

MODULE 6 | PURCHASING, TENDERS, SUPPLIERS AND CONTRACTS

Managing Deliveries, Payments and Supplier Performance

Practical hospital governance in Punjab, Pakistan

Confirm what the hospital actually received.
Apply the contract and preserve the evidence.

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Turn the contract into a working hospital service

For the Medical Superintendent: follow delivery, acceptance, payment and supplier performance through to contract closure.

- Assign clear contract and inspection duties.
- Verify goods, equipment, services and works.
- Control payments, delays and changes.
- Close the contract with complete evidence.

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 contract monitoring sheet, an acceptance record and a closure checklist.

Module 6 | Presentation 5 of 6. Allow 45-60 minutes with exercises. All explanations are on the pages; check the cited sources before live use.

Start with the contract that is actually in force

Award, contract signature, delivery and payment are separate events. Identify the effective date before measuring obligations.

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| 1 | Confirm commencement | Read the signed contract, acceptance notice or purchase order and any condition for it to take effect. |
| 2 | Extract the duties | List the supplier duties, hospital duties, deadlines, acceptance tests and payment events. |
| 3 | Assign responsibility | Identify the people authorised to manage, inspect, certify, approve and pay. |
| 4 | Track the evidence | Keep one contract reference across delivery, inspection, correspondence, claims and payment records. |

Rule 63 distinguishes contracts effective through acceptance or order, signature, or fulfilment of a stated condition.

Sources: **F8**: r. 63

Name the person responsible for each decision

Working allocation. Use the institution's valid orders and required separation of duties; a job title alone is not authority.

Role	Main responsibility	Boundary
Contract lead	Track dates, correspondence and unresolved duties.	Cannot change terms without authority.
Receiving / technical staff	Count, inspect, test and report actual findings.	Cannot certify an event that did not occur.
Finance / accounts	Check the claim, funding, calculations and payment route.	Cannot replace technical acceptance.
Competent authority	Make the decision within delegated powers.	Cannot treat a contract as permission to exceed the law.

Keep required approval roles independent. APPM section 4.2.6 separates the claim-approving officer from the sanctioning officer and DDO where that model applies.

Sources: **F4**: secs. 4.2.6-4.2.9 | **F1**: ss. 33, 40

Make a one-page contract summary and diary

Working method. Record the exact clause and responsible person beside each important date.

01 Scope

Items, quantities, sites, specifications and agreed outputs.

02 Dates

Start, delivery, installation, service and completion dates.

03 Acceptance

Who checks, what test applies and what proves success.

04 Payments

Milestones, documents, deductions and due-date trigger.

05 Security

Guarantee type, amount, issuer, validity and claim deadline.

06 Follow-up

Warranty, maintenance, defects, disputes and closure.

Include hospital duties, such as site readiness and timely access. A supplier delay may depend on whether the hospital fulfilled its own obligations.

WORKING METHOD | Illustrative material is identified in the text.

Keep four different states separate

A delivery note, an acceptance certificate and a payment approval do not prove the same thing.

State	Plain meaning	Evidence
Delivered	The goods physically arrived.	Dated receiving record and quantity count.
Inspected	The agreed checks were performed.	Recorded examination or test results.
Accepted	The authorised person confirms the acceptance conditions were met.	Acceptance record with scope and exceptions.
Payable	The agreed payment event and required checks are satisfied.	Contract, accepted evidence and checked claim.

An advance is a separately authorised payment before normal performance. It does not mean that undelivered goods have been accepted.

Sources: **F4**: secs. 4.2.15, 4.5.3-4.5.4

Check a goods delivery before certifying it

Working receiving process. Use the agreed specifications, contract and current hospital procedures.

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| 1 | Count and identify | Match the item, unit, quantity, model or batch to the order. Record shortages and visible damage. |
| 2 | Inspect and test | Use the agreed quality checks and the authorised technical or inspection team. |
| 3 | Record the result | Separate accepted, rejected and pending quantities. Record the reason and supporting evidence. |
| 4 | Update custody records | Enter accepted stock or assets in the required record. Track held or rejected goods separately. |

A signature acknowledging physical receipt should not silently certify quality acceptance. Make the meaning of the signature clear.

Sources: **F4**: secs. 4.5.3-4.5.4; ch. 13

Apply the medical-supply checks actually required

Working checklist. The contract, product requirements and applicable regulatory conditions determine the evidence.

