MODULE 3 | BUDGETS, ACCOUNTS AND PAYMENTS

Accounts, Records and Reconciliation

11

LECTURE

Practical hospital governance in Punjab, Pakistan

Trace each amount to its evidence.
Explain every difference before signing.

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Edition 1.0 | 4 October 2026

SELF-STUDY PDF

Know what the accounts can prove

For the Medical Superintendent (MS): keep reliable records, check balances and obtain an honest explanation of differences.

- Identify who maintains each set of accounts.
- Trace receipts and payments to source documents.
- Reconcile bank and accounts-office figures.
- Review corrections, advances and unresolved items.

OFFICIAL SOURCE

A principle tied to a named law, rule or official manual.

WORKING METHOD

A practical control or teaching format to adapt to the authorised system.

TEACHING CASE

An invented hospital example. Amounts are for learning, not spending authority.

Study output

A monthly reconciliation pack with evidence, named owners and follow-up actions.

Module 3 | Presentation 4 of 5. Allow 45-60 minutes with exercises. All explanations are on the pages; check the cited sources before live use.

Start with the hospital's actual accounting arrangements

One hospital may handle government expenditure, institutional funds and restricted money through different authorised arrangements.

Government accounting route

- Identify the relevant Accountant General (AG), District Accounts Office (DAO), Drawing and Disbursing Officer (DDO) and prescribed records.
- Confirm which office records transactions, processes payments and supplies the official expenditure statement.

Institutional accounting route

- For an autonomous institution, read its governing law, valid accounting rules and approved reporting arrangements.
- Where it applies, the Punjab Medical and Health Institutions Act 2003, sections 14-15, covers the fund, budget, accounts and audit.

Autonomous status does not by itself prove that every receipt, bank account or payment follows the same route.

Sources: **F4**: secs. 1.4, 2.2.1 | **F6**: ss. 14-15

Separate the records from the roles

The Accounting Policies and Procedures Manual (APPM), issued in 1999, predates later changes in government accounting.

Role / office	Main purpose in this lesson	What the MS should establish
Hospital / DDO	Keep required local records and evidence; compare them with official accounts.	Named preparer, reviewer and reporting route.
AG / DAO route	Maintain and report the relevant government accounts and process authorised transactions.	Which statement covers this hospital and period.
Institutional finance	Maintain accounts required by the institution's valid framework.	Applicable accounting policy and reporting duties.
Audit function	Examine records under the applicable audit mandate.	Access to evidence; follow-up of findings.

The Controller General of Accounts (CGA) describes its accounting and payment duties. Preparing accounts is separate from auditing them.

Sources: **F11**: Functions | **F4**: sec. 16.3 | **F6**: s. 15

A payment, a bill and a commitment are different records

Apply the accounting basis prescribed for the relevant fund. Do not assume that every hospital uses full accrual accounts.

Item	Plain meaning	Record or treatment to establish
Payment	Money paid under the prescribed accounting rules.	The applicable payment date and account entry.
Unpaid bill	A claim awaiting checking or payment.	Bill status and any recognised liability under the applicable policy.
Commitment	An authorised obligation to pay in the future.	Commitment record; avoid counting it again after payment.
Modified cash	Cash accounting with specified additional records or adjustments.	APPM describes this basis; read its detailed rules and later changes.

Under APPM section 4.3.2, cheque expenditure is recorded when the cheque is issued. Its later bank clearance is a separate event.

Sources: **F4**: secs. 2.6, 4.3.2-4.3.3

Keep the right records in the right office

This is a practical record map. The required forms and systems come from the applicable rules and authorised accounting arrangements.

Record group	What it should show	Typical local evidence
Receipts and cash	What was collected, deposited and held.	Receipt record, cash book and deposit evidence.
Spending and bills	What was ordered, claimed, paid and still open.	Commitment, bill and payment records.
Payroll and advances	Who was entitled, paid or required to account.	Payroll support and individual advance balances.
Stocks and assets	What was received, held, issued or transferred.	Stock record, asset register and verification.
Reconciliations	Whether independent records agree.	Bank and accounts-office comparisons.

