct Taxes have 95.97% of total direct taxes for the year 2009-10. Composition of direct taxes for the financial year is depicted below.

Direct Taxes (Rs Billion)

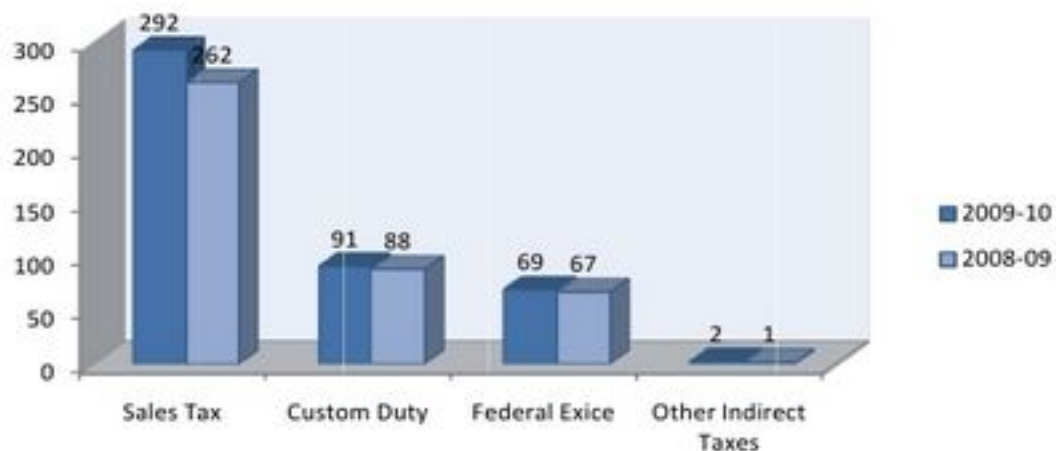


Indirect Taxes

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. 453 billion which shows an 8.37% increase from the last year. 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 64.41% of the total indirect tax collected,

customs to 20% and Federal Excise 15.27% of the total indirect taxes.

Indirect Taxes (Rs Billion)



Development Surcharge and Royalties

Items exhibiting major movements here are petroleum levy showing 16.81% decrease from previous year, development surcharge on gas showing 52.88% increase from last year, Royalty on crude oil

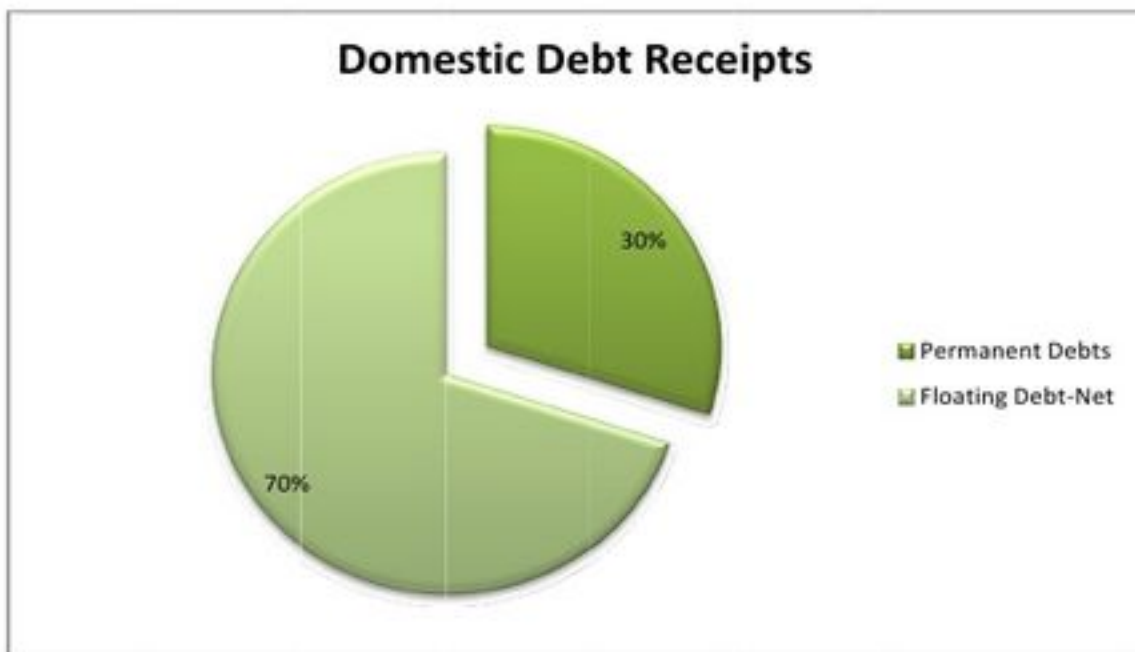
showing 39.97% decrease from previous year. The discount retained on local crude price has decreased by 51.16%.

Borrowings

1. Domestic Debt

During the year under review domestic debt receipts amounted to Rs. 706,750 million which consist of permanent debt and floating debt reported on a net basis. An increase of 49.67% 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 70% and 30% respectively this year as highlighted below;



Permanent domestic debt raised during the current financial year was Rs. 213,422 million as compared to Rs. 204,696 million in the last financial year showing an increase of 4.47%. The major sources

were sale of National Prize Bonds (Rs. 136,003 million) , Pakistan Investment Bonds (Rs. 63,000 million) and Ijara Sukuk Bond (Rs. 14,396).

2. Foreign Debt

In the year under review, the burden of foreign debt on the Federal Government has increased by Rs 151,401 million. Receipts of foreign debt recorded were Rs. 348,016 million this year as compared to Rs. 313,563 million last year which represents 10.99% increase. Amongst foreign lenders, International Monetary Fund (IMF) was the leading lender who lent Rs. 92,808 million during the year. Other major donors were Asian Development Bank (ADB) Rs. 77,883 million, International Development Association (IDA) Rs. 58,742 million and Islamic Development Bank (IDB) Rs. 58,210 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. A decrease of 10.05% in total dividend receipts was recorded in

Recovery of loans and advances

This item has witnessed normal movement in aggregate. Compared to previous year, an increase of 23.24% in recoveries from provinces and an increase of 27.84% in recoveries from non financial institutions have been recorded. As far as recoveries from provinces are concerned, figure of last year stood at Rs. 27,123 million compared to Rs. 36,128 million during this year.

comparison to the previous financial year, the current year's receipt amounted to Rs. 52,637 million. Out of total dividend income, dividend from OGDCL was Rs.21,443 million, i.e. 40.74% of total dividend income. The reason for the decrease of total dividend income as compared to last year was due to reduction in dividend receipts from major contributor i.e. OGDCL.

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.233,030 million out of which Rs. 233,000 million was from State Bank of Pakistan and Rs. 30 million from Pakistan Post Office. Profit share from State Bank of Pakistan has shown 44.57% 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.

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. 411,220 million (18.24%) over the previous year. Total payments made during the year amounted to Rs. 2,665,257 million as