- 01

Identity

Correct medicine, device, strength, pack and manufacturer.
- 02

Traceability

Batch or lot, serial number and supplier documents.
- 03

Condition

Packaging, seals, damage and visible deterioration.
- 04

Expiry

Compare remaining shelf life with the agreed requirement.
- 05

Temperature

Review required transport and storage evidence for the product.
- 06

Release

Record the authorised inspection and stock-release decision.

Do not invent one shelf-life percentage or temperature range for every product. Resolve any safety concern before clinical release.

WORKING METHOD | Illustrative material is identified in the text.

Control rejected or doubtful goods

Working method. The aim is to protect patients while preserving evidence and the institution's contractual rights.

Control the item

- Separate and label rejected or held goods. Prevent accidental issue while the technical decision is pending.
- Keep item, batch, quantity, date, photographs or test evidence, storage conditions and the responsible custodian.

Control the decision

- Notify the supplier with the specific failure and the relevant clause. Follow the agreed rejection, replacement or testing process.
- Record return, replacement, destruction or other disposal through the authorised procedure. Do not make an undocumented exchange.

Custody means knowing who holds the goods and what happened to them. A rejected item should remain traceable until its final authorised outcome.

For equipment, arrival may be only the first milestone

Use the acceptance sequence in the actual contract. A machine can be present in the hospital but not ready for patient care.

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| 1 | Verify delivery | Check model, serial numbers, accessories, consumables and documents against the order. |
| 2 | Verify installation | Confirm site readiness, installation and required connections through authorised technical staff. |
| 3 | Verify performance | Complete the agreed commissioning and acceptance tests; document defects and corrections. |
| 4 | Verify handover | Confirm the training, manuals, access details, warranty records and other agreed handover items. |

Commissioning means checking that the installed system works as required. Do not equate a delivery challan with completed commissioning.

WORKING METHOD | Illustrative material is identified in the text.

An installed machine has failed its acceptance test

Invented case. The contract requires successful testing and staff training before the acceptance milestone is payable.

What happened	The equipment arrived. Installation was completed, but the image-quality test failed.
Supplier request	The supplier requests the acceptance payment and asks the MS to sign "fully functional".
Correct record	Confirm only the events that occurred. Record the failed test and the outstanding training.
Next action	Notify the supplier under the contract, require a correction plan and repeat the authorised test.
Patient service	Keep unaccepted equipment out of clinical use until appropriately cleared. Arrange an authorised service-continuity plan.

Check separately whether a genuine earlier delivery milestone is payable. Failure of final acceptance does not automatically decide every earlier entitlement.

Use evidence suited to services and works

A service certificate must describe the work actually done. A general signature is not a substitute for supporting records.

Services

- Match the billed period, staff or outputs to the agreed service. Use attendance, visit logs, completed reports or other relevant records.
- For maintenance, record faults, response, repair, downtime and agreed preventive visits. Confirm closure with the authorised user or engineer.

Works

- Use the required measurement and technical certification by the responsible authorised staff.
- Distinguish this period's work from earlier certified amounts. Check approved variations, previous payments and retention.

The MS should obtain the required technical evidence. The MS should not personally certify measurements or tests outside their assigned competence.

Sources: **F4**: secs. 4.5.3-4.5.4; 4.9

Measure performance using an agreed definition

Invented maintenance contract: availability is measured over 600 agreed service hours in the month; 18 hours count as downtime.

Available hours	600 - 18 = 582 hours.
Availability	582 / 600 x 100 = 97%.
Assumed contract target	The teaching contract requires 98% availability for those agreed hours.
Finding	The measured result is 1 percentage point below target. Verify the agreed exclusions and downtime evidence.
Response	Record the failure and require the contractual response. Apply a deduction only if its basis and calculation are authorised.

The figures and target are invented. A missed target does not itself create a legal right to impose an arbitrary fine.

Check the claim against the contract and evidence

Working payment checklist. The full accounts and tax process is covered in Module 3, Lecture 12.

01 Authority

Valid sanction, contract, delegation and payment route.

02 Performance

Evidence that this particular payment event occurred.

03 Amount

Correct quantities, rates, period and arithmetic.

04 Prior amounts

Earlier bills, advances, credit notes and payments.

