

of the Federal Government Financial Year 2011-12

Government of Pakistan

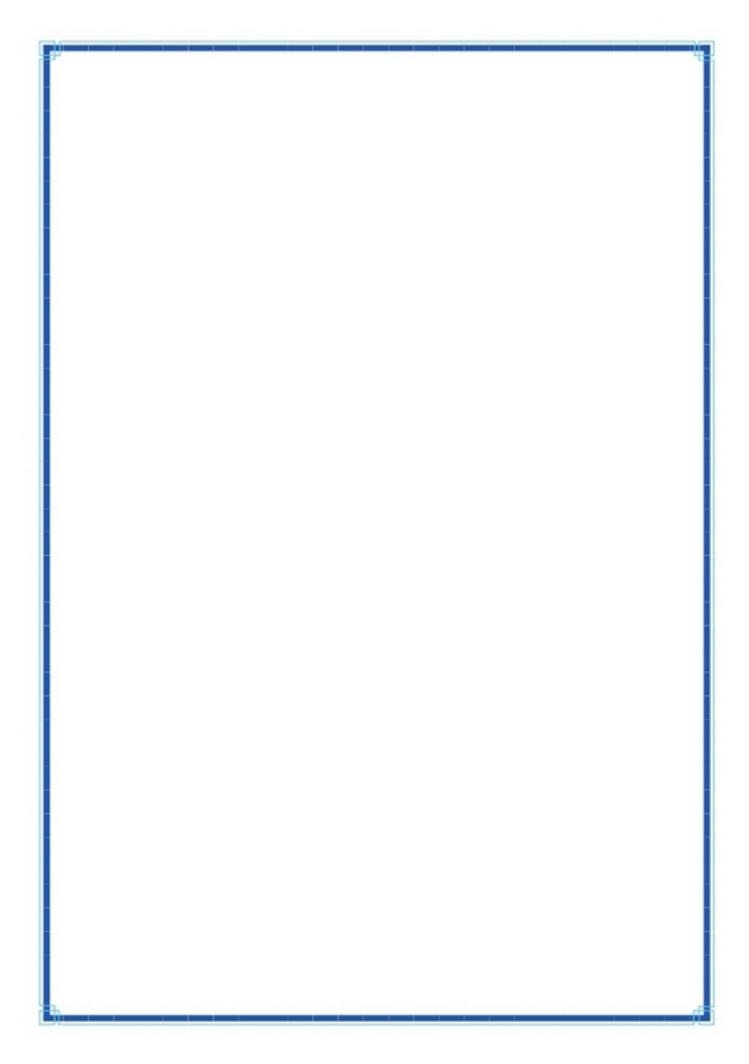
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PREFACE

I am pleased to present the Audited Financial Statements of the Federal Government for the year ended 30 June, 2012 together with the Auditors' Report thereon along with the management analysis report.

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

Controller General of Accounts

Islamabad, Pakistan

Date: 31 DEC 2012

MANAGEMENT ANALYSIS

INTRODUCTION

The Financial Statements of the Federal Government provide a record of the Government's financial performance over the financial year 2011-12 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 2011 - 12 have been prepared and presented in order to make a fair presentation of all the relevant financial information without making any change in the fundamentals applied and all policies have been applied on a basis consistent with the previous year.

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.

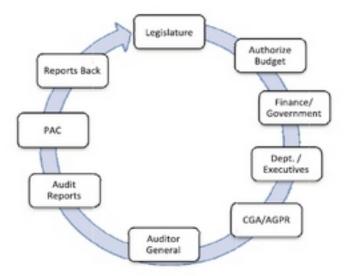
FINANCIAL MANAGEMENT

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;

- Each year Ministry of Finance receives budget estimates from the Government agencies.
- Based on the resources available and priorities of the Government the annual budget is prepared.
- 3. Parliament approves the budget.
- Principal Accounting Officer sanctions the expenditure.
- 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).
- Each year Auditor General of Pakistan certifies the financial statements of federal, provincial and district governments.
- 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

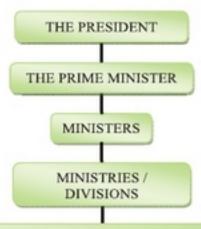
Pakistan is a federal republic to be known as Islamic Republic of Pakistan and the territories of Pakistan comprises the provinces of Balochistan, Khyber Pakhtunkhwa, Punjab and Sindh, Islamabad Capital Territory and Federally Administered Tribal Areas.

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 made which define the were 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 group of divisions can be constituted as a Ministry with a Minister-in-Charge under Rules of Business, 1973. Each ministry or division mav 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 Federal Government. Prime the 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



- → Cabinet Secretariat
- → Planning and Development Division
- → Establishment Division
- → Communications Division
- →Commerce Division
- → Climate Change Division
- → Defense Division
- → Defense Production Division
- → Economic Affairs Division
- → Statistics Division
- → Capital Administration and Development Division
- → Higher Education Commission
- →Human Rights Division
- → Human Resource Development Division
- → Finance Division
- → Revenue Division
- → Kashmir Affairs and Gilgit Baltistan Division
- → Election Commission
- → Law, Justice & Parliamentary Affairs Division
- → Housing and Works Division
- → Information and Broadcasting Division
- → Inter Provincial Coordination Division
- → Information Technology and Telecom. Division
- → National Harmony Division
- → Overseas Pakistanis Division
- → National Heritage & Integration Division
- → National Regulations & Services Division
- → Professional & Technical Training Research Division
- → Petroleum and Natural Resources Division

- → Ports and Shipping Division
- → Postal Services Division
- → Pakistan Railways Division
- → Religious Affairs Division
- → Scientific & Technological Research Division
- → Interior Division
- → Defense Services
- → States and Frontier Regions Division
- → Textile Industry Division
- → Water and Power Division
- → Staff, Household & Allowances of the President
- → Audit
- → Foreign Affairs Division
- → Wafaqi Mohtasib
- → Federal Tax Ombudsman
- → Industries and Production Division
- → National Food Security & Research Division
- → Narcotics Control Division
- → Privatization Division
- → The Senate
- → National Assembly
- → Supreme Court

ATTACHED SUBORDINATE OFFICES AUTHORITIES / CORPORATIONS

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.

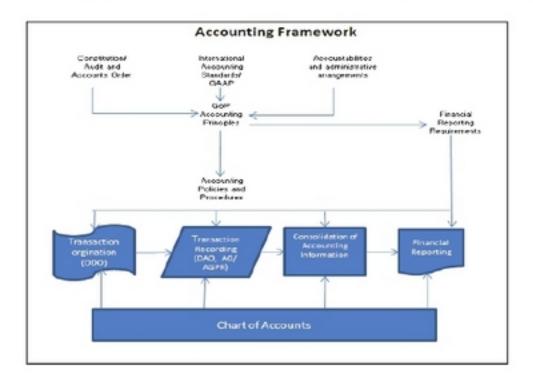
New Chart of Accounts was adopted from 1st July 2004. In December 2000, Auditor General of Pakistan prescribed NAM with the approval of the President of Pakistan under Article 170 of the Constitution of Islamic Republic of Pakistan. NAM is based on Modified Cash Basis of Accounting in which, though cash 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

