MODULE 5 | INTERNAL CONTROLS, AUDIT, DAC AND PAC

Preparing for PAC and Closing Audit Issues

22

LECTURE

Practical hospital governance in Punjab, Pakistan

Explain the facts. Support each answer.
Complete the action and prove the result.

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SELF-STUDY PDF

Prepare the institution, not just the meeting file

For the Medical Superintendent: understand provincial legislative scrutiny and turn every recorded direction into completed, evidenced action.

- Explain what the Punjab PAC examines.
- Prepare a clear, supported departmental brief.
- Answer questions accurately and respectfully.
- Track action, verification and formal closure.

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 paragraph file, a one-page hearing brief and an action register that another officer can understand.

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

Use the terms correctly

These terms describe different offices, records and stages. A hospital should not treat them as interchangeable.

Term	Simple meaning	Why it matters
PAC	Public Accounts Committee of the Provincial Assembly.	Legislative scrutiny of public accounts and audit matters.
DAC	Departmental Accounts Committee.	Departmental consideration of audit issues; see Lecture 21.
PAO	Principal Accounting Officer.	The designated officer accountable for the relevant public finances.
Audit paragraph	A numbered issue in an audit report or related record.	Its report year, number, amount and exact wording identify the case.
Action-taken report	A report explaining what was done on recorded directions.	Evidence must support the claimed progress.

Use the full name first in formal correspondence. Identify the actual PAO and committee for the institution.

WORKING DEFINITIONS | Illustrative material is identified in the text.

Know how a provincial audit report reaches the Assembly

The Constitution provides the audit mandate and the route for reporting on provincial accounts.

1	**Audit mandate**	Articles 169 and 170 address the Auditor-General's powers and the audit of governments and relevant public bodies.
2	**Report to Governor**	Article 171 requires the provincial audit report to be submitted to the Governor of the Province.
3	**Laying before Assembly**	The Governor causes the report to be laid before the Provincial Assembly.
4	**Committee examination**	Punjab Assembly rules define PAC functions and how business is assigned to the committees.

This lecture concerns Punjab, Pakistan. National Assembly PAC rules are not a substitute for Punjab Assembly rules.

Sources: **C1**: arts. 169-171 | **P1**: rr. 176-177

PAC asks three central financial questions

Rule 177(3) explains what the committees examine when scrutinising Appropriation Accounts and the audit report.

Was money available?

Was the money legally available for the service or purpose to which it was charged? A general hospital need does not answer this question.

Rule 177(3)(a)

Was there authority?

Did the spending follow the authority that governed it? Identify the applicable approval, power and conditions.

Rule 177(3)(b)

Was transfer lawful?

Was any re-appropriation made under the applicable rules? Show the actual transfer order and its authority.

Rule 177(3)(c)

Re-appropriation means an authorised transfer of budget provision. It is not an informal change in a hospital spreadsheet.

Sources: **P1**: r. 177(3)

Know which account or report is being examined

Prepare the answer against the actual document on the committee agenda.

Document	What it shows	Hospital preparation
Appropriation Accounts	Spending compared with the authorised amounts for grants or appropriations.	Reconcile hospital and departmental figures; explain differences.
Annual Finance Accounts	The Government's annual financial accounts.	Check relevant balances and codes with the accounting office.
Auditor-General's report	Findings on accounts and other matters within the audit mandate.	Use the precise paragraph and its supporting transactions.
Other referred matter	Other business referred and assigned under rule 177.	Read the reference and its scope.

A hospital ledger alone does not establish the final figure in a provincial account. Resolve differences through the proper accounting channel.

Sources: **P1**: r. 177(1)-(3)

Confirm the relevant committee and institutional scope

The official rules provide for three Public Accounts Committees. Do not assume that an old committee allocation still applies.

Committee allocation

- Rule 177(2) assigns business through the Speaker. Check the current reference, committee notice and list of paragraphs.
- Rule 176 includes a committee with a specific local-government remit. A hospital should not choose its forum from its location alone.

Institutional scope

- Rule 177(4) includes specified accounts of corporations and autonomous or semi-autonomous bodies, with the stated audit basis.
- An autonomous hospital should identify its governing law, accounts, audit mandate and departmental reporting route.

Autonomy does not by itself remove public accountability. Check the law and the actual reference for the institution.