05 Deductions

Applicable tax, retention and other lawful adjustments.

06 Payee

Verified identity, bank details and authorised release.

Check the contract's due-date trigger. An invoice date alone may not establish when the payment becomes due.

Pay the milestone that the evidence supports

Invented contract: PKR 10 million total; 70% on accepted delivery, 20% on successful commissioning and 10% on completed training.

Accepted delivery	All ordered items passed the delivery checks. The delivery milestone is 70% x 10 million = PKR 7 million.
Commissioning	The agreed test has failed. The PKR 2 million commissioning milestone has not been earned.
Training	Training has not occurred. The PKR 1 million training milestone has not been earned.
Payment check	PKR 7 million is the milestone value before the separate funding, approval, tax and adjustment checks.
Outstanding duties	Keep commissioning and training open. Check the actual contract for any condition affecting the delivery claim.

These payment terms are invented, not a recommended or statutory structure. Never copy percentages without designing lawful terms for the actual purchase.

Do not confuse different financial safeguards

Identify the purpose, instrument, amount and release conditions. A guarantee is not the same as money already recovered.

Safeguard	Purpose	Management check
Performance guarantee	Supports performance under the agreed terms.	Verify issuer, wording, validity and claim conditions.
Advance guarantee	Protects money paid before normal performance.	Match its coverage to the advance and adjustment terms.
Retention	Part of a claim held under lawful agreed terms.	Track the amount and conditions for later release.
Warranty obligation	Supplier's duty to address specified defects.	Identify the covered items, period and remedy.

Rule 56 permits a performance guarantee where needed and clearly stated in the bidding documents; it must not exceed 10% of the contract amount.

Sources: **F8**: r. 56 | **F4**: sec. 4.2.15

Treat an advance as money still at risk

Where the cited APPM procedure applies, supplier advances need the agreement, competent approval and a bank guarantee for the advance value.

Before payment

- Verify the contractual purpose, approval and guarantee. Check the instrument through the authorised process with the issuing institution.
- Record the amount, performance due, recovery schedule and deadline for action before the guarantee expires.

After payment

- Maintain the advance balance and match each lawful adjustment to a certified claim.
- Follow up overdue performance, unadjusted amounts and expiring cover. Obtain an authorised decision before protection is lost.

An advance must not be used merely to stop funds from lapsing. Do not certify delivery just to clear an advance from the records.

Sources: **F4**: sec. 4.2.15 | **F2**: r. 2.10

Read warranty and maintenance coverage precisely

AMC and CMC are common labels. Their actual coverage comes from the contract, not the name.

Arrangement	Question to resolve	Evidence to keep
Warranty	When does it start, what defects are covered and what is excluded?	Acceptance date, warranty terms and repair history.
AMC: annual maintenance contract	Which visits, labour, parts and response duties are included?	Agreed scope, service logs and parts records.
CMC: comprehensive maintenance contract	What does "comprehensive" include and exclude in this agreement?	Coverage schedule, exclusions and verified completed work.
End of coverage	What handover, renewal or replacement decision is required?	Expiry diary, cost evidence and timely procurement plan.

Check whether parts, software, batteries, probes, consumables and external damage are included. Do not assume that any label guarantees all-inclusive support.

WORKING METHOD | Illustrative material is identified in the text.

Check a proposed change before agreeing to it

A supplier letter, committee discussion or urgent need does not itself authorise a contract change.

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| 1 | Define the change | State the new quantity, specification, price, time or other term and explain the need. |
| 2 | Check the legal route | Identify whether the change is permitted by the contract and applicable procurement rules. |
| 3 | Check the authority | Confirm the competent approval, financial powers, funding and required technical advice. |
| 4 | Record the decision | Use a lawful written amendment where appropriate. Update cost, dates, security and payment controls. |

If the proposal amounts to a new purchase, use the lawful procurement route. A contract amendment cannot be used to bypass competition.

Sources: **F8**: rr. 4, 11, 59, 69 | **F1**: s. 33

A repeat order is not a general variation allowance

The direct-contracting provision for repeat orders is a specific rule, not permission to add anything to an existing contract.

What the rule says

- Rule 2 defines repeat orders as procurement of the same commodity from the same source.
- Rule 59(c)(iv) allows repeat orders not exceeding 15% of the original procurement. Check the current rule and the actual facts.