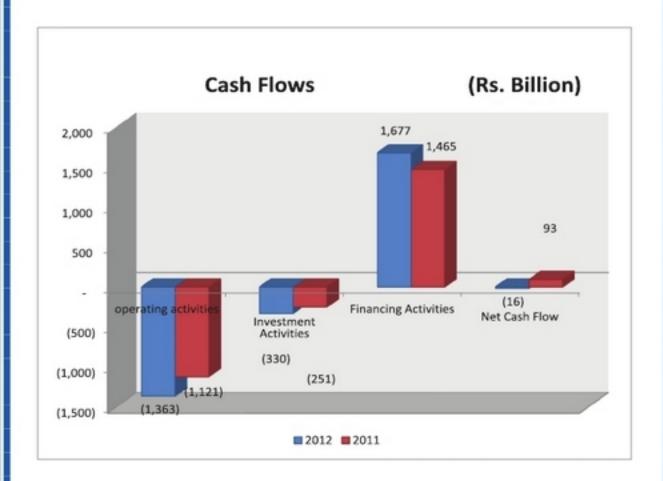
The statements of comparison of budget and actual amounts by function and actual expenditure by division are presented on a gross basis, whereas receipts and payments of floating debt in the Statement of Cash Receipts and Payments and Statement of Cash Flows have been netted off for which a reconciliation 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. 15,862 million (2010: increase by Rs. 93,118 million), reducing the balance of cash and cash equivalents at end of the year from a balance of Rs.140,011 million last year to a balance of Rs.124,149 million. Cash used in operating activities increased by 22% (2009: 25.15. The deficit in investing activities has increased by 32%. The cash flows from financing activities has increased by 14%.



RECEIPTS AND PAYMENTS

RECEIPTS

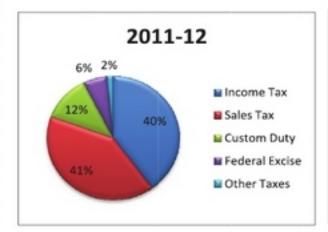
Taxation

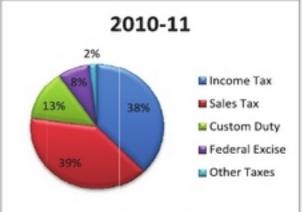
During the year under review tax receipts were Rs. 1,868,226 million as compared to Rs. 1,540,095 million for the previous financial year, which represents an increase of 21.31%. Out of total tax collections for the financial year 2011-2012, the Federal Government has transferred Rs. 1,011,107 million 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 857,119 million against Rs.632,861 million in comparison with the previous financial year, thereby showing an increase of 35.44% at its entirety.

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

reducing exemptions, incentives and concessions, reducing multiplicity 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 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.

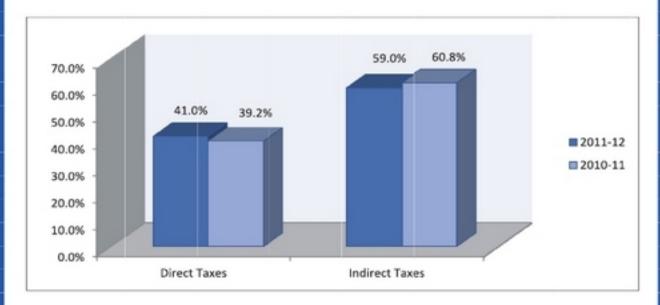
The basic philosophy of tax and tariff reform has been to move away from investment and production based taxes to income (Direct taxes) and consumption (Sales tax) based taxes. Pakistan has succeeded in changing the composition of its taxes but much more effort will be needed to enhance the share of 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 41.01% and Indirect taxes 58.99% (2010-11: Direct taxes 38.57% & Indirect taxes 61.43%) out of

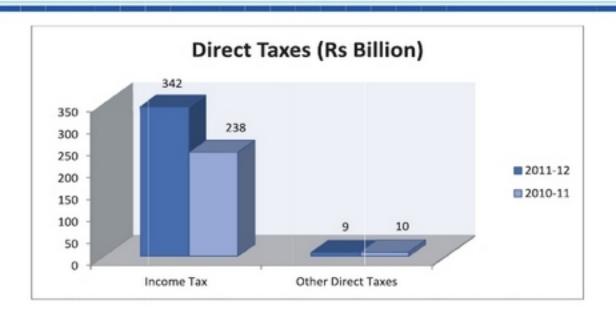
total taxes. Though there is an increase of 1.86% in share of direct still much more efforts are required to enhance the percentage share of Direct taxes in total taxes.



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.

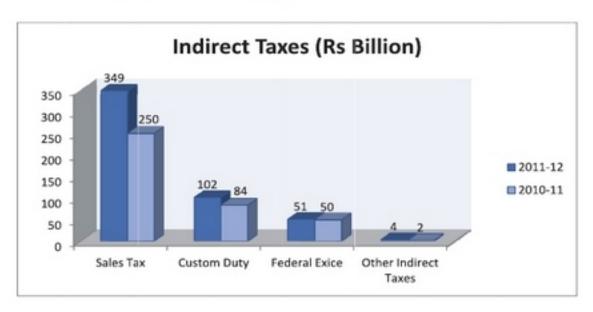
The net collection of Direct taxes has grown at pace of 41.86% from Rs. 258 billion in 2010 – 2011 to Rs. 352 billion in 2011 - 2012. The major change has been observed in Income tax with 43.98% increase. Composition of Direct taxes for the financial years is depicted below.



Indirect Taxes

Indirect taxes are the largest contributor to Federal tax revenues. Indirect taxes comprise sales tax, customs duty and Federal Excise Duty. The total revenue from Indirect taxes for the current year amounted to Rs. 505 billion which shows a 31.3% 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 68.93% of the total Indirect Tax collected,

customs to 20.27% and Federal Excise 10.10% of the total Indirect taxes.



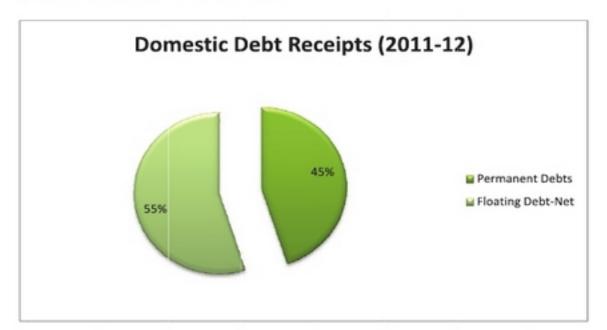
Development Surcharge and Royalties

Items exhibiting major movements here are development surcharge on gas showing 36.68% decrease from previous year, windfall levy on crude oil 42.99% increase from last year. The discount retained on local crude price has decreased by 45.76%.

Borrowings

1. Domestic Debt

During the year under review Domestic Debt Receipts amounted to Rs. 1,664,056 million which consist of Permanent Debt and Floating Debt reported on a net basis. An increase of 27.16% 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 55% and 45% respectively this year as highlighted below;



Permanent Domestic Debt raised during the current financial year was Rs. 756,978 million as compared to Rs. 476,155 million in the last financial year showing an increase of 58.98%. The major sources

were sale of National Prize Bonds (Rs. 162,881 million), Pakistan Investment Bonds (Rs. 407,303 million) and Ijara Sukkuk Bond (Rs. 186,791).

