MODULE 3 | BUDGETS, ACCOUNTS AND PAYMENTS

# Spending Control and Cash Planning

10

LECTURE

Practical hospital governance in Punjab, Pakistan

Know what remains, what is owed
and when the next shortage will occur.

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Edition 1.0 | 4 October 2026

SELF-STUDY PDF

# Control the next decision with current information

For the Medical Superintendent (MS): protect hospital services by knowing both the funding position and the obligations already created.

- Separate budget, release, cash and obligations.
- Track orders and bills without counting them twice.
- Forecast payment needs and funding gaps.
- Escalate shortages early with a clear decision request.

**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 dated spending statement, an obligation list and a three-month funding forecast.

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

# Establish the fund before calculating the balance

The same control questions apply across hospitals, but the legal and accounting arrangements can differ.

## Government expenditure

- Use the authorised budget, release terms, spending powers and accounts route. An MS title does not create a financial power.
- The PFM Act provides for authorised expenditure, possible restrictions and a Government cash-management framework.

## Institutional money

- Check the governing Act, valid financial rules, grant conditions and approved bank arrangements.
- Where the 2003 institutions Act applies, sections 14-15 address the institutional fund, budget and accounts.

PFM = public financial management. The working formats in this lecture support the applicable system; they do not replace its prescribed records.

Sources: **F1**: ss. 33-35 | **F6**: ss. 14-15 | **F4**: sec. 1.4

# Use six separate figures

Do not use the single phrase "money available" for figures that answer different questions.

| Figure | Plain meaning | Main question |
|---|---|---|
| **Budget provision** | The current authorised amount for a purpose and year. | What is provided? |
| **Release / authorisation** | The amount usable under the actual release terms. | What is authorised now? |
| **Cash balance** | Money held in the relevant account, after verification. | What can the account settle? |
| **Recorded expenditure** | Spending recognised under the accounting rules. | What is already recorded? |
| **Outstanding obligations** | Unpaid amounts from existing orders, contracts or dues. | What is still owed or committed? |
| **Future needs** | Expected costs not already included above. | What else must be funded? |

APPM = Accounting Policies and Procedures Manual. Use its scope and the actual provincial or institutional accounting basis.

Sources: **F1**: ss. 2, 15, 33-35 | **F4**: secs. 2.6, 4.3

# A release balance is not a bank balance

Read the release order to establish whether it concerns expenditure authority, a cash transfer, or another approved arrangement.

## Expenditure authorisation

- Government payments may be processed through the authorised accounts office. The hospital may not receive that amount into a bank account.
- Track the release, spending and any restrictions in the relevant budget record.

## Banked institutional funds

- Start with the verified account balance. Identify restricted funds and payments already issued but not yet cleared.
- Do not subtract an issued payment twice: it may already be reflected in the book balance.

The examples label their basis. For live work, first make the records agree; Lecture 11 explains reconciliation.

Sources: **F1**: ss. 31-35 | **F4**: secs. 4.3.2, 6.4

# Follow one order through its life

Keep one reference from approval to final settlement. The labels below are a working management view.

| | | |
|---|---|---|
| 1 | **Authorised order** | Record the full obligation and expected delivery and payment dates. |
| 2 | **Part or full delivery** | Move the received portion into the received-but-unpaid category. Keep the undelivered balance separate. |
| 3 | **Bill and payment** | Update bill status, due date and payment reference. Reduce the unpaid amount when payment is recorded. |
| 4 | **Change or close** | Record a lawful variation, cancellation or final settlement. Keep the supporting decision and history. |

Changing a register does not cancel a contract. APPM commitment reversals require the applicable payment or authorised cancellation basis.

Sources: **F4**: secs. 4.3.3.3-4.3.3.8

# Keep an obligation register with six groups of fields

Working format. Use prescribed records as well, and avoid creating a second inconsistent set of totals.

### 01 Reference

Order, contract, supplier and approval number.

### 02 Budget

Fund, year, head and full authorised value.

### 03 Status

Undelivered, received, disputed or paid.

### 04 Amounts

Paid, received unpaid and undelivered balance.

### 05 Dates

Delivery, contractual due date and forecast payment.

### 06 Action

Document missing, next step, officer and review date.

A formal commitment-recording rule may have its own scope. This management list also makes routine and future payment needs visible.

WORKING METHOD | Illustrative material is identified in the text.