APPM section 16.3 distinguishes records kept by the AG/DAO from those kept by the DDO. Do not replace them with one informal spreadsheet.

Sources: **F4**: secs. 16.3.2-16.3.3 | **F2**: r. 2.1

Give every transaction a complete evidence trail

A reviewer should be able to move from a summary total to the original transaction and back again.

1	**Identify the case**	Use the approved case, contract, bill, receipt or other reference.
2	**Record the event**	Show the date, amount, party, purpose and correct account code.
3	**Link the evidence**	Connect approval, receipt or entitlement, payment and banking evidence.
4	**Check the total**	Match the detailed entries to the register, ledger and reported total.

A scan can help retrieval. It does not by itself replace a required original, authorisation or approved electronic record.

Sources: **F4**: secs. 7.4.1, 16.2-16.3 | **F2**: r. 2.32

Use the correct account head, not just a familiar label

A code identifies where a transaction belongs in the authorised accounts. Confirm the detailed code with the accounts office.

Broad object	Official heading	Practical point
A01	Employee Related Expenses	Check the correct pay or allowance detail.
A03	Operating Expenses	Choose the detail that matches the expense.
A09	Expenditure on Acquiring of Physical Assets	Record the asset separately in the asset register.
A13	Repairs and Maintenance	Do not assume every equipment-related bill belongs here.

Also verify the fund, entity, year and other required coding fields. These are selected headings from the 15 December 2024 Chart of Accounts.

Sources: **F5**: A = Expenditure; Fund / Entity / Function sheets

Match receipts to the right to collect and the bank deposit

Working method for hospital fees and other receipts. Apply the approved collection, exemption, refund and deposit rules.

01 Authority

Identify the approved fee or other lawful basis for collection.

02 Receipt

Use the authorised receipt or system record and a unique reference.

03 Completeness

Check sequence, cancelled entries, daily totals and exceptions.

04 Deposit

Match the collection to the deposit evidence and correct account.

05 Credit

Confirm the treasury or bank credit; investigate missing amounts.

06 Adjustment

Link each refund, waiver or correction to its lawful approval.

Punjab Financial Rules (PFR) rule 4.1 requires departments to check dues and credits. Collection, deposit and credit are separate checks.

Sources: **F2**: rr. 2.1, 2.4, 4.1 | **F4**: secs. 5.3-5.4

A cash book must agree with real cash

The cash book or approved equivalent is a transaction record. Physical cash verification tests whether the recorded cash is actually present.

Record and check

- Where PFR rule 2.2 applies, enter cash transactions promptly, attest checks and close the book regularly.
- Match receipts and payments to evidence. Keep public money separate from private money.

Count and explain

- PFR rules 2.2-2.3 provide for monthly physical verification and a dated certificate of the actual cash balance.
- Record and investigate a shortage or surplus through the prescribed process. An unexplained difference is not a balancing figure.

Do not combine cash in hand, bank balances and outstanding advances as if they were the same asset.

Sources: **F2**: rr. 2.1-2.4

Control access to money and records

Working method: build a clear division between custody, entry, approval and review, within the staffing and rules that apply.

01 Bank authority

Keep the written basis for the account and its permitted purpose.

02 Signatories

Maintain the approved signatories and remove obsolete access.

03 Custody

Identify who holds cash, receipt books and payment instruments.

04 System access

Use named access and permissions suited to each assigned role.

05 Review

Have someone other than the preparer review the reconciliation.

06 Handover

Record balances, pending items, instruments and access changes.

The Punjab Public Financial Management Act 2022, section 32, addresses government banking and signatories. Check the applicable institutional arrangements.

Sources: **F1**: s. 32 | **F4**: sec. 2.3.2

Three comparisons answer three different questions

Reconciliation means comparing records, explaining each difference and completing the required correction or follow-up.