Sources: **C1**: arts. 169-170 | **P1**: rr. 176-177

Keep the roles separate

Working map. The hospital must confirm the officers and reporting arrangements that apply to its own case.

Office or forum	Main contribution	What the MS supplies
PAO and department	Lead the departmental response and coordinate required action.	Verified facts, approvals, explanations and current action status.
Audit	Presents audit findings and checks evidence within its remit.	Original-source records, reconciliations and verifiable results.
Finance and accounts offices	Address budget authority, accounting and financial issues within their powers.	A precise question with supporting figures and records.
PAC and Assembly Secretariat	Conduct committee business and maintain the authorised committee record.	The required submissions, attendance and follow-up through the proper route.

The MS should understand the whole case. Delegating file preparation does not make an unsupported answer reliable.

WORKING METHOD | Illustrative material is identified in the text.

An audit amount is not automatically a proven loss

First establish what the paragraph alleges. Its amount may describe transactions under objection, a proposed recovery or a quantified loss.

Explain the issue precisely

- Check whether the issue concerns missing evidence, wrong authority, non-recovery, poor performance or another stated failure.
- Distinguish the original amount, amount supported by later evidence, verified recovery and amount still unresolved.

Keep legal processes distinct

- PAC scrutiny and recommendations do not replace the separate lawful process for a disciplinary finding, recovery order or criminal conviction.
- Conversely, settlement of a paragraph is not general immunity from every other applicable legal process.

Do not describe every audit objection as corruption. Do not describe every explanation as exoneration.

WORKING METHOD | Illustrative material is identified in the text.

Read the notice before organising the file

Rule 161 provides for attendance and production of evidence. Use the actual notice to identify what must be supplied.

01 Forum

Which committee and which report or reference?

02 Agenda

Which paragraph numbers and financial years?

03 Attendance

Who is required to attend, and in what capacity?

04 Submission

Which format, copies and supporting records are required?

05 Deadline

What date, time and delivery route are stated?

06 Coordination

Who in the department will confirm the complete response?

Do not assume that sending a junior officer replaces a person specifically required to attend. Seek any necessary permission through the authorised channel.

Sources: **P1**: rr. 161, 188

Produce records and protect confidential information

Committee access and public disclosure are separate questions. Follow the applicable Assembly rules and directions.

Provide the required evidence

- Rule 161 allows the committee to require attendance and records. A witness may be summoned by an order signed by the Secretary General.
- Questions of relevance or a claimed legal restriction must use the rule's proper route. The MS should not withhold records on personal preference.

Control onward disclosure

- Rule 162 treats evidence or information tendered before a committee as confidential or secret unless the committee decides otherwise in the public interest.
- Use secure official channels. Seek handling directions for sensitive records; do not post the hearing file online or share it informally.

Rule 161 contains specific safeguards and a Speaker decision route. Obtain departmental legal advice before asserting a restriction.

Sources: **P1**: rr. 161-162, 188

Build one complete file for each audit paragraph

Working index. Keep the source records intact and provide clearly numbered copies in the hearing file.

01 Identity

Report title, year, paragraph, entity and original amount.

02 Issue

Exact observation and the rule or authority cited.

03 History

Replies, DAC decisions and earlier PAC directions.

04 Evidence

Approvals, contracts, receipts, accounts and verification.

05 Current position

Accepted facts, disputed points and remaining gaps.

06 Next action

Required decision, responsible officer and deadline.

Keep an index that points to the exact annex and page. A large bundle without an index wastes hearing time.

WORKING METHOD | Illustrative material is identified in the text.

Prepare a one-page brief for the institutional head

Working format. Put the full evidence behind this summary; the summary does not replace the records.

Identity	Report and year; paragraph number; hospital or unit; amount and its meaning.
Observation	One sentence stating the actual audit concern, without changing its scope.
Position	What the hospital accepts; what it disputes; the exact evidence for each point.
Prior direction	The last recorded DAC or PAC decision and the action already completed.
Request and action	What is requested now, what remains, the owner and the proposed or ordered date.

A useful brief allows the head to explain the case without inventing an answer or searching the whole file.

Explain every movement in the amount

Invented recovery example: the verified amount due is Rs 1,200,000. Do not count the same deposit twice.