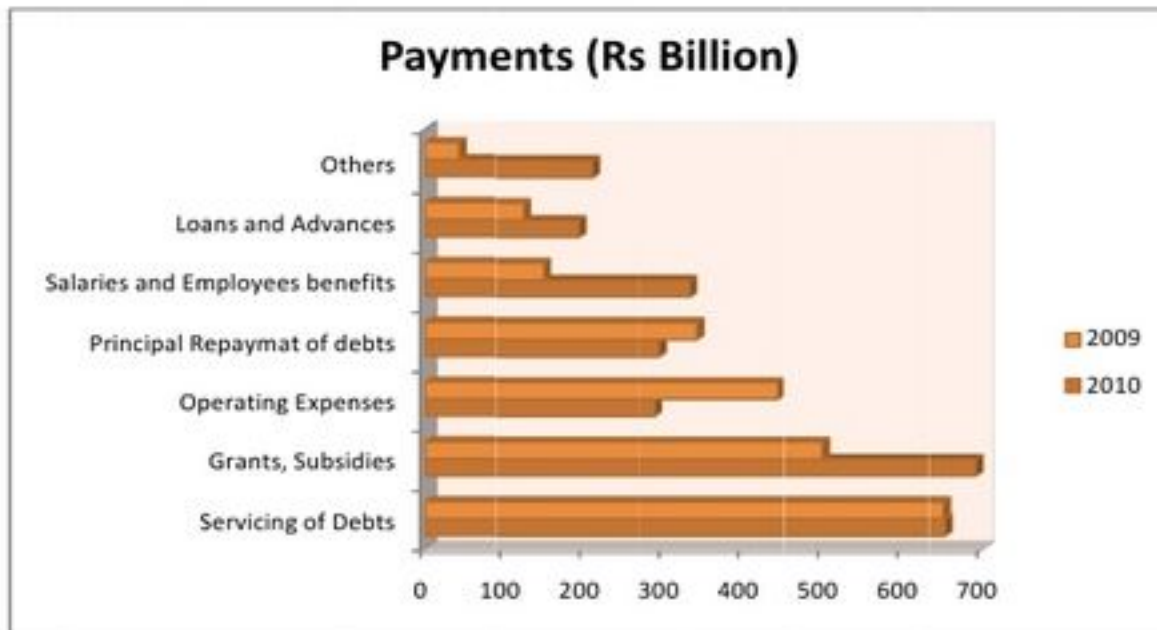
compared to Rs. 2,254,037 million last year.

The major payments include salaries and employees benefits amounting to Rs. 332,774 million, operating expenditure amounting to Rs. 288,514 million, servicing of debt Rs. 653,488 million, grants, subsidies and write-off of loans Rs. 691,500 million and principal repayment of debts amounting to Rs. 294,829 million. The Principal Repayment of Debt consisted of repayment of domestic debt of Rs. 98,214 million and Rs. 196,615 million for repayment of foreign debt. Out of total debt servicing payments of Rs. 653,488 million, the domestic debt servicing cost was Rs. 589,171 million and foreign debt servicing cost was Rs. 64,317 million. Compared to the payments in the previous years, major increases have been witnessed in the areas of salaries and employees benefits with 122% mainly due to re-classification of defence services' employees benefits from operating

expenses amounting to Rs 284,093 million, Grant subsidies and write off of loans with 38.15%, other transfer payments with 185.13%, investments with 151.91% and loans and advances with 55.57%.

Major areas of decrease noticed are operating expense with 34.92%, principal repayment of debt with 13.72%. Government has increased the pay of defence services and civil armed forces and also provided an ad-hoc relief of 15% to BPS 17-22 employees and 20% to BPS 1-16 employees resulting in the rise of salary expense. In addition to this, Government made policy to provide relief to its citizens from the impact of high fuel and food prices. Huge amounts were spent on providing subsidies on POL products, power tariffs, wheat, fertilizers and other items.

The composition of payments made has been detailed below;



Payments - Comparison of two years

THE BUDGET 2009-2010

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)

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

- 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.

introduces strengthened budget preparation through output based budgeting, progressively across the Federal Ministries.

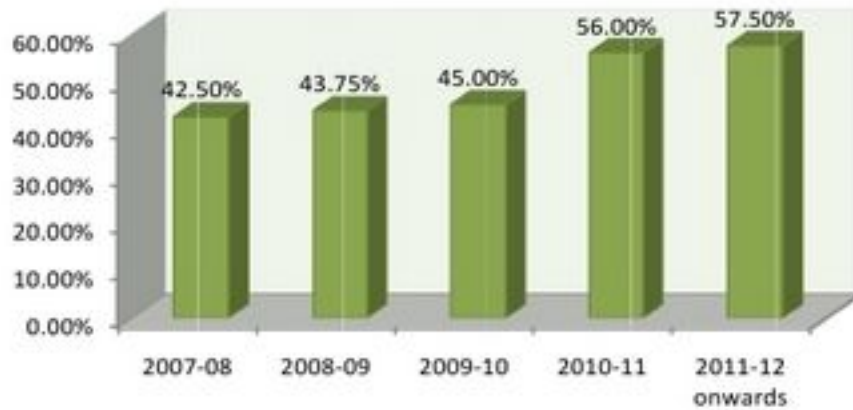
National Finance Commission (NFC) Award

According to NFC award 1997 and its amendment under the Distribution of Revenue and Grant-in-Aid Amendment Order 2006, 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) Sales tax on services (Central Excise Mode)
- (f) Export Duty on Cotton
- (g) Custom Duty
- (h) Federal Excise Duty
- (i) Any other tax which may be levied by the Federal Government.

The percentage decided to be transferred in the following years are as follows:

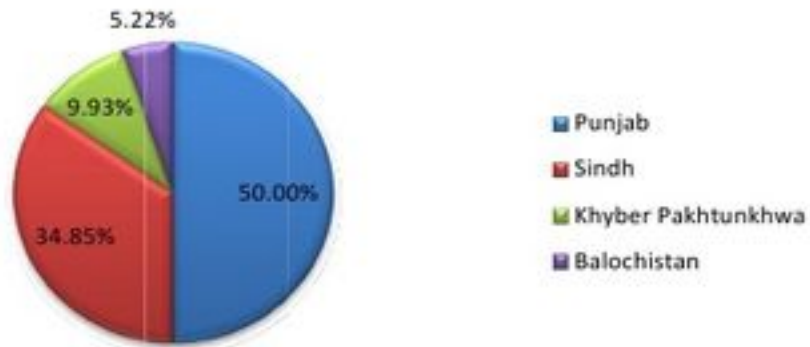
Percentage Share



Out of the sum assigned to the Provincial Governments under Article 3 an amount equal to the net proceeds of 1/6th of Sales Tax is decided to be distributed amongst the provinces at the following ratio and the

Provincial Governments shall further transfer the whole of such amount to the District Governments and Cantonment Boards without retaining any part thereof:

Provincial Share from 1 /6th of Sales Tax



The balance was distributed amongst the provinces on the basis of their respective

population in the percentage as shown in the graph below:



Grants in Aid

Grants in aid are distributed amongst the provinces according to the ratios provided below.