# Continue the budget from Lecture 8

Teaching Hospital B has one non-salary operating budget. These are invented figures, not RIC data or legal limits.

| Item | PKR million | Meaning at the review date |
|---|---|---|
| **Annual budget** | 24.0 | Current provision for this teaching budget. |
| **Release to date** | 9.0 | Cumulative usable expenditure authorisation. |
| **Recorded expenditure** | 6.0 | Already recognised in the expenditure record. |
| **Release remaining** | 3.0 | 9.0 - 6.0, before obligations and other adjustments. |

Assume no additional release restriction or unrecorded expenditure in this simplified example. PKR 1 million = PKR 1,000,000.

TEACHING CASE | Illustrative material is identified in the text.

# Split unpaid obligations into separate categories

At the same review date, the orders below have unpaid balances. All figures are PKR million.

| Order | Received but unpaid | Undelivered balance | Total unpaid |
|---|---|---|---|
| **Supplies A** | 0.8 | 2.2 | 3.0 |
| **Supplies B** | 0.4 | 1.6 | 2.0 |
| **Repair service C** | 0.0 | 1.0 | 1.0 |
| **Total** | 1.2 | 4.8 | 6.0 |

The received PKR 1.2 million is already part of the PKR 6.0 million unpaid order total. Adding it again would count it twice.

TEACHING CASE | Illustrative material is identified in the text.

# Calculate what is not yet committed

Teaching calculation for the whole annual allocation. The register includes all existing unpaid orders in this example.

| | |
|---|---|
| **Budget balance** | 24.0 budget - 6.0 recorded expenditure = PKR 18.0 million. |
| **Existing obligations** | 1.2 received unpaid + 4.8 undelivered = PKR 6.0 million. |
| **Uncommitted amount** | 18.0 - 6.0 = PKR 12.0 million before future needs. |
| **What is still missing?** | Forecast utilities and other routine costs not already included, plus any new service proposals. |
| **Decision meaning** | PKR 12.0 million is not free cash or permission for a new order. Check release, timing, purpose and approval. |

Use mutually exclusive categories. Keep future uncontracted needs separate from existing obligations.

TEACHING CASE | Illustrative material is identified in the text.

# Calculate the immediate funding position

The remaining release is PKR 3.0 million. The following amounts are forecast to become properly payable this month.

| | |
|---|---|
| **Existing received bills** | PKR 1.2 million from the received-but-unpaid category. |
| **Expected delivery** | PKR 0.8 million from existing undelivered orders; payment only when properly due. |
| **Routine needs** | PKR 0.7 million for utilities not already included in those orders. |
| **Total need** | 1.2 + 0.8 + 0.7 = PKR 2.7 million. |
| **Forecast balance** | 3.0 - 2.7 = PKR 0.3 million, assuming all stated conditions are met. |

Reserve expected payments in the forecast. Forecasting a payment does not make an unverified bill payable.

TEACHING CASE | Illustrative material is identified in the text.

# Include routine bills before approving new work

A list of purchase orders alone can understate the cost of keeping the hospital open.

## Costs to forecast

- Include expected electricity, water, communications and other recurring services within this budget.
- Use the service period, consumption, valid tariff or contract, and latest evidence. Show seasonal changes.

## Avoid duplication

- If the cost is already in an order or unpaid-bill balance, do not add it again as a new need.
- Replace an estimate with the verified amount when available. Preserve the reason for the change.

A management forecast can include expected costs beyond the formal commitment register. Label estimates clearly.

WORKING METHOD | Illustrative material is identified in the text.

# Build a rolling forecast around six questions

A rolling forecast is updated regularly and always looks ahead. Three months is a teaching choice, not a statutory period.

### 01 Opening

What verified amount is usable at the start?

### 02 Inflows

What release or receipt is expected, when, and how certain is it?

### 03 Outflows

What will become payable in each period?

### 04 Restrictions

Which money cannot be used for these payments?

### 05 Closing

What remains after that period's inflows and outflows?

### 06 Action

When does a gap arise, and who must decide what?

PFM Act section 35 provides for the Government cash-management framework. Apply its current instructions alongside the local forecast.

Sources: **F1**: s. 35

# See the shortage before it reaches the payment desk

Authorisation basis, PKR million. Future releases of 2.0 each are assumptions; they are not already available.

| Item | Month 1 | Month 2 | Month 3 |
|---|---|---|---|
| **Opening usable release** | 3.0 | 0.3 | 0.0 |
| **Assumed new release** | 0.0 | 2.0 | 2.0 |
| **Expected payments** | 2.7 | 2.3 | 2.8 |
| **Forecast closing balance** | 0.3 | 0.0 | -0.8 |

Each closing balance = opening + new release - payments. A negative forecast is a funding gap to resolve, not permission to overspend.