Item	Amount	Evidence or status
Original verified amount due	Rs 1,200,000	Liability calculation and supporting record.
Receipt A credited to the correct account	Rs 500,000	Verified receipt and accounting confirmation.
Receipt B credited to the correct account	Rs 300,000	A separate verified receipt; not a copy of receipt A.
Total verified recovery	Rs 800,000	Rs 500,000 + Rs 300,000.
Balance still due	Rs 400,000	Rs 1,200,000 - Rs 800,000.

A further promise, cheque awaiting clearance or unverified receipt is not yet verified recovery. Show it separately.

TEACHING CASE | Illustrative material is identified in the text.

Show the authority that existed when the decision was made

PAC examines the legal availability of funds, spending authority and re-appropriation. An explanation must address each relevant failure.

Trace the original decision

- Identify the officer, date, delegated power, budget provision and conditions attached to the approval.
- Where money moved between budget headings, produce the valid re-appropriation order and the rules permitting it.

Explain later action honestly

- A later approval or accounting correction should be dated and described as later action. Do not recreate a missing earlier sanction.
- If regularisation is legally available, use the competent authority and required process. A requested approval is not an approval already obtained.

A sound clinical reason explains the need. It does not by itself prove financial authority.

Sources: **P1**: r. 177(3)

Excess expenditure needs the proper constitutional process

Article 124 addresses supplementary and excess budget statements. PAC scrutiny of an excess is not the same as providing a grant.

What PAC examines

- Rule 177(5) requires the committee to examine the circumstances of expenditure beyond the amount granted for a service.
- The committee may make recommendations based on the facts. Explain the cause, amount, authority and control failure.

What Government must process

- Article 124 provides for Government authorisation and laying the relevant supplementary or excess statement before the Assembly, with Articles 120-123 applying.
- The hospital supplies accurate figures and explanations through its department and Finance. It cannot complete the provincial budget process by a local office order.

Do not use expected later regularisation as permission to ignore the budget and spending rules now.

Sources: **C1**: art. 124 | **P1**: r. 177(5)

Resolve differences before the department gives evidence

A preparation meeting should improve accuracy. It must not be used to agree a version that conceals a material fact.

1	**Compare the records**	Match the hospital brief, departmental reply, audit observation and accounting figures.
2	**Check disputed points**	Identify exactly which fact or rule is disputed. Supply the supporting annex and written reasoning.
3	**Identify the speakers**	Confirm the PAO's arrangements and the officers who can answer finance, stores or technical questions.
4	**List the remaining gaps**	State what is unavailable, why, the search already made and how the gap will be addressed.

Keep one approved submission version and a dated record of later corrections. Do not silently replace a submitted annex.

WORKING METHOD | Illustrative material is identified in the text.

Answer a hearing question in four parts

Working method for a short, accurate answer. Follow the chair's directions and answer the question actually asked.

1	**State the fact**	Give the verified amount, date, event or current position in one clear sentence.
2	**Point to the evidence**	Name the annex and page. Explain what the record proves and any limit to it.
3	**Explain the gap**	Acknowledge an established failure or explain a supported disagreement. Do not guess about motive.
4	**State the action**	Explain what has been done, what remains, who will act and the relevant deadline.

Brief answers are useful only when complete enough to avoid misleading the committee.

WORKING METHOD | Illustrative material is identified in the text.

Be precise about uncertainty and earlier tenures

Institutional responsibility continues when officers change. Personal responsibility still depends on the facts and applicable process.

When the answer is unknown

- Say which point has not been verified. Ask to supply a checked written answer within the period the committee allows.
- If you discover that an answer was wrong, promptly submit a clear correction through the authorised channel and keep the record.

When the event predates you

- State the relevant dates and explain the institutional record. Do not use a predecessor's tenure as a reason to withhold the facts.
- Describe your own search, corrective action and current controls. Do not certify an earlier event as personally witnessed if it was not.

An honest evidence gap can be managed. A confident unsupported statement creates another problem.

WORKING METHOD | Illustrative material is identified in the text.

Read every direction for the action it actually requires

Illustrative categories. The precise wording of the recorded decision governs the follow-up.

Direction	What completion requires	Common mistake
Produce or verify records	The specified records supplied and the required verification recorded.	Treating dispatch of a letter as verification.
Recover an amount	Lawful recovery and proof of credit to the correct account.	Treating a demand notice as money recovered.
Examine responsibility	The authorised process, evidence and reasoned decision.	Treating an allegation as a final finding.
Seek approval or regularisation	A legally available process and decision by the competent authority.	Treating a request as an approval.
Improve a control	The new control operating and checked in practice.	Treating an unsigned draft procedure as implementation.