Punjab	11.00%
Sindh	21.00%
Khyber Pakhtunkhwa	35.00%
Balochistan	33.00 %

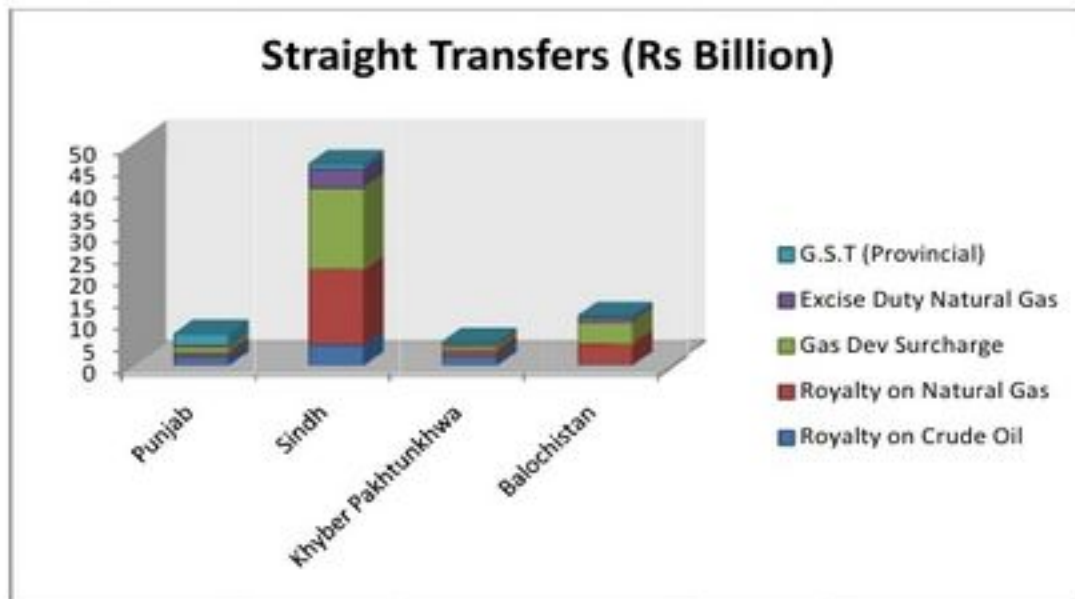
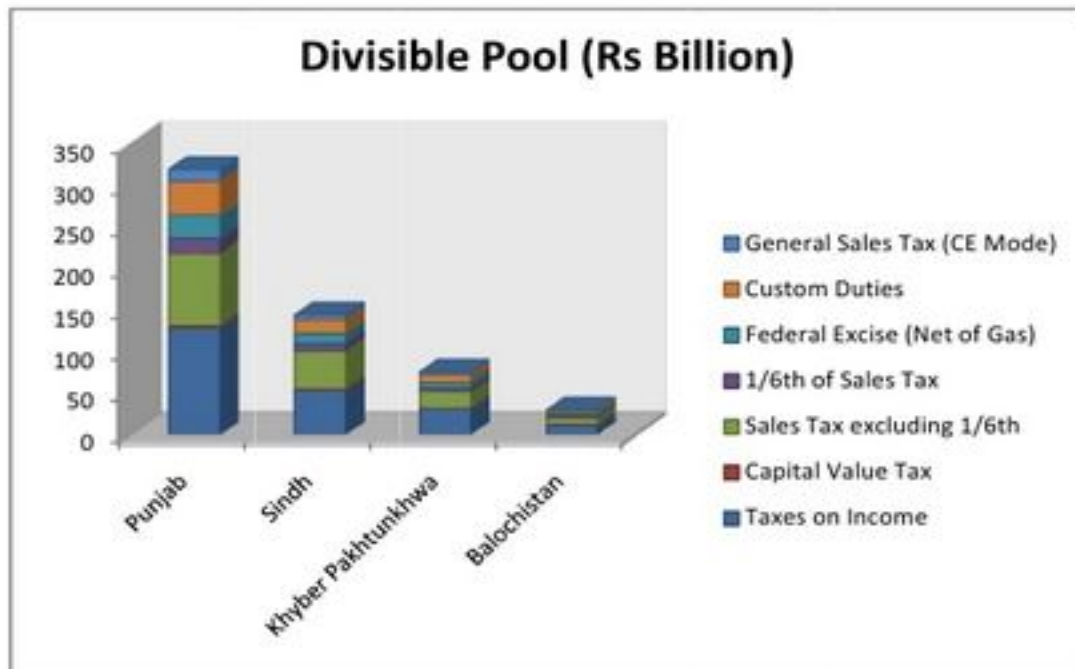
Provincial share calculation

Transfer to provinces from taxes fall under two categories

Divisible pool
Straight transfers

The figure of divisible pool is arrived at by deducting 6% in case of income tax and 5% on other components as collection charges by Federal Government. Divisible pool amounts are shared amongst Federal and all Provincial Governments according to the agreed ratios given above. The straight transfers are made to provinces after retaining 2% of collection charges.

Provincial Transfers (Actuals)



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. 1,396,667 million was budgeted as revenue receipts against which actual receipts collected were Rs. 1,380,487

million. Capital receipts budgeted were Rs. 4,341,106 million and the actual receipts were of Rs. 4,451,672 million. Revised budget showed a nominal decrease of 0.78% from the original budgeted receipts but actual receipts showed an increase of 0.86% from original budget.

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.

	2010 (Rupees in million)			2009 (Rupees in million)		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
General public services	1,490,201	1,658,164	1,432,527	989,600	1,125,117	1,111,396
Defence affairs and services	344,655	379,168	388,700	297,576	311,857	334,957
Economic affairs	186,334	164,599	158,434	326,495	220,289	199,511
Public order and safety affairs	38,928	39,562	53,170	30,171	29,461	36,375
Education affairs and services	62,452	55,656	48,830	49,243	45,383	45,393
Health affairs and services	28,155	25,468	23,940	25,040	18,761	18,453
Housing and community amenities	7,930	4,665	5,309	5,364	5,449	3,544
Recreation, culture and religion	4,473	4,865	6,482	3,882	4,956	4,603
Social protection	5,590	5,209	5,032	6,299	6,402	5,172
Environment protection	415	415	281	210	210	157
Total revenue payments	2,169,133	2,337,771	2,122,705	1,733,880	1,767,885	1,759,561

In the revised budget, General Public service expenditure has decreased by 0.82%. Major expenditures in this function are servicing of foreign debts, servicing of domestic debts, foreign loan repayment,

domestic debt repayment, superannuation, allowances and pension.

FINANCIAL SYSTEM, CONTROLS AND LEGAL COMPLIANCE

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 Office of the Auditor-General as part of its financial statement audit.



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

Auditor's Report

The Office of the Auditor-General of Pakistan has audited the accompanying financial statements of the Federal Government, which comprises the statement of receipts and payments for the year ended 30 June, 2010, 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

These financial statements have been prepared by the Accountant General Pakistan Revenues under Section 5 of the Controller General of Accounts (Appointment, Function and Powers) Ordinance 2001. These financial statements are the responsibility of the Controller General of Accounts.

Auditor's Responsibility

The responsibility of the Auditor-General's Office is to express an opinion on these financial statements based on the audit in accordance with the requirements of Article 169 of the Constitution of the Islamic Republic of Pakistan read with Section 7 of the Auditor-General's (Functions, Powers and Terms & Conditions of Service) Ordinance, 2001.

Basis of Opinion

The audit was conducted in accordance with the auditing standards issued by the International Organization of Supreme Audit Institutions. These standards require that audit is planned and performed to obtain reasonable assurance whether the financial statements are free of material misstatement. The audit process includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used, as well as evaluating the overall financial statement presentation. The audit results provide a reasonable basis for our opinion.

In our opinion;

- (a) These financial statements present fairly, in all material respects, the financial performance of the Federal Government for the year ended 30 June, 2010, its cash flows, comparison of budget and actual amounts by function, comparison of budget and actual expenditure by division and statement of appropriation of grants by object 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.

Emphasis of Matter

Without qualifying our opinion, we draw your attention to note 6.12 of the financial statements relating to payments by third parties. Under IPSAS Cash Basis disclosure of third party payments are 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. To fully capture third party payments the Federal Government needs to strengthen its existing accounting and financial reporting system.

Other Reports

Reports covering significant aspects of the financial governance or economical and effective utilization of public resources are submitted separately to the President by the Auditor-General of Pakistan under Article 171 of the Constitution of Islamic Republic of Pakistan for laying before the parliament.

Islamabad, Pakistan
Date :24th January 2011



Auditor-General of Pakistan

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

	Note	2010 (Rupees in Million)		2009 (Rupees in Million)	
		Receipts / Payments Controlled by 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		272,969	-	247,349	-
Sales tax		291,639	-	261,703	-
Custom duty		90,453	-	87,994	-
Federal excise		69,148	-	66,793	-
Other taxes		12,974	-	12,052	-
	7	737,183	-	675,891	-
<i>Non-Tax Revenue and Other Receipts</i>					
General administration receipts	8	3,438	-	3,676	-
Economic services receipts	9	971	-	675	-
Defence services receipts	10	116,206	-	77,861	-
Development surcharge and royalties	11	102,427	-	138,465	-
Citizenship, nationalization, passport and copyright		9,662	-	8,593	-
Interest on loans and advances	12	28,942	-	37,577	-
Dividend and profit share	13	285,667	-	219,678	-
Others		55,654	-	30,347	-
		602,967	-	516,872	-
<i>Grants and Aid</i>					
Development grants	14	29,401	-	10,766	-
<i>Borrowings</i>					
Foreign debt	15	348,016	-	313,563	-
Domestic permanent debt	16	213,422	-	204,296	-
Domestic floating debt-net	17	493,328	-	267,906	-
		1,054,766	-	785,765	-
<i>Capital Receipts</i>					
Privatization proceeds	18	41	-	1,290	-
Recovery of loans and advances	19	36,128	-	27,123	-
Investment recovery		-	-	33	-
		36,169	-	28,446	-
<i>Trading Activities</i>					
	20	10,936	-	7,834	-
TOTAL RECEIPTS		2,471,423	-	2,025,574	-