Comparison	Question answered	Typical evidence
Cash book vs cash count	Is the cash recorded as held actually present?	Count certificate and cash book.
Book vs bank	Do recorded bank transactions agree with the bank statement?	Statement, reconciliation and supporting entries.
Hospital vs AG / DAO	Do hospital records agree with the relevant official accounts?	Head-wise expenditure and receipt statements.

An agreed bank balance does not prove correct budget coding. An agreed accounts-office statement does not prove that physical cash is present.

Sources: **F2**: rr. 2.2-2.4, 4.1 | **F4**: ch. 6; sec. 4.5.1.3

Why the bank and the book may differ

First classify the difference. The next action depends on its cause.

Difference	Meaning	What to do
Timing	A valid entry appears in one record before the other.	Identify the item and confirm later clearance.
Missing book entry	A valid bank transaction has not yet been recorded locally.	Verify the evidence and enter it through the authorised process.
Wrong entry	An amount, account or transaction is incorrect.	Identify where the error sits and arrange the correct adjustment.
Unexplained item	The evidence does not yet explain the difference.	Investigate and escalate; do not call it timing without proof.

A reconciliation explains differences. It does not approve a transaction, excuse a loss or authorise a write-off.

Sources: **F4**: secs. 6.3.4-6.3.5 | **F2**: rr. 2.33-2.35

Reconcile one bank account and one period at a time

Working method for an authorised institutional bank account. Use the prescribed government format where it applies.

1	**Fix the scope**	Identify the account, month, book closing balance and bank statement.
2	**Match the entries**	Compare dates, references and amounts; carry forward prior open items.
3	**Correct supported errors**	Post verified missing book entries and approved corrections with references.
4	**Explain the rest**	List genuine timing items and unresolved items; obtain independent review.

Do not offset unrelated bank accounts or silently net one unexplained difference against another.

Sources: **F4**: ch. 6; sec. 16.3.1

Teaching Hospital C: the starting facts

Invented example for one authorised institutional bank account. All amounts are Pakistani rupees (PKR).

Book balance	The cash book's bank column closes at PKR 1,000,000.
Bank balance	The bank statement closes at PKR 1,128,000.
Bank-only items	A verified receipt of PKR 50,000 and an authorised bank charge of PKR 2,000 have not yet been entered in the book.
Timing items	A PKR 120,000 deposit is in the book but not yet on the statement. Issued cheques of PKR 200,000 are not yet presented.
Assumption	All stated items are valid and supported. There are no other differences.

This is a teaching example, not a prescribed form or a statement of actual hospital finances.

TEACHING CASE | Illustrative material is identified in the text.

Step 1: update the cash book with verified missing entries

The bank receipt and charge are genuine transactions. Record them with evidence and the required review.

Cash-book bank balance	Adjustment (PKR)	Running balance (PKR)
Closing book balance	Starting amount	1,000,000
Verified direct receipt	Add 50,000	1,050,000
Authorised bank charge	Subtract 2,000	1,048,000
Adjusted book balance	After supported entries	1,048,000

Calculation: 1,000,000 + 50,000 - 2,000 = 1,048,000. Do not post an unexplained credit as unrestricted income.

TEACHING CASE | Illustrative material is identified in the text.

Step 2: explain timing items from the bank balance

Start with the bank statement and adjust for transactions already recorded in the book but not yet cleared by the bank.

Bank-side reconciliation	Adjustment (PKR)	Running balance (PKR)
Closing bank statement	Starting amount	1,128,000
Deposit not yet credited	Add 120,000	1,248,000
Cheques not yet presented	Subtract 200,000	1,048,000
Reconciled balance	Agrees with adjusted book	1,048,000

Calculation: 1,128,000 + 120,000 - 200,000 = 1,048,000. Attach item details and confirm their subsequent clearance.

TEACHING CASE | Illustrative material is identified in the text.

The sign depends on your starting point

Use the same direction throughout the calculation. The worked example starts from the bank statement balance.