What the file must establish

- Identify the original procurement, same commodity and source, amount already repeated, and the proposed additional amount.
- Confirm the lawful route, competent approval, funding and value for money. A different item or major scope change needs its own analysis.

Do not treat 15% as an automatic MS power, a general works-variation rule, or a fresh allowance available every time an order is issued.

Sources: **F8**: rr. 2(1)(z), 4, 11, 59(c)(iv)

Assess requests for a higher price or more time

Working method. Start with the actual contract and applicable law; the supplier's request is not itself an entitlement.

Price increase

- Locate any valid adjustment clause. Check its trigger, index or formula, evidence, dates and approval requirements.
- For a fixed-price obligation without an applicable lawful basis for change, escalate the request rather than accept a new invoice rate.

Time extension

- Establish the agreed deadline, actual events and cause of delay, including any hospital contribution.
- Use the required notice and decision procedure. Record any authorised extension and its effect on remedies and guarantee validity.

Do not backdate an approval or conceal a missed deadline. Record the facts and obtain the decision from the competent authority.

Respond to delay before it becomes a service failure

Working method. Distinguish the contractual deadline from an informal expected date.

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| 1 | Establish the facts | Record what was due, what arrived, what remains and the cause stated by each side. |
| 2 | Use the required notice | Cite the obligation, supporting evidence and contractual response or cure period. |
| 3 | Decide the remedy | Obtain the competent decision on extension, correction, damages or other permitted action. |
| 4 | Protect the service | Run an authorised continuity plan while keeping the supplier dispute and evidence traceable. |

Liquidated damages are damages calculated under an agreed contractual clause. Verify its trigger, rate, cap and procedure; do not invent a fine.

WORKING METHOD | Illustrative material is identified in the text.

Use a remedy only when its legal basis is established

Working examples. These actions are not automatically available in every contract.

Possible action	Question before action	Required record
Replacement / correction	What failure and remedy does the contract cover?	Inspection evidence, notice and verified result.
Contractual deduction	What clause, calculation and process permit it?	Checked calculation and competent decision.
Guarantee claim	Have the instrument's claim conditions been met in time?	Authorised claim and evidence of delivery to issuer.
Termination / risk purchase	What contractual or legal right and procedure apply?	Legal review, competent decision and lawful replacement route.

Risk purchase means arranging replacement at the defaulting supplier's risk under a valid basis. Recovery of extra cost must be legally established, not assumed.

WORKING METHOD | Illustrative material is identified in the text.

Preserve patient care while resolving the contract

Working method. Patient need and supplier liability are related issues, but they require distinct decisions.

Continuity decision

- Identify the immediate clinical risk, available stock, safe alternatives, referral capacity and expected duration.
- Obtain the required approvals for any transfer, substitute service or replacement purchase. Record the scope and cost.

Contract decision

- Preserve the failed-performance evidence, notices, supplier response and decision on available remedies.
- Keep the original and replacement transactions separately identifiable. Prevent duplicate receipt, certification or payment.

Lecture 18 explains emergency procurement and dispute routes. Urgency does not remove the need to identify a lawful decision-maker and purchasing method.

WORKING METHOD | Illustrative material is identified in the text.

Use a short supplier-performance report

Working dashboard. Report facts against agreed requirements; explain exclusions and disputed findings.

01 Delivery

Due and actual dates, shortages and accepted quantities.

02 Quality

Failed tests, rejected batches and verified corrections.

03 Service

Response, downtime, visits and measured outputs.

04 Money

Earned claims, payments, advances and security at risk.

05 Actions

Open notices, commitments, responsible person and date.

06 Decision

Specific approval, escalation or remedy now required.

A performance report supports management decisions. It is not itself a blacklisting order or permission to invent future tender criteria.

Separate contract disputes from tender complaints

Use the route appropriate to the stage and issue. Keep the disputed facts, amount and requested decision clear.

Before the contract takes effect

- Rule 67 addresses bidder grievances before entry into force of the procurement contract.
- Its complaint process should not be presented as the general route for every later delivery or payment dispute.

After the contract takes effect

- Rule 68 provides for contract disputes to be settled through mediation or arbitration and requires the method in the contract.
- Preserve notices, correspondence and certificates; involve authorised legal staff and follow the applicable clause and law.

Do not promise that filing a dispute automatically suspends performance or payment. Check the actual legal and contractual effect. See Lecture 18 for further detail.