2. Foreign Debt

In the year under review, the burden of Foreign Debt on the Federal Government has decreased by Rs 15,543 million. Receipts of Foreign Debt recorded were Rs. 214,223 million this year as compared to Rs. 229,766 million last year which represents 6.76% decrease. Amongst foreign lenders, Chinese Loan amounted to Rs. 91,208 million during the year. donors major were Development Bank (ADB) Rs. 36,582 million, International Development Association (IDA) Rs. 47,996 million and Islamic Development Bank (IDB) Rs. 13,471 million.

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.204, 000 million was from State Bank of Pakistan. Profit share from State Bank of Pakistan has shown 15.25% 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.

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 2.55 in total dividend receipts was recorded in comparison to the previous financial year, the current year's receipt amounted to Rs. 49,354 million. Out of total dividend income, dividend from OGDCL was Rs.22,572 million, i.e. 45.73% of total dividend income.

Recovery of loans and advances

This item has witnessed normal movement in aggregate. Compared to previous year, an increase of 17.55% in recoveries from provinces and a decrease of 4.02% in recoveries from financial institutions have been recorded. As far as recoveries from provinces are concerned, figure of last year stood at Rs. 30,747 million compared to Rs. 36,142 million during this year.

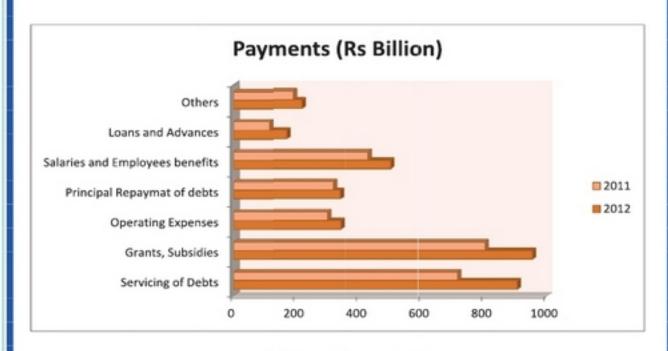
PAYMENTS

The Federal Government's plan of better fiscal transparency and improving expenditure management is still at the forefront of policy despite impediments faced by the country during this fiscal year. Total payments made from Federal Consolidated Fund during the current year increased by Rs. 562,522 million (19.64%) over the previous year. Total payments made during the year amounted to Rs. 3,427,130 million as compared to Rs. 2,864,608 million last year.

The major payments include salaries and employees benefits amounting to Rs. 499,210 million, operating expenditure amounting to Rs. 340,606 million, servicing of debt Rs. 905,680 million, grants, subsidies and write-off of loans Rs.

953,656 million and Principal Repayment of Debts amounting to Rs. 338,619 million. The Principal Repayment of Debt consisted of Repayment of Domestic Debt of Rs. 203,333 million and Rs. 135,286 million for Repayment of Foreign Debt. Out of total debt servicing payments of Rs. 905,680 million, the Domestic Debt servicing cost was Rs. 837,751 million and Debt servicing Foreign cost Rs. 67,929 million. Compared to the payments in the previous years, increases have been witnessed in the areas of salaries and employees benefits with 16.63%, Grant subsidies and write off of loans with 18.92%, servicing of debts with 26.8%, investments with 65.84% and loans and advances with 49.92%.

The composition of payments made has been detailed below;



Payments - Comparison of two years

THE BUDGET 2011-2012

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 the also enhancing quality 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

- 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.

implemented in the Ministry of Finance and the "bottom up" component which

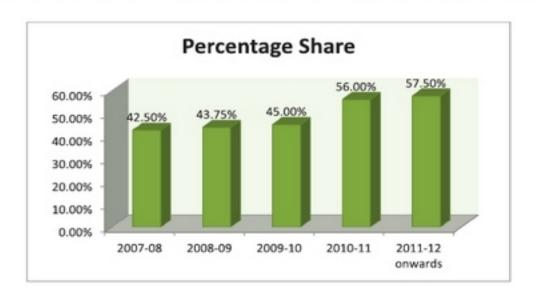
introduces strengthened budget preparation through output based budgeting, progressively across the Federal Ministries.

National Finance Commission (NFC) Award

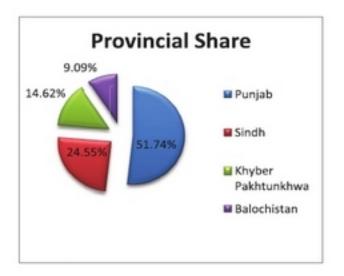
According to NFC award 1997 and its amendment under the Distribution of Revenue andGrant-in-Aid Amendment Order 2006, provinces shall be assigned in each financial year a share equal to the percentage of the net proceeds of the following taxes and duties levied and collected by the Federal Government:

- (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:



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

There shall be charged upon the Federal Consolidated Fund each year, as grants-inaids of the revenues of the province of Sindh an amount equivalent to 0.66% of the provincial share in the net proceeds of divisible pool as a compensation for the losses on account of abolition of octri and zila tax.

Khyber Pakhtunkhwa to meet the expenses on War on Terror. Out of the balance amount of the net proceeds of divisible pool taxes, 56% shall be assigned to provinces during the financial year 2010-11 and 57.5% from the financial year 2011-12 onwards.

Provincial Share Calculation

Transfer to provinces from taxes fall under two categories

Divisible pool Straight transfers 1% of the net proceeds of the divisible taxes shall be assigned to government of

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.

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 1,328,137 million was budgeted as revenue receipts against which actual receipts collected were Rs. 1,346,219 million. Capital receipts budgeted were Rs. 6,674,743 million and the actual receipts were of Rs. 7,700,470 million.

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

	2012	(Rupees in mil	lion)	201	1 (Rupees in millio	on)
	Budgeted	Amounts	Actual	Budgeted	Amounts	Actual
	Original	Revised	Amounts	Original	Revised	Amounts
Revenue						
General public services	1,843,843	2,079,793	1,976,024	1,412,878	1,667,056	1,640,765
Defence affairs and services	496,705	511,572	511,150	443,464	444,950	453,916
Economic affairs	121,034	176,204	171,227	134,001	112,129	120,905
Public order and safety affairs	62,662	65,650	80,780	53,158	60,084	66,654
Education affairs and services	54,363	61,318	57,993	55,612	55,118	60,658
Health affairs and services	3,280	7,434	10,493	21,522	23,607	23,554
Housing and community amenities	4,999	5,013	1,694	6,625	3,352	2,961
Recreation, culture and religion	4,302	5,461	6,766	4,794	4,420	4,838
Social protection	2,100	34,872	43,416	2,312	3,707	21,082
Environment protection	577	599	634	448	448	488
Total revenue payments	2,593,865	2,947,916	2,860,177	2,134,814	2,374,871	2,395,821

In the revised budget, General Public service expenditure has increased by 20.43%. 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's 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 kev 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 General Office 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, 2012, 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 is 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.

We report that:

 The entity, Federal Board of Revenue, did not provide complete record of Computerized Payment Receipts, i.e. Receipt Vouchers (either in soft or hard) which are the underlying transactions of tax revenue component. The component may contain numerous errors which cannot be quantified, as we have detected some errors using alternative audit procedures. We could not satisfy ourselves regarding the completeness, occurrence, measurement and accuracy of the tax revenue component. Accordingly, we have not been able to determine whether any adjustments might be necessary to the tax revenue component.