Starting from the bank

- Add the deposit in transit: the book includes the receipt, but the bank does not yet show it.
- Subtract unpresented cheques: the book has deducted them, but the bank has not yet paid them.

Starting from the adjusted book

- Subtract the deposit in transit: remove what the bank has not yet credited.
- Add unpresented cheques: restore what the bank has not yet deducted. This reaches the bank statement balance.

Reverse check: 1,048,000 - 120,000 + 200,000 = 1,128,000. The same facts must reconcile in both directions.

TEACHING CASE | Illustrative material is identified in the text.

Do not enter a valid timing item twice

A reconciliation schedule explains a difference. It is not automatically an instruction to make another cash-book entry.

Timing items

- The deposit and issued cheques are already in the book. Keep them on the open-item list until the bank clears them.
- Do not cancel a cheque merely because it is old. Check its status, applicable validity rules and the authorised cancellation or reissue process.

Errors or possible loss

- A wrong debit or unknown withdrawal needs supporting evidence and prompt enquiry with the bank and responsible office.
- Preserve the record and escalate suspected loss through the applicable reporting route. A forced balancing entry can hide the real problem.

The reviewer should ask: what is the item, why is it open, who is resolving it, and what evidence will close it?

Sources: **F4**: ch. 6; sec. 16.3.1 | **F2**: rr. 2.33-2.35

Reconcile hospital records with the AG or DAO

Apply this comparison where the hospital's transactions form part of the relevant government accounts.

1	**Obtain the statement**	Use the official receipt or expenditure statement for the same entity, month and year.
2	**Compare like with like**	Match head-wise totals and transactions on the same gross or net basis.
3	**Investigate differences**	Trace missing entries, duplicate entries, wrong codes and authorised adjustments.
4	**Complete the record**	Seek corrections from the responsible office; retain the response and corrected statement.

Reconciliation is not complete merely because a request for correction was sent. Keep unresolved items visible until the evidence confirms closure.

Sources: **F4**: secs. 4.5.1.3, 7.4.1 | **F2**: r. 4.1

A net payment can differ from gross expenditure

Invented example: an admitted bill is PKR 100,000. A verified lawful deduction of PKR 10,000 is assumed for teaching only.

Gross bill	PKR 100,000 is the bill amount being accounted for in this example.
Net to supplier	PKR 90,000 is paid to the supplier after the deduction.
Deduction	PKR 10,000 must be linked to the proper deduction record and authorised remittance or book adjustment.
Comparison	90,000 + 10,000 = 100,000. Comparing only the supplier's net receipt with gross expenditure creates an apparent difference.
Control	Verify both parts. A deduction shown on a bill is not itself proof that it reached the correct authority.

No actual tax rate or tax liability is taught here. Lecture 12 covers bill and payment checks.

TEACHING CASE | Illustrative material is identified in the text.

An advance stays open until it is properly settled

Working method: an advance is money paid before the required final account, delivery or adjustment. Its exact treatment depends on the applicable scheme.

01 Authority

Identify the rule, sanction, purpose and lawful recipient.

02 Amount

Record the original advance and every later adjustment.

03 Evidence

Keep receipts, delivery evidence or the account required by the scheme.

04 Protection

Track any required guarantee and its validity or release conditions.

05 Due action

Record the due date and follow up an overdue settlement.

06 Closure

Confirm an approved adjustment, recovery or refund; retain its reference.

Do not label an advance as settled merely because cash has left the hospital. APPM sections 4.2.15 and 4.10 address different advance arrangements.

Sources: **F4**: secs. 4.2.15, 4.10; 16.3.3

Deposits and retained money are not free budget balances

Money held for another party or a restricted purpose needs a clear individual record and a lawful release route.

Record what is held

- For a deposit or retention (money withheld under a contract), identify the party, purpose, receipt or deduction, amount and account.
- Distinguish cash held from a bank guarantee: the guarantee is a security document, not money in the bank.