One paragraph can contain several directions. Completing the recovery may leave verification, responsibility or control action unfinished.

WORKING METHOD | Illustrative material is identified in the text.

Write an action-taken report that can be checked

Working format. Use the department's required template where one is prescribed.

Decision reference	Committee, meeting date, paragraph and the exact direction being answered.
Action completed	What was done, by whom and on what date. Use a separate line for each direction.
Evidence	Numbered annexes: receipt, verification, competent order, revised record or other relevant proof.
Still outstanding	The precise balance or task, the reason, responsible officer and required next step.
Submission	Approval and transmission through the proper department; receipt or acknowledgement kept.

Avoid unsupported statements such as "necessary action has been taken". State the action and attach the proof.

WORKING METHOD | Illustrative material is identified in the text.

Use the deadline that applies to the actual action

A committee's reporting period and a hospital's compliance deadline answer different questions.

Committee reporting period

- Rule 178 provides one year from the Assembly reference for a PAC report, unless the Assembly extends the period by motion.
- The rule also allows an interim report or reports in parts. It does not give a hospital one year to answer every direction.

Hospital action deadline

- Record the period or date in the committee direction, notice and applicable departmental instructions. Diarise the submission date.
- If completion is blocked, promptly report the facts and seek any required extension through the authorised route. Silence is not an extension.

If a direction is unclear, obtain clarification. Keep evidence of communication and the resulting instruction.

Sources: **P1**: r. 178

Use closure words only when the record supports them

Punjab PAC publications distinguish final settlement, conditional settlement and pending paragraphs. Read the actual decision in the case.

Recorded position	How to manage it	Evidence to retain
Pending or deferred	Continue the stated action; prepare for further consideration.	Outstanding requirements, owner and next date.
Settled subject to verification	Complete the specified verification; track the condition.	Verification result and the required confirmation.
Conditionally settled	Keep each condition open in the action register until fulfilled.	Proof for every condition and the resulting official record.
Finally settled	Record the formal decision and preserve the full supporting file.	Authenticated committee record and linked evidence.

A conversation, an internal spreadsheet or a favourable comment is not a substitute for the authorised settlement record.

Sources: **P2**: historical example of reported status categories

TEACHING CASE

A maintenance contract reaches the PAC agenda

Invented case. Audit questioned a Rs 4,000,000 payment because the service record was incomplete.

1

Evidence supplied

Rs 3,200,000 is supported by service records. The required audit verification is still outstanding.

2

What was overpaid

Rs 800,000 is accepted as overpayment. Of this, Rs 500,000 has been recovered and verified.

3

What remains

Rs 300,000 remains due. A further cheque of Rs 100,000 has been received but has not cleared.

The hospital cannot report Rs 600,000 as verified recovery. It must also complete verification of the Rs 3,200,000 service record.

TEACHING CASE | Illustrative material is identified in the text.

TEACHING CASE

Present the case without overstating progress

An appropriate written summary separates the original observation, evidence, recovery and work still pending.

Original observation	The paragraph concerns a Rs 4,000,000 payment with incomplete supporting service records.
Evidence produced	Records supporting Rs 3,200,000 are attached. The required audit verification has not yet been completed.
Recovery position	The accepted overpayment is Rs 800,000. Verified recovery is Rs 500,000; Rs 300,000 remains due.
Uncleared cheque	The Rs 100,000 cheque is shown separately within the outstanding balance, pending clearance and verification.
Further action	Arrange the required verification, pursue the balance lawfully and correct the service-certification control.

The arithmetic is: Rs 4,000,000 = Rs 3,200,000 supported records + Rs 800,000 accepted overpayment.

TEACHING CASE | Illustrative material is identified in the text.

TEACHING CASE

Turn the recorded directions into separate tasks

Invented committee direction: verify the records, recover the balance and report the revised control by the dates stated in its record.

Task	Working owner	Completion evidence
Verify Rs 3,200,000 of services	Technical officer and finance team coordinate with Audit.	The required verification recorded; any remaining difference stated.
Recover outstanding Rs 300,000	Authorised finance or recovery officer.	Cleared and verified receipts; balance updated without double counting.
Check payment responsibility	Competent authority and appointed inquiry officer, if directed.	Applicable process completed and a reasoned competent decision.
Improve service certification	Technical head and accounts head.	Service evidence checked before payment, with later sample review.