- A limitation was placed on the scope of our work by the entity, Accountant General Pakistan Revenues, due to extreme delay in submission of Financial Statements for which detailed audit tests and procedures could not be performed which were considered necessary to obtain reasonable assurance and audit evidence for the expenditure incurred.
- Expenditure of Rs. 71,796 million booked in Functional and Object heads under various
 grants in the Financial Statements was not reconciled with the Principal Accounting Officers
 of various spending units of Federal Government for the financial year 2011-12. Therefore
 the authenticity of expenditure cannot be ascertained.
- 4. An expenditure of Rs. 123.977 million was booked in Functional and Object heads under various grants in lieu of cheques issued during the year which were not presented for clearance to the State Bank of Pakistan before 30.06.2012 by the spending units. The Ministry of Finance vide SRO(1)2010 dated 31.03.2010 had issued instructions that cheques drawn up to 30th June will not be allowed to be encashed after 30th June. Therefore, effectively the status of those cheques stands invalid after June 30, 2012. Resultantly, the expenditure in Appropriation Accounts is overstated by Rs. 123.977 under various Grants.

Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to conduct detailed audit tests and procedures and obtain reasonable assurance, these financial statements present fairly, in all material respects, the financial performance of the Federal Government for the year ended 30 June, 2012, 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.

Emphasis of Matter

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 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 by the Auditor General of Pakistan under Article 171 of the Constitution of the Islamic Republic of Pakistan for laying before the Parliament.

Islamabad, Pakistan Dated: 31 DEC 2012 Auditor General of Pakistan

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

		ANTA (Respec	s in Million)	ZVIII (Nupoc	in Million)
FEDERAL CONSOLIDATED FUND	Note	Receipts / Payments Controlled by Federal Government	Payments by Third Parties	Receipts / Payments Controlled by Federal Government	Payments by Third Parties
RECEIPTS					
Taxation					
Income tax		342,215		237,675	
Sales tax		348,493		249,919	
Customs duty		102,474	-	83,720	
Federal excise		51,068		49,823	
Other taxes		12,869		11,724	
	7	857,119		632,861	-
Non-Tax Revenue and Other Receipts					
General administration receipts	8	3,558		4,406	
Economic services receipts	9	1,871		2,334	
Defence services receipts	10	9,875		70,931	
Development surcharge and royalties	11	107,278	-	116,877	
Citizenship, nationalization, passport and copyright		10,962		9,894	
Interest on loans and advances	12	23,449		29,170	
Dividend and profit share	13	253,354		227,645	
Others		48,528		27,450	
		458,875		488,707	-
Grants and Aid					
Development grants	14	21,973		2,586	
Borrowings					
Foreign debt	15	214,223		229,766	
Domestic permanent debt	16	756,978		476,155	
Domestic floating debt-net	17	907,078		832,436	
		1,878,279	-	1,538,357	
Capital Receipts					
Privatization proceeds	18	1,300		674	
Recovery of loans and advances	19	47,864	-	42,451	- 1
Investment recovery		130	.	25	
		49,294	-	43,150	
Trading Activities	20	8,252		8,334	
TOTAL RECEIPTS		3,273,792		2,713,995	

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

		2012 (Rupce	s in Million)	2011 (Rupees	in Million)
PAYMENTS	Note	Receipts / Payments Controlled by Federal Government	Payments by Third Parties	Receipts / Payments Controlled by Federal Government	Payments by Third Partie
Operations					
Salaries and employees benefits	21	499,210		428,027	
Operating expenses		340,606		298,639	
.,		839,816	-	726,666	-
Transfers					
Grants, subsidies and write-off of loans		953,656		801,924	
Other transfer payments		9,643		10,253	
		963,299		812,177	-
Expenditures on			l		
Physical assets		132,884		121,325	
Civil works		52,928		43,985	
Others		4,307		3,820	
		190,119		169,130	
Debt and Interest Payments					
Principal repayments of debts	22	338,619		317,155	-
Servicing of debts	23	905,680		714,250 1,031,405	-
Other Payments		3,113,115			
Leans and advances	24	170,338		113,617	
Investments	25	19,259		11,613	
		189,597		125,230	-
OTAL PAYMENTS		3,427,130		2,864,608	
ET PAYMENT OF FEDERAL					
CONSOLIDATED FUND		(153,338)		(150,613)	
ET RECEIPT OF PUBLIC ACCOUNT	26	137,476	-	243,731	
NCREASE / (DECREASE) IN CASH		(15,862)	-	93,118	
ASH AT THE BEGINNING OF THE YEAR		140,011	N/A*	46,894	N/A*
NCREASE / (DECREASE) IN CASH		(15,862)	N/A*	93,118	N/A*
ASH AT THE END OF THE YEAR	27	124,149	N/A*	140,011	N/A*

The annexed notes 1 to 31 form an integral part of these financial statements. N / Λ^a = Not Applicable

FEDERAL GOVERNMENT Statement of Cash Flows For the Year Ended 30 June 2012

For the Year Ended 30 June 2012	Note	2012 Rupees in million	2011 Rupees in million
CASH FLOWS FROM OPERATING ACTIVITIES			
Tax receipts	7	857,119	632,861
Non-tax revenue & other receipts		458,875	488,707
Development grants	14	21,973	2,586
Trading activities	20	8,252	8,334
Operations payments		(839,816)	(726,666)
Servicing of debt	23	(905,680)	(714,250)
Transfers		(963,299)	(812,177)
Cash used in Operating Activities		(1,362,576)	(1,120,605)
CASH FLOWS FROM INVESTING ACTIVITIES			
Privatization proceeds	18	1,300	674
Recoveries of loans and advances	19	47,864	42,451
Investments recoveries		130	25
Expenditure on physical assets, civil works & others		(190,119)	(169,130)
Investments	25	(19,259)	(11,613)
Payments of loans and advances	24	(170,338)	(113,617)
Cash used in Investing Activities		(330,422)	(251,210)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of domestic permanent debt	16	756,978	476,155
Receipt of foreign debt	15	214,223	229,766
Domestic floating debt-net	17	907,078	832,436
Principal repayments of debt	22	(338,619)	(317,155)
Net receipt of public account	26	137,476	243,731
Cash from Financing Activities		1,677,136	1,464,933
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS	L	(15,862)	93,118
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		140,011	46,894
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	27	124,149	140,011

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

FEDERAL GOVERNMENT

Statement of Comparison of Budgeted and Actual Amounts by Function For the Year Ended 30 June 2012