Control what is released

- Check the conditions for refund or release, required approvals and any valid outstanding claim.
- Apply the relevant Public Account or institutional rules. Do not use the money for routine spending simply because it appears in a bank balance.

A working schedule should show opening balance + additions - authorised releases = closing balance for each party and fund.

Sources: **F4**: secs. 14.2-14.5 | **F6**: ss. 14-15

Match money records with stocks and assets

Payment evidence shows what was paid. Stock and asset records show what the hospital received and still controls.

Record	Question it answers	Link to verify
Receipt / inspection	Was the item received and accepted as required?	Order, delivery, inspection and stock entry.
Stock record	What quantity came in, went out and remains?	Receipts, authorised issues, returns and count.
Asset register	Which asset exists, where is it and who holds it?	Identifier, location, custodian and transfer record.
Financial account	What amount was recorded and under which head?	Bill, payment, account entry and approved adjustments.

Investigate shortages and discrepancies. A paid invoice is not evidence that an item remains physically present.

Sources: **F2**: rr. 2.1, 15.17, 15.20 | **F4**: sec. 16.3

Correct an error without destroying its history

The reviewer must still be able to see what was wrong, why it changed and who authorised or made the correction.

Manual records

- APPM section 16.3.1 prohibits erasure and removed pages. It prescribes a visible correction with the responsible officer's initials.
- If the correction changes ledger balances, use the required journal entry (formal accounting adjustment) and supporting authority.

Computerised records

- The APPM prescribes reversal of the incorrect entry and a correct journal entry. Follow the authorised system procedure.
- Keep the old and new references, explanation and approval. Do not silently overwrite, delete or backdate the record.

PFR rule 2.39 also addresses corrections. Use the applicable authorised process; a changed spreadsheet total is not a complete correction.

Sources: **F4**: sec. 16.3.1 | **F2**: r. 2.39

Keep records usable, secure and retrievable

Working method: organise the evidence so that an authorised reviewer can reproduce a figure without relying on one person's memory.

01 Index

Use period, account and transaction references consistently.

02 Originals

Keep required originals and authenticated electronic records.

03 Access

Limit entry, approval and deletion rights to authorised roles.

04 Backup

Keep protected backups and check that restoration works.

05 Retention

Apply the valid retention schedule and any audit or legal hold.

06 Retrieval

Test that a reported figure can be traced to its evidence.

Do not invent a universal retention period. A pending audit, dispute or legal hold may require records to remain available.

Sources: **F4**: secs. 16.2-16.3

Review the records collected at month-end

Working method: use the applicable official reporting timetable. Set internal dates early enough for checking and correction.

01 Completeness

Confirm all required records and statements cover the same period.

02 Cash and bank

Attach cash verification and each bank reconciliation.

03 Official accounts

Attach head-wise AG / DAO comparison where applicable.

04 Open items

List advances, deposits, deductions and unresolved differences.

05 Corrections

Show approved adjustments and evidence that they were posted.

06 Review

Record preparer, reviewer, date, findings and assigned actions.

Do not close the books early just to meet a reporting date. Keep a clear distinction between a draft statement and an approved return.

Sources: **F4**: secs. 7.2.2, 7.4.1

Keep an exception list until each item is resolved

Working example of a management follow-up list. The role titles below are illustrative assignments.

Open item	Evidence / next action	Owner and closure test
Deposit not credited	Trace deposit slip and bank reference.	Finance officer: confirm bank credit.
Wrong expenditure head	Send supported correction to the relevant accounts office.	Accounts officer: obtain corrected entry.
Old advance	Obtain the required account or pursue authorised recovery.	Assigned officer: verify final settlement.
Unknown withdrawal	Preserve evidence, contact bank and escalate promptly.	Institutional head: ensure investigation and lawful action.

Add the amount, date raised, due date and status. A suspected loss must not wait for the next routine meeting.

WORKING METHOD | Illustrative material is identified in the text.

Test your reconciliation decisions

Write your answer and the reason before turning to the next page.