TEACHING CASE | Illustrative material is identified in the text.

# Test what happens if the assumed release is late

Continue the same example. All scheduled payments remain unchanged, but neither future release arrives within the three months.

## Recalculate

- End of Month 1: 3.0 - 2.7 = PKR 0.3 million.
- End of Month 2: 0.3 - 2.3 = a PKR 2.0 million gap. End of Month 3: -2.0 - 2.8 = a cumulative PKR 4.8 million gap.

## Act before the due date

- Report the first shortfall date, amount, payment obligations and service risk. Seek a defined funding decision.
- Review proposed new commitments and lawful service options. Do not hide bills, assume overdraft authority or invent a receipt.

These negative figures show unmet funding need. They do not describe an authorised negative bank balance.

TEACHING CASE | Illustrative material is identified in the text.

# Prepare a cash forecast for a banked fund separately

A different invented example: an institution may lawfully retain and use its own receipts under its applicable framework.

| | |
|---|---|
| **Verified opening** | Reconciled book balance: PKR 1.5 million. It already includes payments issued but not yet cleared. |
| **Restricted portion** | PKR 0.5 million is reserved by grant conditions for another purpose. |
| **Usable opening** | 1.5 - 0.5 = PKR 1.0 million for the payments considered here. |
| **Expected movement** | Lawful usable receipts: 0.4 million. Properly payable outflows: 1.1 million. |
| **Forecast closing** | 1.0 + 0.4 - 1.1 = PKR 0.3 million, if the expected receipts arrive. |

Do not mix this banked-fund example with Teaching Hospital B's release forecast. A cash balance still needs lawful spending authority.

TEACHING CASE | Illustrative material is identified in the text.

# Keep uncertain and restricted income visible

An income forecast should show what is confirmed, what is estimated and what may be used for the proposed purpose.

## Confirm the inflow

- Record the grant order, approved fee or donation terms. State the expected receipt date and the evidence.
- Show hoped-for funding separately. Test a lower or delayed receipt instead of treating it as certain.

## Confirm the use

- Verify deposit, retention and spending rules. Do not use another fund's balance simply because it is in the same account.
- Record receipts and expenditure through the authorised process; do not offset them without lawful authority.

PFM and institutional fund rules must be read for the actual institution and source of money.

Sources: **F1**: ss. 5, 11, 31-32 | **F4**: sec. 4.3.7 | **F6**: ss. 14-15

# Keep an unpaid-bill list that shows the next action

An invoice date, a receipt date and a contractual payment due date may differ. Record the dates that actually apply.

| Status | Meaning | Required action |
|---|---|---|
| **Due and verified** | The claim is properly payable under its terms. | Complete the lawful payment route promptly. |
| **Not yet due** | A valid claim has a later payment date. | Schedule it; keep it in the forecast. |
| **Evidence missing** | Receipt, calculation or another required record is incomplete. | Identify the missing item and resolve it promptly. |
| **Disputed** | Part of the claim or performance is genuinely contested. | Document the issue and use the contract process. |

Age an overdue claim from the applicable due date. Do not label every unpaid invoice overdue or remove disputed exposure from management review.

Sources: **F2**: r. 2.10(b)(3) | **F4**: secs. 4.2, 4.5

# A shortage needs escalation, not hidden arrears

Punjab Financial Rules require money indisputably payable not to be left unpaid and inevitable payments to be settled promptly.

## What to report

- Give verified due amounts, available funding, the first gap date and any contract or patient-service consequences.
- Send the issue through the authorised finance and departmental route. Keep the request and follow-up visible.

## What to decide

- Seek a lawful release, budget change or other authorised response. Explain the choices and their service effect.
- Review future discretionary proposals. A local priority list cannot remove existing legal obligations or justify deliberate late payment.

The APPM addresses legally payable claims when funds are insufficient. Apply it with Punjab law and delegated authority; it is not an MS power to exceed the budget.