		1	012 (Rupers in million)		2	011 (Rupon in million)	
		Budgeted	Amounts	Actual	Budgeted	American	Actual
	Note	Original	Revised	Amounts	Original	Revised	Amounts
RECEIPTS							
Revenue							
Taxation		822,108	827,278	857,119	816,609	766,388	612,861
Non-taxation		706,523	590,859	489,100	560,741	471,800	499,62
Total revenue receipts		1,528,831	1,328,137	1,346,219	1,377,336	1,238,188	1,130,48
Capital							
Domestic debt		6,648,145	6,437,227	7,436,953	4,274,352	6,181,727	7,168,88
Foreign debt		287,236	180,523	214,223	286,934	254,720	229,76
Privatization proceeds			11 - 11	1,500			67
Recoveries of loses and advances		51,610	56,993	47,864	47,460	57,752	42,45
Others				130			
Total capital receipts	29	6,786,991	6,674,743	7,799,479	4,608,746	6,494,199	7,441,80
TOTAL RECEIPTS		8,315,822	8,002,880	9,046,689	5,986,096	7,732,387	8,574,2
PAYMENTS							
Revenue							
General public services		1,843,843	2,879,793	1,976,024	1,412,878	1,667,056	1,640,76
Defence affairs and services		496,705	511,572	511,150	443,464	444,950	453,91
Economic affairs		121,014	176,294	171,227	134,001	112,129	120,90
Public order and safety affairs		62,662	65,650	80,780	53,158	60,084	66,65
Education affairs and services		54,343	61,318	57,993	55,612	55,118	60,65
Health affairs and services		3,280	7,434	10,493	21,522	23,607	23,55
Housing and community amenities		4,999	5,613	1,694	6,625	3,352	2,96
Recreation, culture and religion		4,302	5,461	6,766	4,794	4,420	4,83
Social protection		2,100	54,872	43,416	2,312	3,707	21,68
Environment protection		577	599	634	448	448	48
Total revenue payments		2,593,865	2,947,916	2,860,177	2,134,814	2,314,871	2,395,82
Capital		C	C 1007 100		C		
General public services		6,441,522	6,395,660	6,335,773	4,510,742	6,223,374	6,324,85
Economic affairs		4,909	5,961	4,077	9,334	4,065	4,22
Total capital payments	L	6,446,431	6,311,621	6,339,850	4,520,076	6,227,439	6,329,68
TOTAL PAYMENTS	29	9,840,296	9,259,537	9,200,027	5,654,890	8,602,310	8,724,900

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

FEDERAL GOVERNMENT Statement of Comparison of Budgeted and Actual Expenditure by Division For the Year Ended 30 June 2012

		2012	(Rupees in milli-	on)	200	(Rupers in millio	a)
		Budgeted.		Actual	Budgeted		Actual
DIVISIONS	Note	Oviginal	Revised	Amounts	Original	Revised	Amounts
Cabinet Secretariat		133,357	171,810	184,614	90,999	121,737	122,130
Establishment Division		3,646	2,879	2,995	2,335	3,932	3,525
Commerce Division		5,288	4,659	4,871	5,393	26,263	26,495
Communications Division		5,687	5,704	7,718	4,799	4,551	4,872
Culture Division		1,111	.,	7,110	1,003	528	560
Capital Administration and Development Division		4,448	7,960	10,883	1,000	34.0	186
Climate Change Division		1,110	22	339			
Defence Division		10,679	11,602	15,071	19,261	10,510	16,535
Defence Production Division		1,986	1,972	1,486	1,761	744	368
Defence Services		493,745	508,221	508,291	449,746	443,245	452,651
Economic Affairs Division		428,678	337,299	308,836	323,070	301,511	290,334
Education Division		420,070	331,277	200,000	9,385	4,108	7,696
Environment Division					1,321	636	612
Finance Division		7,658,458	7,914,497	7,890,763	5,476,274	7,036,458	7,145,022
Revenue Division		14,105	12,630		12,442	13,153	13,333
		14,795	12,630	15,463			
Food and Agriculture Division		12.00			12,713	17,446	14,848
Foreign Affairs Division		12,384	12,427	12,847	11,527	11,609	10,768
Health Division					19,246	21,514	21,001
Higher Education Commission		26,887	31,500	28,889	23,220	29,037	29,068
Housing and Works Division		4,408	5,662	5,456	6,160	4,075	4,656
Human Rights Division		111	276	241	101	62	75
Human Resource Development Division			224	260			
Industries and Production Division		2,778	2,717	1,779	3,787	6,230	6,007
Information and Broadcasting Division		4,252	4,994	6,384	3,548	3,684	4,093
Information Technology & Telecommunication Division		3,332	3,310	3,167	3,098	2,222	2,824
Inter Previncial Coordination Division		336	1,662	3,804	26	48	134
Interior Division		55,007	57,622	72,181	49,338	53,774	59,246
Kashmir Affairs & Gilgit Baltistan Division		31,535	12,370	11,686	25,215	29,842	28,489
Labour and Manpower Division					450	427	436
Law, Justice & Parliamentary Affairs Division		3,453	3,870	2,766	2,900	2,990	2,476
Livestock and Dairy development Division					1,099	417	380
Local Government & Rural Development					5,226	9,136	6,858
Minorities Affairs Division					237	220	219
Narcotics Control Division		1,387	1,258	1,615	1,300	1,075	1,255
National Food Security and Research Division			1,480	1,344			
National Harmony Division			84	72			
National Heritage and Integration Division			285	422			
National Regulations and Services Division			22	23			
National Assembly		1,803	1,803	1,740	1,594	1,571	1,450
The Senate		1,041	1,041	1,016	908	896	843
Overseas Pakistanis Division		491	512	493	472	432	428
Pakistan Railways Division		12,500	10,948	8,870	9,874	3,617	3,615
Petroleum and Natural Resources Division		703	868	853	1,145	11,351	12,776
Planning & Development Division		32,482	32,954	3,582	9,932	2,161	2,534
Population Welfare Division		74,444	24,724	2,244	4,358	675	836
Ports and Shipping Division		1,239	1,266	614	929	815	850
Postal Services Division		10,987	10,984	12,457	8,786	8,705	10,117
		75	121		73	69	70,117
Privatization Division				111			
Professional and Technical Training Research Division			3,846	3,019			
Religious Affairs Division		529	595	611	457	458	445
Scientific and Technological Research Division		4,834	5,410	5,411	4,968	4,303	4,225
Social Welfare and Special Education Division					2,948	2,107	2,456
Special Initiatives Division					1,056	83	252
Sports Division					778	696	803
States and Frontier Regions Division		26,471	27,106	31,760	19,514	26,292	31,125
Statistics Division		1,287	1,985	1,610	931	2,433	2,400
Textile Industry Division		275	292	297	306	7,699	216
Tourism Division		-		-	363	188	197
Water and Power Division		34,497	34,625	27,225	27,702	360,296	365,797
Women Development Division				-	253	172	165
Youth Affairs Division					3,782	1,533	1,592
Zakat And Ushr Division					90	26	26
Staff Household and Allowances of the President		483	483	649	427	463	438

FEDERAL GOVERNMENT

Statement of Comparison of Budgeted and Actual Expenditure by Division For the Year Ended 30 June 2012

		201	2 (Rupees in millie	HB)	2011	(Rupees in millio	0)
		Budgeted	Amounts	Actual	Budgeted /	Umounts	Actual
DIVISIONS	Note	Original	Revised	Amounts	Original	Revised	Amounts
Audit		2,300	2,300	2,452	1,832	1,709	2,060
Supreme Court		1,199	1,229	1,842	823	823	732
Election Commission		1,390	1,890	2,480	1,254	1,219	1,096
Wafaqi Mohtesib.		273	270	260	260	219	259
Federal Tax Ombudsman		90	90	89	95	95	92
TOTAL PAYMENTS	29	9,040,296	9,259,537	9,200,027	6,654,890	8,602,310	8,724,992

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

FEBRUAL CONTRONDENT Statement of Appropriates of Creen by Object for the Your Earlot 10 June 2023