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

	Note	2010 (Rupees in Million)		2009 (Rupees in Million)	
		Receipts / Payments Controlled by 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	332,775	-	149,729	-
Operating expenses		288,514	-	443,328	-
		621,289	-	593,057	-
<i>Transfers</i>					
Grants, subsidies and write-off of loans		691,500	-	500,555	-
Other transfer payments		21,003	-	7,366	-
		712,503	-	507,921	-
<i>Expenditures on</i>					
Physical assets		108,970	-	8,969	-
Civil works		52,227	-	12,036	-
Others		3,405	-	3,533	-
		164,602	-	24,538	-
<i>Debt and Interest Payments</i>					
Principal repayments of debts	22	294,829	-	341,717	-
Servicing of debts	23	653,488	-	652,438	-
		948,317	-	994,155	-
<i>Other Payments</i>					
Loans and advances	24	193,660	-	124,487	-
Investments	25	24,886	-	9,879	-
		218,546	-	134,366	-
TOTAL PAYMENTS		2,665,257	-	2,254,037	-
NET PAYMENT OF FEDERAL CONSOLIDATED FUND		(193,834)	-	(228,463)	-
NET RECEIPT OF PUBLIC ACCOUNT	26	185,105	-	289,619	-
INCREASE / (DECREASE) IN CASH		(8,728)	-	61,156	-
CASH AT THE BEGINNING OF THE YEAR		55,622	N/A*	(5,534)	N/A*
INCREASE / (DECREASE) IN CASH		(8,728)	N/A*	61,156	N/A*
CASH AT THE END OF THE YEAR	27	46,894	N/A*	55,622	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 2010

	Note	2010 Rupees in million	2009 Rupees in million
CASH FLOWS FROM OPERATING ACTIVITIES			
Tax receipts	7	737,183	675,891
Non-tax revenue & other receipts		602,967	516,872
Development grants	14	29,401	10,766
Trading activities	20	10,936	7,834
Operations payments		(621,289)	(593,057)
Servicing of debt	23	(653,488)	(652,438)
Transfers		(712,503)	(507,921)
<i>Cash used in Operating Activities</i>		(606,792)	(542,053)
CASH FLOWS FROM INVESTING ACTIVITIES			
Privatization proceeds	18	41	1,290
Recoveries of loans and advances	19	36,128	27,123
Investments recoveries		-	33
Expenditure on physical assets, civil works & others		(164,602)	(24,538)
Investments	25	(24,886)	(9,879)
Payments of loans and advances	24	(193,660)	(124,487)
<i>Cash used in Investing Activities</i>		(346,979)	(130,458)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of domestic permanent debt	16	213,422	204,296
Receipt of foreign debt	15	348,016	313,563
Domestic floating debt-net	17	493,328	267,906
Principal repayments of debt	22	(294,829)	(341,717)
Net receipt of public account	26	185,105	289,619
<i>Cash from Financing Activities</i>		945,042	733,667
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		(8,728)	61,156
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		55,622	(5,534)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	27	<u>46,894</u>	<u>55,622</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 2010

	2010 (Rupees in million)			2009 (Rupees in million)		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
RECEIPTS						
Revenue						
Taxation	902,610	896,823	737,183	733,513	661,765	675,891
Non-taxation	449,978	499,844	643,304	377,387	331,972	535,472
Total revenue receipts	1,351,588	1,396,667	1,380,487	1,110,900	1,223,737	1,211,363
Capital						
Domestic debt	3,927,880	3,843,395	4,067,487	2,666,212	4,487,874	4,572,142
Foreign debt	444,975	450,217	348,016	283,776	351,000	313,563
Privatization proceeds	19,351	-	41	25,706	1,290	1,290
Recoveries of loans and advances	38,461	47,494	36,128	34,358	38,888	27,123
Others	-	-	-	-	-	33
Total capital receipts	4,430,667	4,341,106	4,451,672	3,909,452	4,879,052	4,914,151
TOTAL RECEIPTS	5,782,655	5,737,773	5,832,160	4,120,352	6,102,789	6,125,514
PAYMENTS						
Revenue						
General public services	1,490,201	1,658,164	1,832,527	989,606	1,125,117	1,111,396
Defence affairs and services	344,655	379,168	388,700	297,576	311,857	334,957
Economic affairs	188,334	164,599	158,434	326,495	226,289	199,511
Public order and safety affairs	38,928	39,562	53,170	30,171	29,461	36,375
Education affairs and services	62,452	55,656	48,830	49,243	45,383	45,393
Health affairs and services	28,155	25,468	23,940	25,040	18,761	18,453
Housing and community amenities	7,930	4,665	5,309	5,364	5,449	3,544
Recreation, culture and religion	4,473	4,865	6,482	3,882	4,956	4,603
Social protection	5,590	5,209	5,032	6,299	6,402	5,172
Environment protection	415	415	281	216	216	157
Total revenue payments	2,149,133	2,337,771	2,122,745	1,733,880	1,767,885	1,759,561
Capital						
General public services	4,154,950	3,940,831	3,890,194	2,829,315	4,794,558	4,581,159
Economic affairs	18,785	8,381	13,094	15,777	8,842	13,257
Total capital payments	4,173,735	3,949,212	3,903,288	2,845,092	4,793,400	4,594,416
TOTAL PAYMENTS	6,342,868	6,286,983	6,025,993	4,578,972	6,561,285	6,353,977

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 2010

DIVISIONS	2010 (Rupees in million)			2009 (Rupees in million)		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Revised		Original	Revised	
Cabinet Secretariat	134,861	95,293	102,887	56,068	74,267	59,439
Establishment Division	2,160	2,141	2,148	3,276	2,170	2,084
Commerce Division	5,380	4,651	3,560	4,586	4,265	3,263
Communications Division	4,527	4,469	4,792	16,623	11,510	12,523
Culture Division	909	762	1,468	834	624	605
Defence Division	12,878	16,681	17,887	9,518	7,095	8,325
Defence Production Division	2,141	1,496	1,137	1,871	2,617	2,408
Defence Services	341,624	376,846	386,674	294,907	308,453	331,753
Economic Affairs Division	324,576	318,201	361,972	252,016	321,940	359,312
Education Division	11,773	9,140	7,511	9,609	7,499	6,380
Environment Division	2,533	1,335	1,208	2,481	2,980	791
Finance Division	5,166,472	5,172,106	4,839,987	3,646,546	5,588,947	5,365,054
Revenue Division	12,265	12,055	11,676	11,203	10,344	9,565
Food and Agriculture Division	19,710	13,574	19,466	22,206	15,913	8,386
Foreign Affairs Division	10,376	10,379	10,203	8,639	8,570	9,626
Health Division	25,970	23,330	21,875	22,961	16,895	16,538
Higher Education Commission	21,500	21,500	22,550	15,766	15,766	15,766
Housing and Works Division	8,011	6,401	11,530	6,579	5,383	5,994
Human Rights Division	57	57	47	-	-	47
Industries and Production Division	9,297	1,685	1,286	11,136	2,811	2,762
Information and Broadcasting Division	3,069	3,764	4,796	2,925	2,957	3,586
Information Technology and Telecom. Division	2,735	2,606	2,622	3,444	2,252	2,149
Inter Provincial Coordination Division	21	21	19	-	-	-
Investment Division	210	128	122	-	-	101
Interior Division	35,576	36,534	49,488	28,851	28,536	32,910
Kashmir Affairs and Northern Areas Division	26,251	23,766	23,158	18,160	19,621	20,619
Labour and Manpower Division	387	385	385	3,660	703	346
Law and Justice Division	3,010	2,489	1,945	-	1,760	1,197
Livestock and Dairy development Division	2,646	1,678	692	-	9	10
Local Govt. and Rural Development Division	5,577	5,349	5,890	4,626	3,566	3,091
Minorities Affairs Division	220	220	215	124	207	199
Narcotics Control Division	1,032	1,032	1,016	989	862	928
National Assembly	1,301	1,304	1,266	1,147	1,147	1,128
The Senate	818	818	735	704	704	656
Overseas Pakistanis Division	437	437	366	2,352	-	358
Pakistan Railways Division	9,651	10,970	11,017	7,505	5,890	5,366
Parliamentary Affairs Division	188	159	130	162	162	95
Petroleum and Natural Resources Division	2,857	777	3,089	1,278	706	1,639
Planning and Development Division	19,108	17,204	3,224	11,838	10,520	2,135
Population Welfare Division	5,490	5,490	3,646	4,513	4,513	2,784
Ports and Shipping Division	915	527	311	495	263	148
Postal Services Division	8,260	8,260	8,558	-	20	8
Privatization Division	67	67	66	174	174	59
Religious Affairs Division	374	434	421	348	377	388
Science and Technology Division	6,216	6,333	4,393	5,804	5,506	3,465
Social Welfare and Special Education Division	8,137	2,865	4,154	7,630	7,479	2,197
Special Initiatives Division	2,846	2,417	2,387	-	2,738	207
Sports Division	954	807	814	687	549	440
States and Frontier Regions Division	22,922	20,537	23,811	17,243	18,337	16,513
Statistics Division	934	853	1,219	857	841	849
Textile Industry Division	596	372	412	722	354	332
Tourism Division	392	315	281	184	179	166