Sources: **F2**: r. 2.10(b)(2)-(3) | **F4**: sec. 3.3.12.3 | **F1**: s. 33

# Forecast the full-year outcome without double counting

Teaching Hospital B now estimates the cost of completing the year. Amounts are PKR million.

| | |
|---|---|
| **Already recorded** | 6.0 million of expenditure. |
| **Existing unpaid orders** | 6.0 million, including the received-but-unpaid portion. |
| **Remaining needs** | 13.5 million of future costs not included in either amount above. |
| **Expected full year** | 6.0 + 6.0 + 13.5 = PKR 25.5 million. |
| **Budget difference** | 25.5 - 24.0 = PKR 1.5 million above provision, before any approved change. |

This is an updated estimate of need. It neither approves the extra PKR 1.5 million nor makes the uncommitted future costs contractual obligations.

TEACHING CASE | Illustrative material is identified in the text.

# Budget changes and releases solve different problems

Identify which constraint prevents lawful action. More than one approval may be needed.

| Problem | Route to examine | Essential distinction |
|---|---|---|
| **Provision exists; usable release is insufficient** | Request the required release or removal of a restriction. | A release need is not automatically a larger budget need. |
| **Wrong head; genuine saving elsewhere in the grant** | Seek lawful re-appropriation through the competent authority. | An apparent balance is not a saving if needed for existing obligations. |
| **Authorised provision is insufficient** | Prepare the applicable supplementary case or other lawful budget response. | A request or revised estimate is not an approved additional allocation. |

Section 13 and current instructions set limits and conditions for re-appropriation. Do not infer a hospital MS power or move funds by spreadsheet entry.

Sources: **F1**: ss. 2(h), 12-14, 33-34

# Send a funding case that can be acted on

Working format for the MS and finance team. Attach the prescribed forms and supporting records.

| | |
|---|---|
| **Position** | Fund, year and head; current provision, release, expenditure and outstanding obligations. |
| **Gap** | Amount and first date of the shortfall, separating a release gap from an annual provision gap. |
| **Evidence** | Dated forecast, due-bill list, order balances and reasons for changed costs or timing. |
| **Options** | Proposed lawful funding route, verified savings if relevant, and safe service options. |
| **Decision** | Exact approval requested, competent route, required date and officer responsible for follow-up. |

Describe the consequence of delay with evidence. Do not use urgency as a substitute for the approval required.

WORKING METHOD | Illustrative material is identified in the text.

# Year-end control starts before the final month

Use the current closing, surrender and accounts instructions. This lecture does not supply an annual cut-off calendar.

## Review genuine savings

- Compare the year-end forecast with provision. Identify real savings after unpaid obligations and remaining needs.
- Report anticipated excess or surrender through the required route with reasons. Do not spend merely to exhaust a balance.

## Review unfinished obligations

- List undelivered orders, due claims and payment status. Confirm the correct year and required next-year provision.
- PFM Act section 33(2) provides for lapse of unspent authorised expenditure. Do not assume this cancels an existing contract.

Do not withdraw money simply to keep a grant alive. Apply the immediate-disbursement rule and the actual authorised exceptions.

Sources: **F1**: ss. 14, 33(2) | **F2**: r. 2.10(b) | **F4**: secs. 3.3.12.6, 4.3.3.8

# Show each year of a multi-year obligation

A service or maintenance agreement may create future payments even when this year's invoice is small.

## Before approval

- Show the complete term, annual cost, payment dates, price-change terms and any termination exposure.
- Check the power for the complete proposal and the applicable multi-annual commitment instructions.

## During operation

- Keep a year-by-year schedule. Include later payments in the next budget and cash forecasts.
- Distinguish the full contract exposure from the part expected to be paid this year. An estimate is not a future appropriation.

PFM Act section 15 provides for Finance Department guidelines on multi-annual commitment control. Obtain and apply the current instructions.

Sources: **F1**: s. 15 | **F2**: r. 2.10(a)(5) | **F4**: sec. 4.3.3

# Assign the work and require a checked position

Working role map. Local appointments, delegations and prescribed duties determine who holds each function.

| Function | Practical contribution | Evidence |
|---|---|---|
| **Stores / receiving unit** | Confirms delivery, acceptance and outstanding quantities. | Receipt and order balance. |
| **Procurement / contract team** | Updates orders, variations and contractual dates. | Approved contract record. |
| **Finance / accounts team** | Checks totals, classifications, bills and forecast. | Dated financial statement. |
| **MS / competent authority** | Reviews service risks and makes or seeks authorised decisions. | Decision and follow-up record. |

An MS review does not replace the DDO's duties or the competent authority's sanction. DDO = Drawing and Disbursing Officer.