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and Photovillac and Supplies		97.0										1888
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96 - Other Expenditure of Salarian Distanta	11000		2,412.88	191	80.00	10.27			189.36			-	14.10	SARS LO
NT - Karbonic Action and Grigor Baltiman Division	90.00		00.11	679	100.00	828		٠	0010				90.00	238.34
Mr. Other Expenditor of Karboni Affairs and Odgat Baltimas Division	00.00		180		459839			٠	08/0			٠	52.0	4534539
W-Olgs Balans	7.86	ŀ	0.00		00.004	ŀ					ľ		999	***
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D - National Assembly	4000		104.04	99	9899	9 7			99100		٠		14.00	CMED
N-Thi Mate	408.19		90 000	438	10.04	18.33			131			-	14.50	1,816.36
24. National Barnarry Shickes	28.16		13.68		19430	823					ŀ		99.0	10.54
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M. Connectioning proper	31.86	-	800	-	100	700	-	-	6.01		1	-	0.11	34.16
	984		988		999	9		٠			•		4.50	11.44
[36] - National Feed Security and Brownith Obstices	340.00		×	2	1,001.00	181	٠				•		11	1,346.02
St. Overson Painterin Division	238.65		196.22	6.0		678			878	٠			177	4444
N. Petrikan and Search Research Division	111.80		130.60	100		91			900	•			971	11910
71: Caringias farmo	201.08	ŀ	10.60	9.0	340						ŀ		0.0	11.11
19 - Other Indentition of Petrolican and Natural Resistant States		Ī	0.72			İ			ľ		1			40.00
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W. Seed Section Visition	000	ĺ		188	900						1	N CO		100
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A - Hardense Invasor	97.19		R T		987	2 2			-	•	•		0.00	11111
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IB - Creativi Delenic biorings	650	=	20.60	0.00		87		٠	916		·		0.60	444
 Other Expendition of Religious Affairs District 	120.39		110.13		28,00	138							323	41314
87 - Seinstife and Yorkesington Romanch Deteins	36.00		290.50	100	639	10		٠	2.04				2.96	39580
 Other Expendition of Selectiful and Selecting and Remark Distanta 	2,294.41	191.36	460.00	CHES	4071	810	979	٠	0140		•	28.83	0000	3,885,29
60 - Navo and Pressive Rapiests Debates	32.86		18.28	138	640	160			638				140	19.65
W. Franke Ropins	1361	,	39.66			625			117.69				4.15	3,518.00
SC - Frabrich Administrat Drink Assaul	0.36544	,	1.800.61		N.80	8			138		ľ	-	876	1414418
H. Mathemas Alemana to D. Bakes	187	ŀ		ŀ							ŀ			100
IO - Alpha Lubpus	203.00		1999	19.01	103	10.0			6.9				1.86	10.10
W. Totalla Bulletty Dicksing	986		000	430	10.00	D. S			91		ŀ		28.19	196.10
ICI - Wash and Preva Dobales	135.40		304 66	480	0.00	110			6.18				1.40	090
96. Cquid Oudry on Purchase by Scatter's Albier and Oligit Bellifors Strokes			-	-	-	-		-	943.99	-				96,94
m - Frank Medianne Impetent					-						1823462			1427942
96 - Other Least and Advances by the Federal Government	-					-		12,000,01				-		13,18671
Total Carrent Expenditure	200,000	MIN	185,795,74	246,08.03	STATE AND ADDRESS OF	4,034.27	423	73,638.75	217,546,40	636	1 0429447	40,000,00	2417.00	4,395,666.00
Stocksoner Associates			ŀ											
IND. Evolution Paraditive of Color States	20.00	ľ	20,000,00	ŀ	100	1	ľ		3		ŀ	16 107	9.7	40,000
2011 - Other Development Expressions of Colone Develops Openin 1920			40 (40 Ex		M0004									44.194.60
(10) - Everlagaser Papacitive of Emblishaser Decision	8.7	ľ	4 10			ŀ			10.00		ľ		999	118
102 - Everlagenes Eugendrum of Capital Admin and Dev Division	E 9	10.00	999	25.0					111.89		ľ	9949	9.0	11044
104 - Development Payandhare of Commerce Stricking	39.00		15.61		1039	186			3130			40.40	570	25246
TIST - Environment Propositions of Communications Division		4.70			234631							1974		129540
100 - Development Trapmed type of Disferois Districts	20'55		294.63		40'00				3,286,34		Ì	239.29	0.00	471779
THE - Emologoran Engandeurs of Polansi Oromanus Educational Indications In						80	•	٠			•	•		11.90
100 - Developmer Expenditive of Outhour Profession Districts	-	-	-	-	-	-		-	1208.00			-		CHRA
TAN - Equal groups in Superdings of Supersing Affairs Thomas	50,00		0.0		-	1136	-		6.34		1	1740	919	114.13
III. The Square Paper Start of Section 3-bitter	100	i	N S	1		1		•			1	-	241	18.19
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PERSONAL COMPRESSION Statement of Aggregations of Green by Object and A. Vindell of Law Sept.

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	Daylow Shand	Projective benefities taxible	Į		Contribution of No.	Transfer	Manual Payment] [Physical Assets	Principal Reportments of Locals	house	Service.	Name	Greet Year
24 - Evolupous Expandium of Revisus Division	8.57		166.53	Ш					400.15			800.81	989	1,849.95
18 - Development Expenditure of Planning and Development Districts	112.00		236834		98,30	77			III.N			144.34	325	234846
DA - Devicement Expenditure of Human Raghas Districts	8.36		87.08		-				-					18.18
34. Development Proprietty of Information and Brasilianing Thinkson	136		230	-	OF STREET		-							N.D
17 - Development Trajenditure of Internative Technitings and Telecommunications			10.00		18.31	100			98.90			200,000	979	4114
18 - Development Prograditive of Interpretated Coordination Division	0000		1,000,00	5		ľ			0.13			101.00	91	2,000.02
Professor Tayodhan of Institution Division	0000		86.38						17838			1,000.77	1223	18118.59
Ch. Development Fayer-Dayer of Kaubons Affairs and Oligis Ballates Division	ŀ		4,186,84											4,396.30
Cli-Evolopeur Topardine of Lat. Jatio and Palamentary Allan Dinasa			160.00	0.0		100			10-0			2.65	21.0	401.00
22 - Ewelspreet TopesStare of Naveskia Carbeil Divises		ľ	100 600									16.00		142.00
23A - Denkeymen Engendies of National Tend Seasons and Benanth Division	-	ľ	-		10.00			-						1
20C - Bearbassan Town-Share of Cleade Chape Bullion	ŀ	ľ	2	1			1							20.00
23 - Evolutionary Transform of Dendary and Natural Resource Division		ľ		1								tali Sa		106.50
23A - Development Expenditure of Purfusional and Enchantal Entering District	13.40		1.488.70		40.04	971			180				440	146615
CH. Equipment Expendition of Scientific and Technological Ensuring Streets		ľ	410	1	1100.00	100							999	114411
25 - Devolument Transliture of Polendy Administral Tolad Assaul		ľ	11.008.17											11316.17
28 - Evolution of Experience of Tomin Interny Principal	3	ľ	10.00	1		1010						16.36	99.90	*****
27 - Development Expenditure of Water and France Districts			1.60		24,483,42					-		613	-	3411111
CB - Capital Outlay on Densispment of Assense Dongs			34,580.08											34,180.00
29 - Esternal Development Loan and Advances by the Section Community		,					٠	MARKET				٠		383,098,34
76 - Capital Cultay on Poland Insurtments											38931			26.000
11 - Development Loans and Advances by the Federal Coversions		,						11,396,00						11,114,185
72 - Cquist Outing on Works of Parsign Affain Strinkin	111		419		-			-				38.00		14.14
23 - Capital Outing on Chall Works	40.00	•	148.62					•				1,50m 20		134431
CM - Capital Outlay on Subserval Development			-		461.86						•			96.138
OAA - Capital Outley on Production Doubles		•	•		36556		•					•		96.096
25 - Capital Outigy on Premiums and Natural Barratum	11.66		10.50			999			6119			1.50	1.00	80
Oil - Capital Outlay on Parts and Stigging Discision			45.55		940,40						•	-		100.0
CT - Capital Outlay on Policion Ballways						٠					1,031.01			11333
Feial Destigment Approximen	ALCONO.	1277	DEFEND	346	MINDS IN	NEWN	-	114,227,39	TLABOUT.		0000	4,00,07	(1967)	400,000
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21 - Superior Credi	0.00		110.60	3.84	-	227	-	-	1141		-	-	E4	10.64
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Accountant General Pakistan Revenues