1 | Bank difference

Adjusted book balance is PKR 480,000. The bank shows PKR 530,000. Unpresented cheques are PKR 80,000; a deposit in transit is PKR 30,000.

Does the bank-side reconciliation agree?

2 | Net versus gross

Official expenditure is PKR 200,000. A supplier received PKR 180,000. The bill shows a verified lawful deduction of PKR 20,000.

What must you compare and verify?

3 | Unexplained debit

A PKR 40,000 bank debit has no supporting record. Staff suggest calling it an old timing item and signing the reconciliation.

What should the reviewer require?

These are invented learning cases. Explain the evidence needed, not only the arithmetic.

TEACHING CASE | Illustrative material is identified in the text.

Answers and reasons

Use the evidence, the calculation and the actual source of authority.

1 | Yes, on the stated facts

530,000 + 30,000 - 80,000 = PKR 480,000. List both timing items and verify their later clearance. Do not post them twice.

2 | Compare on the same basis

180,000 + 20,000 = PKR 200,000. Match the gross bill, net payment and deduction. Verify the required remittance or book adjustment separately.

3 | Require evidence and investigation

Identify the debit and contact the bank through the authorised route. Preserve the record, assign prompt follow-up and escalate possible loss. Do not certify an unexplained item as valid timing.

Matching totals are useful only when the underlying transactions, classifications and explanations are supported.

Build one complete monthly reconciliation pack

Use a non-confidential real case or the invented examples in this lecture.

1 | Record map

List each fund, bank account, record, reporting office and responsible officer.

2 | Reconciliations

Prepare cash, bank and accounts-office comparisons that apply to the chosen case.

3 | Exception list

For every unresolved item, state the evidence, amount, owner, next action and due date.

Final review: can another authorised officer trace the balances and understand every difference without asking the preparer?

Continue to Lecture 12: Checking Bills and Making Payments. It applies these records to the payment decision.

WORKING METHOD | Illustrative material is identified in the text.

Sources and continued use | 1

Select a source title or its official-source link to open the document.

F1

Punjab Public Financial Management Act 2022

Act XXXVII of 2022. Cited sections cover budgeting, re-appropriation, receipts, payments and controls. Use the Act with later amendments and current Finance Department instructions.

Government of Punjab | Punjab Laws | **Official source**

F2

Punjab Financial Rules, Volume I

Officially hosted compilation. Relevant rule numbers appear on the slides. Older amounts, forms and office descriptions must be checked against current amendments and applicable orders.

Punjab Finance Department | Copy hosted by Excise Department | **Official source**

F4

Accounting Policies and Procedures Manual (APPM)

Issued 13 February 1999; official academy copy. Apply cited procedures within their scope and with later changes. Old organisational descriptions are not a current allocation of functions.

Auditor-General of Pakistan | Pakistan Audit and Accounts Academy | **Official source** | **CGA manuals**

Educational material by Dr Qurban Hussain Khan. Source editions are stated; verify later amendments and applicable institutional orders before live use.

Sources and continued use | 2

Select a source title or its official-source link to open the document.

F5

Chart of Accounts: edition dated 15 December 2024

Official workbook listed by the Controller General of Accounts. The lectures use selected broad object headings. Confirm the current detailed code and system mapping for each transaction.

Controller General of Accounts | Government of Pakistan | **Official source**

F6

Punjab Medical and Health Institutions Act 2003

Act IX of 2003. Sections 13-15 address delegation, institutional funds, budget and accounts. Apply only where the institution is governed by this framework and its valid rules.

Government of Punjab | Health Department | **Official source**

F11

Controller General of Accounts: Functions

Current official description consulted on 4 October 2026. Identifies government accounting, payment authorisation and reporting functions. Used with the applicable provincial and institutional arrangements.

Controller General of Accounts | Government of Pakistan | **Official source**

Educational material by Dr Qurban Hussain Khan. Source editions are stated; verify later amendments and applicable institutional orders before live use.