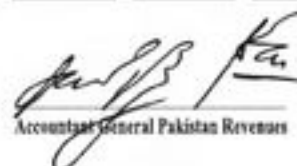
FEDERAL GOVERNMENT

Statement of Comparison of Budgeted and Actual Expenditure by Division

For the Year Ended 30 June 2010

DIVISIONS	Note	2010 (Rupees in million)			2009 (Rupees in million)		
		Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
		Original	Revised		Original	Revised	
Water and Power Division		44,233	27,802	29,819	58,590	28,096	26,126
Women Development Division		430	286	226	261	192	155
Youth Affairs Division		3,748	3,735	1,973	90	1,229	119
Zakat and Usher Division		53	53	46	-	-	-
Staff, Household & Allowances of the President		391	390	382	354	349	343
Audit		1,535	1,535	1,583	1,206	1,206	1,244
Supreme Court and High Court		720	721	664	420	420	602
Election Commission		1,161	1,161	538	599	601	468
Wafaqi Mohtamib		192	192	195	149	149	171
Federal Tax Ombudsman		88	88	75	56	62	60
TOTAL PAYMENTS	29	6,342,868	6,286,983	6,025,993	4,578,972	6,561,285	6,353,977

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


Accountant General Pakistan Revenues

FEDERAL GOVERNMENT
Statement of Appropriation of Grants by Object
For the Year Ended 30 June 2010

Grants No.	Grants Name	651 Employees Related Expenses	652 Project Pro- Investment Analysis	653 Operating Expenses	654 Employee Retirement Benefits	655 Grants, Subsidies and Multi-utility of Loans	656 Transfers	657 Interest Payment	658 Lemon and Advances	659 Physical Assets	610 Principal Repayments of Loans	611 Investment	612 Cash Stocks	613 Repairs and Maintenance	Grand Total
64	Other Expenses of Technical and Productive Branch	15,21	-	24,27	-	315,40	-	-	-	-	-	-	-	354,87	
65	Information and Building Division	47,42	-	102,94	1,08	11,17	5,18	-	-	6,69	-	-	-	267,47	
66	Division of "Others", Security and Maintenance	17,52	-	28,19	0,37	-	0,18	-	-	7,28	-	-	-	53,44	
67	Information Department	115,68	-	262,08	0,40	0,92	0,27	-	-	0,82	-	-	-	480,17	
68	Information Services Division	200,05	-	1,013,98	-	2,114,29	-	-	-	2,17	-	-	-	4,332,49	
69	Other Expenses of Technical and Productive Branch	41,76	-	1,017,47	-	1,017,41	0,00	-	-	0,40	-	-	-	2,035,64	
70	Other Expenses of Technical and Productive Branch	10,54	-	5,18	0,00	0,16	0,25	-	-	0,12	-	-	-	18,25	
71	Information and Building Division	189,75	-	298,27	1,34	12,14	8,49	-	-	104,42	-	-	-	414,11	
72	Division of "Others", Security and Maintenance	3,527,17	-	396,51	0,17	54,40	7,50	-	-	130,41	-	-	-	4,016,16	
73	Information Department	115,68	-	262,08	0,28	0,18	0,08	-	-	0,14	-	-	-	480,36	
74	Information Services Division	200,05	-	1,013,98	-	2,114,29	-	-	-	1,805,71	-	-	-	4,934,03	
75	Other Expenses of Technical and Productive Branch	19,148,56	-	1,000,00	-	11,900	0,41	-	-	1,000,00	-	-	-	21,159,97	
76	Information and Building Division	4,411,63	-	217,20	-	11,900	0,11	-	-	1,000,00	-	-	-	5,630,94	
77	Division of "Others", Security and Maintenance	218,17	-	71,12	-	-	0,11	-	-	0,00	-	-	-	289,29	
78	Information Department	3,473,08	-	653,15	0,16	1,014,44	2,28	-	-	306,91	-	-	-	5,449,96	
79	Information Services Division	640,10	-	453,38	0,67	1,014,44	1,58	-	-	14,54	-	-	-	2,124,13	
80	Other Expenses of Technical and Productive Branch	4,11	-	2,42	-	-	0,00	-	-	4,28	-	-	-	10,81	
81	Information and Building Division	19,76	-	44,38	-	0,10	2,13	-	-	0,10	-	-	-	36,57	
82	Division of "Others", Security and Maintenance	28,17	-	39,81	0,36	1,52,99	0,15	-	-	1,37	-	-	-	194,89	
83	Information Department	6,72	-	26,82	-	9,098,27	-	-	-	0,11	-	-	-	9,114,92	
84	Information Services Division	-	-	-	-	5,688,41	-	-	-	-	-	-	-	5,688,41	
85	Other Expenses of Technical and Productive Branch	100,61	-	97,08	-	1,69	1,92	-	-	6,79	-	-	-	206,49	
86	Other Expenses of Technical and Productive Branch	3,615	-	1,78	0,32	-	0,01	-	-	0,01	-	-	-	5,43	
87	Information and Building Division	19,14	-	31,18	0,70	23,14	0,40	-	-	2,22	-	-	-	55,28	
88	Division of "Others", Security and Maintenance	663,96	-	202,42	1,00	240,18	0,60	-	-	63,34	-	-	-	928,48	
89	Information Department	5,627	-	10,16	0,01	16,40	0,18	-	-	15,26	-	-	-	31,29	
90	Information Services Division	43,14	0,01	11,00	0,01	0,00	0,56	-	-	15,40	-	-	-	60,12	
91	Other Expenses of Technical and Productive Branch	19,28	-	21,29	0,20	1,014,11	11,41	-	-	0,44	-	-	-	1,046,53	
92	Information and Building Division	60,77	-	229,41	0,14	0,41	0,15	-	-	13,41	-	-	-	204,19	
93	Division of "Others", Security and Maintenance	157,17	-	401,44	1,15	7,47	7,06	-	-	56,27	-	-	-	623,51	
94	Information Department	103,41	-	200,28	0,43	2,40	12,20	-	-	20,47	-	-	-	329,19	
95	Information Services Division	295,68	-	148,54	0,04	-	0,12	-	-	0,17	-	-	-	444,52	
96	Other Expenses of Technical and Productive Branch	10,00	-	36,58	0,14	0,00	0,32	-	-	0,11	-	-	-	47,15	
97	Information and Building Division	78,21	-	11,47	0,21	182,47	0,45	-	-	1,54	-	-	-	264,35	
98	Division of "Others", Security and Maintenance	184,06	-	45,06	0,01	1,10	0,40	-	-	0,12	-	-	-	230,75	
99	Information Department	-	-	64,10	-	-	-	-	-	-	-	-	-	64,10	
100	Information Services Division	217,10	-	96,49	3,28	17,41	2,64	-	-	6,09	-	-	-	333,11	
101	Other Expenses of Technical and Productive Branch	40,13	-	41,19	1,56	4,11	0,02	-	-	4,11	-	-	-	91,12	
102	Information and Building Division	40,40	-	87,06	-	1,00	0,09	-	-	7,40	-	-	-	135,95	
103	Division of "Others", Security and Maintenance	8,138	-	8,42	-	-	0,00	-	-	0,40	-	-	-	16,95	
104	Information Department	4,701,08	-	1,000,41	1,736,31	48,11	133,55	100,40	-	100,40	-	-	-	6,963,26	
105	Information Services Division	11,36	-	2,34	-	0,16	31,40	-	-	-	-	-	-	45,26	
106	Other Expenses of Technical and Productive Branch	42,86	-	20,41	0,46	-	0,12	-	-	0,12	-	-	-	64,13	
107	Information and Building Division	11,10	-	15,71	0,20	0,20	0,20	-	-	0,20	-	-	-	19,71	
108	Division of "Others", Security and Maintenance	45,45	-	104,43	0,27	0,00	12,14	-	-	1,94	-	-	-	164,13	
109	Information Department	36,14	-	19,08	-	2,719,83	0,04	-	-	0,04	-	-	-	3,779,13	
110	Information Services Division	425,52	-	131,43	0,27	3,214,69	0,70	-	-	3,20	-	-	-	4,585,74	
111	Other Expenses of Technical and Productive Branch	18,71	-	0,00	-	10,01	-	-	-	-	-	-	-	28,72	
112	Information and Building Division	8,40	-	0,17	-	0,42	0,10	-	-	0,11	-	-	-	9,20	
113	Division of "Others", Security and Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	
114	Information Department	-	-	-	-	-	-	-	-	-	-	-	-	-	
115	Information Services Division	-	-	-	-	-	-	-	-	-	-	-	-	-	