Notes to the Financial Statement For the Year Ended 30 June 2012

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;

- a) Centralized Accounting Entities; for which the Accountant General Pakistan Revenues has the primary responsibility for accounting and reporting.
- 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
 - Pakistan Mint
 - 7. Geological Survey of Pakistan
 - 8. Pakistan Railways
- e) 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.

Notes to the Financial Statement For the Year Ended 30 June 2012

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

4. REPORTING AND BUDGET PERIOD

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

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.

Notes to the Financial Statement For the Year Ended 30 June 2012

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.

Notes to the Financial Statement For the Year Ended 30 June 2012

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 form 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.

Notes to the Financial Statement For the Year Ended 30 June 2012

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 2012

7. TAXATION

		2012 (Rupees in mill	lion)	2011 (Rupees in mi	llion)
	Note	Tax Collected	Transfers	Net Tax Collected	Tax Collected	Transfers	Net Tax Collected
Income tax	7.1	711,016	(368,801)	342,215	571,804	(334,129)	237,675
Sales tax	7.2	804,860	(456,367)	348,493	633,654	(383,735)	249,919
Customs	7.3	216,915	(114,441)	102,474	184,851	(101,131)	83,720
Federal excise	7.4	122,506	(71,438)	51,068	137,313	(87,490)	49,823
Others	7.5	12,929	(60)	12,869	12,473	(749)	11,724
		1,868,226	(1,011,107)	857,119	1,540,095	(907,234)	632,861

- 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%(2009-2010 @ 16% to 21%). 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	Note	2012 Rupees in million	2011 Rupees in million
Direct Taxes	[
Capital Value Tax		73	(608)
Land Revenue		192	77
Tax on Profession, Trade and Callings		8	26
Other Direct Taxes		9,051	10,630
		9,324	10,125
Indirect Taxes			
Receipts Under Motor Vehicles Act		1,375	1,065
Stamp Duties		648	330
Provincial Excise		136	127
Others Indirect Taxes		1,386	77
	Į	3,545	1,599
		12,869	11,724

FEDERAL GOVERNMENT Notes to the Financial Statements

For the Year Ended 30 June 2012

		2012 Rupees	2011 Rupees
	Note	in million	in million
8. GENERAL ADMINISTRATION RECEIPTS			
Social Services		1,103	1,067
Community Services		731	867
Law and Order		676	713
Fiscal Administration		205	599
Economic Regulations		753	1,096
Organs of State		87	59
Statistics		3	5
		3,558	4,406
9. ECONOMIC SERVICES RECEIPTS			
Receipts under Oilfields and Mineral Development Act		547	345
Fisheries and Animal Husbandry		224	250
Special Communication Organization Receipts		924	1,602
Food and Agriculture		174	124
Forest and Irrigation		2	13
		1,871	2,334
10. DEFENCE SERVICES RECEIPTS			
Administrative Services		696	64,146
Air Force		1,399	996
General Headquarters		1	1,774
Military Engineering Services		1,614	1,309
Pakistan Navy		882	666
Defence Services Others		1,524	790
Receipts on certain measures of Inter-Services Nature		698	723
Purchase and Sale of Stores, Equipment and Animals		2,566	
Procurement, Research & Product Development		301	265
Military Farms		194	262
		9,875	70,931

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.

11. DEVELOPMENT SURCHARGE AND ROYALTIES	Note	2012 Rupees in million	2011 Rupees in million
Petroleum Development Levy	11.1	60,371	72,325
Development Surcharge on Gas	11.2	19,224	30,358
Royalty on Crude Oil	11.3	23,275	23,355
Royalty on Natural Gas	11.3	39,530	38,433
Discount Retained on Local Crude Price	11.4	20,027	36,925
Gas Infrastructure Developement Cess	11.5	12,685	
Petroleum Levy on LPG		165	
Mineral Royalties		40	29
Windfall Levy on Crude Oil		10,734	7,507
		186,051	208,932
Less: Provincial Share		(78,773)	(92,055)
		107,278	116,877

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 2012

- 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.
- 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.

		2012	2011
		Rupees	Rupees
12. INTEREST ON LOANS AND ADVANCES	Note	in million	in million
Interest on Loans and Advances to Govt. Servants		60	57
Loans and Advances - Others		6,181	4,811
Provinces		12,875	19,340
Financial Institutions		3,101	4,165
Non-Financial Institutions		1,220	541
District Governments		12	256
	-	23,449	29,170
13. DIVIDEND AND PROFIT SHARE			
Dividends Receipts	13.1	49,354	50,645
Profit share	13.2	204,000	177,000
		253,354	227,645
13.1. Dividends Receipts			
Financial Institution			
National Investment Trust		23	
Pak Oman Investment Company		108	
Pak Brunei Investment Company		100	
State Life Insurance Corporation		-	358
Pakistan Re-Insurance Corporation		404	404
Others	II.	12	299
	"	647	1,061
Non-Financial Institution			
Oil and Gas Development Corporation		22,572	14,491
Pakistan Telecommunication Corporation		-	5,549
Govt Holding Pvt LTD		13,000	13,000
Pakistan Petroleum Ltd	- 11	6,358	11,917
Saindak Metal (Pvt) Limited		2,000	2,000
Pak Arab Refinery		2,400	600
Pakistan Security Printing Corporation		360	300
Pakistan State Oil Company Ltd		592	501
Fauji Fertilizer Co Limited	- 11	91	36
Sui Northern Gas Pipe Lines Ltd	- 11	174	348
Sui Southern Gas Company Ltd		1,115	535
Others	I L	45	307
		48,707	49,584
	_	49,354	50,645

Notes to the Financial Statements

For the Year Ended 30 June 2012		2012 Rupces	2011 Rupees
13.2. Profit share	Note	in million	in million
State Bank of Pakistan	13.2.1	204,000	177,000
		204,000	177,000

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.