Sources: **F8**: rr. 67-68

Know the certificate deadlines in rule 64

The rule still specifies closure certificates. These periods must not be confused with the former rule 62 payment provision.

Event	Certificate and timing	Meaning
Final taking over of goods, receipt of deliverables or completion of works	Overall delivery or taking-over certificate within 30 days.	Closes performance except for the contractual defect liability; enables the final bill.
Expiry of the defect-liability period	Defect-liability certificate within 30 days of expiry.	Enables the final bill, except unsettled claims handled through the contract's dispute mechanism.

A certificate must reflect the actual facts and any unresolved matter. Do not certify full performance merely to meet a calendar date.

Sources: **F8**: r. 64

Close payment and release security on the correct basis

Completion, final payment, expiry of defects liability and guarantee release can occur on different dates.

Check the final position

- Reconcile certified value, previous payments, advance balance, lawful deductions, retention and unresolved claims.
- Confirm the required certificates, tax process, stock or asset records, manuals and service handover.

Check the release conditions

- Verify the conditions for releasing each retention or guarantee. Record the competent approval and actual release.
- If a claim remains, preserve the correct dispute and security action within the applicable time. Do not withhold money without a valid basis.

Former rule 62 was omitted on 30 April 2025. Do not copy its former 30-day payment ceiling as current law; check applicable terms and pay valid dues promptly.

Sources: **F8**: rr. 62 (omitted), 64 | **F2**: r. 2.10(b)(3)

Keep a file that explains the whole transaction

Working file index. Record retention must comply with the applicable rules and any longer required period.

01 Authority

Approved procurement, award, contract and delegations.

02 Performance

Delivery, inspection, tests, acceptance and service evidence.

03 Changes

Requests, technical advice, approvals and amendments.

04 Money

Claims, advances, deductions, payments and reconciliation.

05 Problems

Defects, delay notices, responses, decisions and disputes.

06 Closure

Certificates, final balances, release and lessons for next purchase.

Rule 65 requires procurement records and associated documents for at least five years, subject to regulations. Also observe any longer applicable requirement or preservation hold.

Sources: **F8**: r. 65 | **F2**: r. 2.32

Apply the controls to three hospital situations

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

1 | Equipment acceptance

The equipment is on site but has not passed the required safety test. The supplier asks for final acceptance to obtain payment.

What should the MS require?

2 | Missed service target

The service achieved 97% against the teaching contract's 98% target. No deduction clause has yet been located.

Can accounts choose a penalty amount?

3 | Closure and payment

The file cites old rule 62 for every payment deadline and ignores rule 64 when preparing completion certificates.

What must be corrected?

For each answer, identify the evidence, competent decision and action needed to protect patient services.

Answers and reasons

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

1 | Certify only established facts

Record delivery and failed or pending tests accurately. Require the agreed correction and acceptance evidence. Check separately whether any earlier genuine milestone is payable.

2 | Establish the remedy first

Validate the measurement and exclusions, notify the failure and locate the lawful contractual remedy. A missed target does not authorise accounts to invent a fine.

3 | Use the current provisions

Former rule 62 is omitted. Check the current payment terms and applicable requirements. Apply rule 64's separate 30-day certificate periods to the relevant closure events.

Good contract administration joins a verified fact to the correct clause, authorised decision and complete record.

Sources: **F8**: rr. 62 (omitted), 64 | **F4**: secs. 4.5.3-4.5.4

Prepare a contract control pack

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

1 | Contract summary

Scope, dates, duties, acceptance, payment terms and responsible officers.

2 | Performance record

Receipt, tests, acceptance, defects, supplier notices and required decisions.

3 | Closure plan

Balances, security expiry, certificates, final claim, release and record retention.

Can another authorised officer explain what is due, what has been accepted, what may be paid and what still requires a decision?

Next: Lecture 18 covers emergencies, complaints, disputes and supplier restrictions. Use authorised, non-confidential records for practice.

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.

F8

Punjab Procurement Rules 2014

Official compilation amended through 24 September 2025. Rule references identify the legal basis of the lesson. Read with later notifications and the current orders applicable to the procurement.

Punjab Procurement Regulatory Authority | [Official source](#) | [Notifications](#)

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](#)

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](#)

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Sources and continued use | 2

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](#)

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