FEDERAL GOVERNMENT
Statement of Appropriation of Grants by Object
For the Year Ended 30 June 2010

Grants No.	Grants Name	AM1	AM2	AM3	AM4	AM5	AM6	AM7	AM8	AM9	AM10	AM11	AM12	AM13	Grand Total
		Employee Related Expenses	Project Pre-Investment Analysis	Operating Expenses	Employee Retirement Benefits	Grants, Subsidies and Write-offs of Loans	Transfers	Interest Payments	Donor and Advances	Physical Assets	Principal Requirements of Loans	Investment	Chd Works	Repairs and Maintenance	
115	Other Expenses	68,837	-	17,271	-	311,721	8,177	-	-	8,320	-	-	-	8,178	561,766
116	Travel and Transport Expenses	21,158	-	12,644	8,931	1,048	6,644	-	-	8,442	-	-	-	1,052	48,322
117	Printing Expenses	2,588,544	-	42,844	-	-	46,288	-	-	-	-	-	-	21,58	2,658,734
118	Publicity, Advertisement and Other	3,188,346	-	3,227,271	-	485,822	1,326	-	-	1,534	-	-	-	68,52	6,913,166
119	Information Technology Related	1,100	-	-	-	-	-	-	-	-	-	-	-	-	1,100
120	Medical Expenses	174,406	-	32,306	-	3,326	-	-	-	3,326	-	-	-	2,65	209,422
121	Grants Subsidy Disburse	34,406	-	18,451	-	15,244	8,688	-	-	1,777	-	-	-	14,08	141,466
122	Foreign Disburse	50,849	-	82,489	8,329	1,109	8,70	-	-	2,79	-	-	-	2,08	179,466
123	Other Expenditure of Interest Disburse	-	-	6,29	-	8,542	-	-	-	-	-	-	-	-	8,542
124	Water and Power Disburse	68,75	-	37,277	8,311	176,79	2,66	-	-	3,38	-	-	-	-	313,42
125	Business Development Disburse	23,77	-	28,95	8,18	11,48	1,26	-	-	8,66	-	-	-	4,68	62,27
126	South Africa Disburse	14,18	-	68,30	-	1,827,96	2,49	-	-	6,68	-	-	-	6,68	1,914,42
127	Other South Africa Disburse	21,65	-	10,28	8,97	8,16	8,52	-	-	1,65	-	-	-	8,14	47,77
128	Capital Expenditure on Purchase of Equipment	4,15	-	1,38	8,57	-	-	-	-	-	-	-	-	8,67	14,10
129	Capital Expenditure on Purchase of Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
130	Capital Expenditure on Purchase of Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
131	Capital Expenditure on Land Reclamation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
132	Capital Expenditure on Land Reclamation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
133	Other Grants and Advances by the Federal Government	-	-	-	-	-	206,48	-	-	-	-	1,581,68	-	-	1,788,16
134	Other Grants and Advances by the Federal Government	-	-	-	-	-	30,00	-	30,00	-	-	-	-	-	60,00
	Total General Expenditure	148,619	8	151,661	81,667	581,288	12,628	188	28,814	195,179	-	11,788	15,178	1,889	1,278,607
Development Expenditure															
134	Dev. Exp. of Grants Disburse	5,54	-	28,721,81	-	-	-	-	-	138,64	-	-	-	6,67	28,876,92
135	Dev. Exp. of Grants Disburse (Under PAIP)	-	-	48,271,71	-	-	-	-	-	-	-	-	-	-	48,271,71
136	Dev. Exp. of Infrastructure Disburse	-	-	1,64	-	81,42	-	-	-	-	-	-	-	-	83,06
137	Dev. Exp. of National Reconstruction Disburse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
138	Dev. Exp. of Cooperative Disburse	28,78	87,179	20,81	-	-	8,88	-	-	198,36	-	-	425,95	8,27	659,42
139	Dev. Exp. of Communitarian Disburse	-	1,18	2,52	-	-	-	-	-	18,68	-	-	-	-	22,38
140	Dev. Exp. of Infrastructure Disburse	314,22	-	391,67	-	882,42	28,85	-	-	118,87	-	-	671,86	36,78	2,478,72
141	Dev. Exp. of Culture Disburse	5,15	-	16,96	-	4,48	-	-	-	18,96	-	-	-	-	49,55
142	Dev. Exp. of Education Disburse	78,78	-	88,528,28	-	1,813,07	-	-	-	8,11	-	-	152,27	6,68	1,179,82
143	Dev. Exp. of Education Disburse (to Grants and Subsidies)	-	-	-	-	-	6,24	-	-	-	-	-	-	-	6,24
144	Dev. Exp. of Education Production Disburse	-	-	17,28	-	-	-	-	-	479,44	-	-	-	-	526,72
145	Dev. Exp. of Economic Affairs Disburse	8,18	-	1,1	-	-	-	-	1,487,36	1,07	-	-	-	8,17	3,014,68
146	Dev. Exp. of Economic Affairs Disburse	195,88	-	198,2	-	-	8,87	-	-	8,7	-	-	-	-	388,77
147	Dev. Exp. of Infrastructure Disburse	314,22	-	391,67	-	882,42	28,85	-	-	118,87	-	-	671,86	36,78	2,478,72
148	Dev. Exp. of Investment Disburse	8,88	-	317,41	-	-	-	-	-	-	-	-	-	-	326,29
149	Dev. Exp. of Investment Disburse	175,13	-	348,25	-	11,088,08	8,15	-	-	479,44	-	-	676,79	5,28	13,301,48
150	Other Development Expenditure	8,13	-	-	-	11,875,98	-	-	-	-	-	-	-	-	11,884,11
151	Dev. Exp. of Health Disburse	4,12	-	17,28	-	13,547,48	1,817,71	-	-	-	-	-	-	-	15,372,59
152	Dev. Exp. of Health Disburse	198,76	8,68	260,74	8,97	1,086,71	8,77	-	-	188,46	-	-	1,088,53	8,95	3,579,68
153	Dev. Exp. of Health Disburse	-	-	289,24	-	-	-	-	-	88,48	-	-	-	21,65	397,37
154	Dev. Exp. of Agriculture Disburse	4,624,28	8,48	88,828,61	1,88	346,41	-	-	-	477,08	-	-	-	78,58	90,367,82
155	Dev. Exp. of Education and Health Disburse	9,28	2,88	12,18	-	11,38	8,24	-	-	1,38	-	-	-	8,74	36,372
156	Dev. Exp. of Education, Technology and Information Disburse	81,15	8,77	38,96	-	187,74	8,87	-	-	87,99	-	-	248,77	8,17	382,48
157	Dev. Exp. of Health Disburse	273,25	-	547,48	-	688,82	-	-	-	243,83	-	-	1,081,82	188,87	3,578,82
158	Dev. Exp. of Health Disburse (to Grants and Subsidies)	-	-	1,519,41	-	-	-	-	-	-	-	-	-	-	1,519,41
159	Dev. Exp. of Education and Health Disburse	7,74	-	28,84	-	-	8,85	-	-	7,66	-	-	-	8,87	41,84
160	Dev. Exp. of Law and Justice Disburse	21,28	-	417,28	-	8,88	-	-	-	8,88	-	-	1,88,77	-	456,21
161	Dev. Exp. of Livestock and Dairy Development Disburse	18,86	-	23,38	8,87	68,42	-	-	-	8,84	-	-	-	8,88	126,27
162	Dev. Exp. of Land Reclamation and Water Development Disburse	-	-	5,613,72	-	-	120,88	-	-	-	-	-	-	-	5,734,60
163	Dev. Exp. of Services and Disburse	-	-	178,41	-	-	-	-	-	19,11	-	-	-	-	197,32