		2012	2011
		Rupees	Rupees
	Note	in million	in million
14. DEVELOPMENT GRANTS			
Foreign Governments	Γ		
United States of America		9,082	
United Kingdom		2,041	
Saudi Arabia		172	
Germany		720	
Others		36	2,586
Foreign Organisations		12,051	2,586
		8,496	
International Bank for Re-construction and Development		1,340	
Asian Development Bank		- 70 - 10	
International Development Association		86	
	L	9,922	
		21,973	2,586
15. FOREIGN DEBT - RECEIPTS			
International Monetory Fund			67,722
Asian Development Bank		36,582	39,587
Loans from International Development Association		47,996	66,392
Islamic Development Bank		13,471	4,685
Chinese Loan		91,208	27,110
Saudi Arabia		746	731
Loans from International Bank for Re-construction and Development		7,035	3,028
Yen Credit from Japan		12,892	12,793
International Fund for Agricultural Development		1,151	1,560
French Credit		233	1,258
Dollar Bond N.C.C.			1,874
German Export Credit		321	61
Kuwait		1,276	729
O.P.E.C. Special Fund Loan		812	207
Others		500	2,029
		214,223	229,766
16. DOMESTIC DEBT - RECEIPTS			
Government Securities			
Permanent Debt	16.1	756,978	476,155
Floating Debt-net	17	907,078	832,436 1,308,591
16.1 Permanent Debt		1,101,110	1,500,571
		1/2 001	120 444
National Prize Bonds		162,881	139,644
Pakistan Investment Bonds		407,303	154,153
Ijara Sukkuk Bond		186,791	182,355
Special U.S. Dollar Bonds		756.978	477.177
		756,978	476,155

Notes to the Financial Statements For

otes to the Financial Statements or the Year Ended 30 June 2012		2012 Rupces	2011 Rupees
	Note	in million	in million
17. DOMESTIC FLOATING DEBT-NET			
Floating Debt Receipts			
6 Months Market Treasury Bills purchased by SBP 6 Months Market Treasury Bills (Auction) Treasury Bills for Ways and Means		3,263,503 3,416,472 - 6,679,975	3,007,201 3,685,469 59 6,692,729
Floating Debt Payments			
6 Months Market Treasury Bills purchased by SBP 6 Months Market Treasury Bills (Auction) Treasury Bills for Ways and Means Promissory Note		2,742,853 3,029,350 - 694 5,772,897	2,691,785 3,167,608 59 841 5,860,293
18. PRIVATIZATION PROCEEDS			
Others		1,300 1,300	674 674
19. RECOVERY OF LOANS AND ADVANCES			
Provinces Financial Institution Government Servants Non-Financial Institution Others		36,142 5,703 1,897 1,679 2,443	30,747 5,942 1,736 1,570 2,456 42,451
20. TRADING ACTIVITIES			
Pakistan Post Office - Receipts Sale of wheat		8,250 2 8,252	8,332 2 8,334
21. SALARIES AND EMPLOYEES BENEFITS			
Pay and Allowances Retirement Benefits		351,057 148,153 499,210	314,167 113,860 428,027
22. PRINCIPAL REPAYMENTS OF DEBT			
Foreign Debt			
Asian Development Bank Islamic Development Bank International Bank for Re-construction and Development International Development Association Chinese Loan Yen Credit from Japan French Credit German Loan Saudi Arabia Dollar Bond N.C.C. Italian Credit Korea		63,861 630 13,949 17,180 12,708 5,720 3,038 2,148 9,603 670 52 1,156	53,560 28,192 13,691 14,442 9,675 4,881 2,645 1,547 15,311 1,874 1,953 951
Others		4,571	5,429
		135,286	154,151

or the Year Ended 30 June 2012	Note	2012 Rupees in million	2011 Rupees in million
National Prize Bonds		107,079	100,219
Sukleuk Bonds		27,848	
Government Bonds Low Yield			4,957
Government Bonds to PSEs			1,538
Special U.S. Dollar Bonds		106	206
Federal Investment Bonds			2
Pakistan Investment Bonds		68,297	56,080
Others		3	2
		203,333	163,004
		338,619	317,155
23. SERVICING OF DEBT			
Domestic Debt		837,751	645,818
Foreign Debt		67,929	68,432
		905,680	714,250
24. LOANS AND ADVANCES			
Revenue Expenditure			
Capital Expenditure			
Non-Financial Institutions		76,488	39,372
Provincial Governments		42,666	35,621
District Governments	2010	27,085	20,700
Government Employees	24.1	3,786	2,950
Others		20,313	14,974
		170,338	113,617
		170,338	113,617
24.1. Government Employees			
House Building Advance		3,245	2,445
Motor Cycle Advance		266	268
Motor Car Advance		272	233
Cycle Advance		3	4
		3,786	2,950

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.

		2012	2011
		Rupees	Rupees
	Note	in million	in million
25. INVESTMENTS - PAYMENTS			
Pakistan Railways		8,870	3,615
Karachi Electricity Supply Company		3,272	1,383
P.I.A. Corporation		2,840	2,867
E.C.O. Trade and Development Bank		2,196	2,072
Pak China Investment Company			66
Asian Development Bank		541	511
Islamic Development Bank		1,127	
PASDEC Islamabad		54	
PHPL			15
Karachi Shipyard and Engineering Works Ltd.			517
NIP Karachi		249	120
Pakistan Dairy Development Co.			83
Pakistan Broadcasting Corporation		60	58
Pakistan Television Corporation		50	74
Pakistan Steel Mills Ltd.			232
		19,259	11,613

Notes to the Financial Statements For the Year Ended 30 June 2012 26. NET RECEIPT OF PUBLIC ACCOUNT	Note	2012 Rupees in million	2011 Rupees in million
Receipts			
Other Public Accounts		1,010,282	1,517,677
National Saving Schemes		811,389	650,843
Deposits		595,481	731,577
State Provident Fund		55,794	34,529
		2,472,946	2,934,626
Payments			
Other Public Accounts		(1,066,684)	(1,503,183)
National Saving Schemes		(679,428)	(457,032)
Deposits		(557,247)	(706,814)
State Provident Fund		(32,111)	(23,866)
		(2,335,470)	(2,690,895)
	,	137,476	243,731

26.1. The public account consists of those moneys received by the Government for which it has a fiduciary dary, 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.

27. CASH AT BANK AND TREASURIES	Note	2012 Rupces in million	2011 Rupees in million
Cash with State Bank of Pakistan (SBP)		124,351	140,229
Cash Balance with Treasuries		(202)	(218)
		124,149	140,011
28. ASSETS AND LIABILITIES			
Assets			
Long Term Assets		602,078	416,266
Investments		532,011	512,882
Loans and Advances		1,327,202	1,204,728
Current Assets		66,438	58,802
Cash at Bank and Treasuries		124,149	140,011
		2,651,878	2,332,689
Liabilities and Equity			
Public Debt		9,523,215	7,983,555
Special Deposits and Trust Accounts		1,924,859	1,795,068
Deferred liabilities		91,092	75,772
Capital Receipts		265,981	264,681
Residual Equity		(9,153,269)	(7,786,387)
		2,651,878	2,332,689

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 2012	Note	2012 Rupees in Million	2011 Rupees in Million
Actual receipts in Statement of Comparison of Budget and Actual Amounts by Function		9,046,689	8,574,288
Add: Floating debt-net	17	907,078	832,436
Less : Floating debt receipts	17	(6,679,975)	(6,692,729)
Actual receipts in Statement of Cash Receipts and Payments		3,273,792	2,713,995
Payments			
Actual payments in Statements of Comparison of Budget & Actual Amounts by Function and Actual Expenditure by Division		9,200,027	8,724,902
Less : Floating debt payments	17	(5,772,897)	(5,860,293)
Actual payments in Statement of Cash Receipts and Payments		3,427,130	2,864,608

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 DEC 2012_.

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