Use the actual directions and lawful powers. These working owners and tasks are examples, not a statutory allocation of responsibility.

TEACHING CASE | Illustrative material is identified in the text.

Measure action and control improvement

A monthly internal review can support the department's required reporting. The following measures are a suggested management tool.

01 Open issues

Count by report year and current official status.

02 Deadlines

List overdue directions and the specific delay.

03 Recoveries

Show verified money credited and balance due.

04 Verification

Separate records submitted from checks completed.

05 Repeat failures

Identify the same weakness appearing again.

06 Control tests

Check a sample of later transactions for compliance.

A high number of settled paragraphs does not prove that controls work. Examine repeat issues and the quality of completion evidence.

WORKING METHOD | Illustrative material is identified in the text.

Preserve the institutional memory at handover

An incoming MS should inherit a usable record of audit and PAC business, including unresolved matters from earlier tenures.

1	**List the live cases**	Report year, paragraph, amount, committee, last decision and current status.
2	**Locate the evidence**	Identify the file, secure digital copy, record custodian and any original held elsewhere.
3	**Identify commitments**	List deadlines, promised evidence, recovery steps, court orders and pending approvals.
4	**Confirm the handover**	The outgoing and incoming officers record what is received and any missing records requiring follow-up.

Apply the authorised retention schedule and any audit, inquiry, litigation or committee hold. Settlement is not permission to destroy the evidence.

WORKING METHOD | Illustrative material is identified in the text.

Three decisions to test your understanding

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

1 | Committee period

The PAC report may be presented within one year under rule 178. The hearing direction gives the hospital 21 days to supply records.

Which period governs the hospital's response?

2 | Recovery evidence

Rs 900,000 is due. Verified credit is Rs 400,000. A separate cheque of Rs 200,000 has not cleared.

State verified recovery and the balance still due.

3 | Conditional settlement

The recorded decision settles a paragraph subject to verification and a revised payment check. Only the verification is complete.

Can the hospital mark all actions complete?

All amounts and the 21-day direction are invented. Answer from the stated facts; do not infer an unstated approval.

Answers and reasons

Check the evidence, the actual deadline and the recorded conditions.

1 | Follow the hospital direction

The hospital must meet the 21-day direction in this example. Rule 178 governs the committee's report to the Assembly; it does not replace the deadline for the hospital's evidence.

2 | Report Rs 400,000 verified and Rs 500,000 due

Rs 900,000 - Rs 400,000 = Rs 500,000. The uncleared Rs 200,000 cheque is part of the outstanding balance until credit and the required verification are established.

3 | Keep the remaining condition open

No. The revised payment check remains outstanding. Keep the exact decision, completed verification and evidence of the remaining action in the register.

Correct arithmetic, truthful status and the actual recorded direction must agree.

Sources: **P1**: r. 178 | **P2**: conditional and final settlement examples

Prepare a complete PAC readiness pack

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

1 | Paragraph file

Select one case. Index the observation, history, authority, evidence and current position.

2 | Hearing brief

Write a one-page brief. Check the amount, supported facts, remaining gaps and requested action.

3 | Action register

List each direction, owner, deadline, evidence and who must confirm completion.

Review question: Can another officer explain the case, locate the proof and identify exactly what remains without asking you?

Module 5 is complete. Apply the four lectures together: prevent failures, answer Audit, prepare for DAC and complete PAC follow-up.

WORKING METHOD | Illustrative material is identified in the text.

Sources and continued use

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

C1

Constitution of the Islamic Republic of Pakistan

National Assembly, Fourteenth Edition, 2025. Articles 124 and 169-171: excess expenditure, audit powers and the route for provincial audit reports.

National Assembly of Pakistan | **Official source**

P1

Rules of Procedure: Provincial Assembly of the Punjab

Official November 2024 compilation. Rules 161-164, 176-179 and 188 explain evidence, records and PAC functions. Check later amendments and the actual committee notice.

Provincial Assembly of the Punjab | **Official source** | **Committee rules**

P2

Punjab PAC report: audit year 1996-97

Historical official example only. Its Education Department overview distinguishes finally settled, conditionally settled and pending paragraphs. It does not set a current universal deadline.

Provincial Assembly of the Punjab | **Official source**

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