FEDERAL GOVERNMENT

Notes to the Financial Statement

For the Year Ended 30 June 2010

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. Food Wing (Ministry of Food and Agriculture)
 - 9. 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 Statement

For the Year Ended 30 June 2010

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 2009-10 have been prepared and presented in order to make a fair presentation of all the relevant financial information without making any change in the fundamentals applied and all policies have been applied on a basis consistent with the previous year.

4. REPORTING AND BUDGET PERIOD

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

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 Statement

For the Year Ended 30 June 2010

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 advice is issued to 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. Exchange differences arising on settlement of these transactions are recognized in the Statement of 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 Statement

For the Year Ended 30 June 2010

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 Statement

For the Year Ended 30 June 2010

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 2010

7. TAXATION	Note	2010 (Rupees in million)			2009 (Rupees in million)		
		Tax		Net Tax	Tax		Net Tax
		Collected	Transfers	Collected	Collected	Transfers	Collected
Income tax	7.1	496,632	(223,663)	272,969	414,386	(167,037)	247,349
Sales tax	7.2	516,348	(224,709)	291,639	451,745	(190,042)	261,703
Customs	7.3	160,276	(69,823)	90,453	148,403	(60,409)	87,994
Federal excise	7.4	124,786	(55,638)	69,148	117,454	(50,661)	66,793
Others	7.5	14,764	(1,790)	12,974	13,121	(1,069)	12,052
		1,312,806	(575,623)	737,183	1,145,109	(469,218)	675,891

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 @ 16% to 21%(2006-2007 @ 15%). 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.

Note	2010 Rupees in million	2009 Rupees in million
7.5. TAXATION OTHERS		
<i>Direct Taxes</i>		
Capital Value Tax	2,219	2,361
Land Revenue	100	166
Tax on Profession, Trade and Callings	10	15
Other Direct Taxes	9,122	8,156
	11,451	10,698
<i>Indirect Taxes</i>		
Receipts Under Motor Vehicles Act	1012	863
Stamp Duties	319	330
Provincial Excise	84	65
Others Indirect Taxes	108	96
	1,523	1,354
	12,974	12,052

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

	Note	2010 Rupees in million	2009 Rupees in million
8. GENERAL ADMINISTRATION RECEIPTS			
Social Services		975	973
Community Services		844	704
Law and Order		744	1,115
Fiscal Administration		445	451
Economic Regulations		409	397
Organs of State		19	32
Statistics		2	4
		<u>3,438</u>	<u>3,676</u>
9. ECONOMIC SERVICES RECEIPTS			
Receipts under Oilfields and Mineral Development Act		594	268
Fisheries and Animal Husbandry		206	75
Special Communication Organization Receipts		0	-
Food and Agriculture		141	291
Forest and Irrigation		30	41
		<u>971</u>	<u>675</u>
10. DEFENCE SERVICES RECEIPTS			
Administrative Services		109,701	72,396
Air Force		1,542	866
General Headquarters		1,506	1,807
Military Engineering Services		1,103	954
Pakistan Navy		796	507
Defence Services Others		677	343
Receipts on certain measures of Inter-Services Nature		630	608
Procurement, Research & Product Development		196	202
Military Farms		55	178
		<u>116,206</u>	<u>77,861</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	2010 Rupees in million	2009 Rupees in million
11. DEVELOPMENT SURCHARGE AND ROYALTIES			
Petroleum Development Levy	11.1	88,741	106,675
Development Surcharge on Gas	11.2	25,907	16,946
Royalty on Crude Oil	11.3	8,354	13,916
Royalty on Natural Gas	11.3	24,660	32,095
Discount Retained on Local Crude Price	11.4	12,495	25,583
Mineral Royalties		41	51
Windfall Levy on Crude Oil		32	-
		<u>160,230</u>	<u>195,266</u>
Less: Provincial Share		<u>(57,803)</u>	<u>(56,801)</u>
		<u>102,427</u>	<u>138,465</u>

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

**Notes to the Financial Statements
For the Year Ended 30 June 2010**

- 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.

	Note	2010 Rupees in million	2009 Rupees in million
12. INTEREST ON LOANS AND ADVANCES			
Interest on Domestic Loan	12.1	24,388	34,653
Interest on Loans and Advances to Govt. Servants		57	59
Loans and Advances - Others		4,497	2,865
		<u>28,942</u>	<u>37,577</u>
12.1. Interest On Domestic Loan			
Provinces		19,001	17,277
Financial Institutions		3,316	3,784
Non-Financial Institutions		1,752	13,319
District Governments		258	273
Others		61	-
		<u>24,388</u>	<u>34,653</u>
13. DIVIDEND AND PROFIT SHARE			
Dividends Receipts	13.1	52,637	58,515
Profit share	13.2	233,030	161,163
		<u>285,667</u>	<u>219,678</u>
13.1. Dividends Receipts			
Financial Institution			
National Insurance Corporation		440	500
State Life Insurance Corporation		415	-
Pakistan Re-Insurance Corporation		383	382
Others		125	99
		<u>1,363</u>	<u>981</u>
Non-Financial Institution			
Oil and Gas Development Corporation		21,443	33,299
Pakistan Telecommunication Corporation		10,306	-
Govt Holding Pvt LTD		8,700	8,500
Pakistan Petroleum Ltd		4,497	6,506
Saindak Metal (Pvt) Limited		4,000	1,000
Pak Arab Refinery		1,800	6,000
Pakistan Security Printing Corporation		300	150
Pakistan State Oil Company Ltd		116	766
Fauji Fertilizer Co Limited		61	48
Sui Northern Gas Pipe Lines Ltd		-	692
Sui Southern Gas Company Ltd		-	507
Others		51	66
		<u>51,274</u>	<u>57,534</u>
		<u>52,637</u>	<u>58,515</u>

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

	Note	2010 Rupees in million	2009 Rupees in million
13.2. Profit share			
State Bank of Pakistan	13.2.1	233,000	161,163
Post Office		30	-
		<u>233,030</u>	<u>161,163</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.