Sources: **F1**: ss. 39-40 | **F4**: secs. 2.2, 3.3.12

# Use simple controls that expose errors early

Working controls to adapt to the authorised financial system.

### 01 One reference

Link the order, receipt, bill and payment.

### 02 One cut-off

State the same review date on every total.

### 03 Checked totals

Trace major balances to their supporting lists.

### 04 Change history

Record who changed an amount and why.

### 05 Separate review

Have another authorised officer check key calculations.

### 06 Open actions

Keep unresolved items with an owner and deadline.

Update the obligation after each relevant event. A monthly review cannot repair an order omitted from the record.

WORKING METHOD | Illustrative material is identified in the text.

# Put six items on the MS financial dashboard

A short dashboard should lead to decisions. Set the review frequency to the risk and the applicable reporting requirements.

### 01 Provision

Current authorised budget and changes.

### 02 Release

Cumulative release and usable remainder.

### 03 Spending

Recorded expenditure and date of reconciliation.

### 04 Obligations

Received unpaid, undelivered and overdue amounts.

### 05 Forecast

First gap date, amount and uncertain funding.

### 06 Decision

Required action, authority, owner and follow-up date.

Explain the reasons behind differences. A low spending percentage can mean efficiency, delay, unpaid bills or undelivered care.

Sources: **F1**: ss. 40-41

# Test a new order against the whole position

A new PKR 0.5 million order is proposed for payment in Month 1 of Teaching Hospital B's forecast.

| | |
|---|---|
| **Known position** | Remaining release is 3.0 million. Existing Month 1 payment needs are 2.7 million. |
| **With this proposal** | 2.7 + 0.5 = PKR 3.2 million of expected payments. |
| **Immediate difference** | 3.2 - 3.0 = a PKR 0.2 million release shortfall. |
| **Annual position** | The updated full-year needs forecast already exceeds the 24.0 million budget. Check whether this proposal is included in it. |
| **Required response** | Resolve the funding and timing through a lawful decision before commitment, or revise the uncommitted proposal lawfully. |

A large annual arithmetic balance does not answer the funding test. Do not create a new obligation on an unsupported promise of funds.

TEACHING CASE | Illustrative material is identified in the text.

# Three spending-control questions

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

## 01 | One order

An order has PKR 2.0 million unpaid. Of this, PKR 0.5 million is received unpaid and PKR 1.5 million is undelivered.

**Is the unpaid obligation 2.0 or 2.5 million?**

## 02 | This month

Usable release is PKR 3.0 million. Due and forecast payments total PKR 2.7 million. A new 0.5 million order would also be payable now.

**What funding gap would result?**

## 03 | A real saving?

A head has PKR 1.0 million unspent, but existing orders need 0.8 million and essential remaining costs need 0.3 million.

**Can the full 1.0 million be treated as a saving?**

Give both the calculation and the administrative action. Correct arithmetic does not itself provide authority.

TEACHING CASE | Illustrative material is identified in the text.

# Answers and reasons

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

**01 | PKR 2.0 million.**

0.5 received unpaid + 1.5 undelivered = 2.0. Adding the 0.5 again would double count part of the same obligation.

**02 | PKR 0.2 million.**

2.7 + 0.5 - 3.0 = 0.2. Resolve the funding and any approval conditions before creating the new obligation.

**03 | No; forecast needs exceed the balance by PKR 0.1 million.**

0.8 + 0.3 = 1.1 against 1.0 remaining. Check the evidence and seek a lawful response; do not transfer a supposed saving.

The control is to expose the real obligation, the funding gap and the decision needed early enough to act.

# Prepare one controlled financial position

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

### 1 | Spending sheet

Use one date, fund and year. Show budget, release, expenditure and obligations.

### 2 | Forecast

Show three months of funding and payments, plus one delayed-funding scenario.

### 3 | Decision note

State the first shortfall, service effect, lawful route and required decision.

**Review question: can another officer trace the figures and identify what must happen before the next commitment?**

Lecture 11 covers accounts, reconciliation and reliable records. Lecture 12 covers checks before payment.

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. Sections 12-15, 33-35 and 39-41 address budget changes, commitments, expenditure, cash and controls. Apply 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)

Government of Pakistan manual, issued 13 February 1999; official academy copy. Apply its stated scope, subsequent changes and the authorised provincial or institutional accounting system.

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.

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**

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