	Note	2010 Rupees in million	2009 Rupees in million
14. DEVELOPMENT GRANTS			
Foreign Governments			
United States of America		20,224	-
United Kingdom		8,869	8,688
European Commission		-	1,142
Turkey		-	803
Others		308	133
		<u>29,401</u>	<u>10,766</u>

	Note	2010 Rupees in million	2009 Rupees in million
15. FOREIGN DEBT - RECEIPTS			
International Monetary Fund		92,808	-
Asian Development Bank		77,883	123,119
Loans from International Development Association		58,472	66,909
Islamic Development Bank		58,210	57,391
Chinese Loan		22,464	44,409
Saudi Arabia		16,884	-
Loans from International Bank for Re-construction and Development		7,211	7,423
Yen Credit from Japan		2,479	2,017
International Fund for Agricultural Development		2,365	444
French Credit		2,134	37
Dollar Bond N.C.C.		1,785	1,498
German Export Credit		1,026	2,928
Kuwait		310	2,782
O.P.E.C. Special Fund Loan		30	646
Others		3,955	3,960
		<u>348,016</u>	<u>313,563</u>

	Note	2010 Rupees in million	2009 Rupees in million
16. DOMESTIC PERMANENT DEBT - RECEIPTS			
Government Securities			
Permanent Debt	16.1.	213,422	204,296
Floating Debt	16.2.	493,328	267,906
		<u>706,750</u>	<u>472,202</u>
16.1. Permanent Debt			
National Prize Bonds		136,003	107,794
Pakistan Investment Bonds		63,000	68,622
Ijara Sukuk Bond		14,396	27,848
Special U.S. Dollar Bonds		6	32
Others		17	-
		<u>213,422</u>	<u>204,296</u>

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

	Note	2010 Rupees in million	2009 Rupees in million
17. DOMESTIC FLOATING DEBT-NET			
Floating Debt Receipts			
6 Months Market Treasury Bills purchased by SBP		2,406,608	2,607,947
6 Months Market Treasury Bills (Auction)		1,447,184	1,759,879
Treasury Bills for Ways and Means		273	20
		<u>3,854,065</u>	<u>4,367,846</u>
Floating Debt Payments			
6 Months Market Treasury Bills purchased by SBP		2,326,053	2,600,992
6 Months Market Treasury Bills (Auction)		1,034,331	1,498,845
Treasury Bills for Ways and Means		273	20
Promissory Note		80	83
		<u>3,360,737</u>	<u>4,099,940</u>
		<u>493,328</u>	<u>267,906</u>
18. PRIVATIZATION PROCEEDS			
Hazara Phosphate Fertilizer Company		-	1,290
Others		41	-
		<u>41</u>	<u>1,290</u>
19. RECOVERY OF LOANS AND ADVANCES			
Provinces		24,265	19,690
Financial Institution		4,480	4,276
Government Servants		2,871	1,342
Non-Financial Institution		2,259	1,767
Others		2,253	48
		<u>36,128</u>	<u>27,123</u>
20. TRADING ACTIVITIES			
Pakistan Post Office - Receipts		10,927	7,825
Sale of wheat		9	9
		<u>10,936</u>	<u>7,834</u>
21. SALARIES AND EMPLOYEES BENEFITS			
Pay and Allowances		249,086	77,126
Retirement Benefits		83,688	72,603
		<u>332,775</u>	<u>149,729</u>

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

	Note	2010 Rupees in million	2009 Rupees in million
22. PRINCIPAL REPAYMENTS OF DEBT			
Foreign Debt			
Euro Bond		50,849	40,029
Asian Development Bank		42,891	32,425
Islamic Development Bank (ST) (IDB)		39,512	75,136
International Bank for Re-construction and Development		16,207	18,612
International Development Association		14,123	12,427
Chinese Loan		8,974	7,953
Yen Credit from Japan		4,196	3,848
French Credit		2,257	2,136
Dollar Bond N.C.C.		1,785	1,498
Italian Credit		1,721	1,811
Korea		818	2,639
Others		13,282	6,401
		196,615	204,915
Domestic Debt-Permanent			
National Prize Bonds		91,690	91,610
CIRC Bonds		2,900	-
Special U.S. Dollar Bonds		2,146	1,213
Federal Investment Bonds		941	1
Pakistan Investment Bonds		427	41,853
Others		110	2,125
		98,214	136,802
		294,829	341,717
23. SERVICING OF DEBT			
Domestic Debt		589,171	580,878
Foreign Debt		64,317	71,560
		653,488	652,438
24. LOANS AND ADVANCES			
Revenue Expenditure			
Capital Expenditure			
Non-Financial Institutions		44,238	24,821
Provincial Governments		63,201	56,338
District Governments		4,900	22,978
Government Employees	24.1	2,258	2,060
Others		77,655	16,953
		192,252	123,150
		193,660	124,487
24.1. Government Employees			
House Building Advance		1,807	1,649
Motor Cycle Advance		239	213
Motor Car Advance		208	193
Cycle Advance		4	5
		2,258	2,060

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

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	2010 Rupees in million	2009 Rupees in million
25. INVESTMENTS - PAYMENTS			
Pakistan Railways		11,017	5,366
Karachi Electricity Supply Company		5,912	-
P.I.A. Corporation		2,101	934
E.C.O. Trade and Development Bank		2,079	1,888
Pak China Investment Company		1,264	2
Asian Development Bank		501	-
Pakistan Iran Investment Co.		500	-
Pakistan Brunei Investment Co.		500	-
Karachi Shipyard and Engineering Works Ltd		464	316
NIP Karachi		387	195
Pakistan Dairy Development Co.		77	90
Pakistan Broadcasting Corporation		76	-
Pakistan Television Corporation		8	33
Islamic Development Bank		-	642
Poverty Alleviation Fund with IDB		-	413
		<u>24,886</u>	<u>9,879</u>

26. NET RECEIPT OF PUBLIC ACCOUNT

Receipts

Other Public Accounts	1,050,783	4,063,621
National Saving Schemes	744,944	1,286,480
Deposits	452,975	398,888
State Provident Fund	21,192	20,830
	<u>2,269,894</u>	<u>5,769,819</u>

Payments

Other Public Accounts	(1,162,428)	(4,076,248)
National Saving Schemes	(561,143)	(1,036,963)
Deposits	(347,867)	(352,350)
State Provident Fund	(13,351)	(14,639)
	<u>(2,084,789)</u>	<u>(5,480,200)</u>
	<u>185,105</u>	<u>289,619</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	2010 Rupees in million	2009 Rupees in million
27. CASH AT BANK AND TREASURIES			
Cash with State Bank of Pakistan (SBP)		47,120	55,856
Cash Balance with Treasuries		(226)	(234)
		<u>46,894</u>	<u>55,622</u>

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

	Note	2010 Rupees in million	2009 Rupees in million
28. ASSETS AND LIABILITIES			
<i>Assets</i>			
Long Term Assets		250,956	237,755
Investments		501,294	475,652
Loans and Advances		1,133,562	977,438
Current Assets		50,466	14,041
Cash at Bank and Treasuries		46,894	55,622
		<u>1,983,172</u>	<u>1,760,508</u>
<i>Liabilities and Equity</i>			
Public Debt		6,762,353	6,002,416
Special Deposits and Trust Accounts		1,553,141	1,336,517
Deferred liabilities		65,663	77,306
Capital Receipts		264,007	264,007
Residual Equity		(6,661,992)	(5,919,738)
		<u>1,983,172</u>	<u>1,760,508</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.

	Note	2010 in Million	2009 in Million
<i>Receipts</i>			
Actual receipts in Statement of Comparison of Budget and Actual Amounts by Function		5,832,160	6,125,514
Add: Floating debt-net	17	493,328	267,906
Less : Floating debt receipts	17	(3,854,065)	(4,367,846)
Actual receipts in Statement of Cash Receipts and Payments		<u>2,471,423</u>	<u>2,025,574</u>
<i>Payments</i>			
Actual payments in Statements of Comparison of Budget & Actual Amounts by Function and Actual Expenditure by Division		6,025,993	6,353,977
Less : Floating debt payments	17	(3,360,737)	(4,099,940)
Actual payments in Statement of Cash Receipts and Payments		<u>2,665,257</u>	<u>2,254,037</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 24 January, 2011

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

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