MODULE 3 | BUDGETS, ACCOUNTS AND PAYMENTS

Understanding and Preparing the Hospital Budget

08

LECTURE

Practical hospital governance in Punjab, Pakistan

Know what the figures mean.
Build the request from the service need.

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SELF-STUDY PDF

Read the budget before making a spending plan

For the Medical Superintendent (MS): connect the hospital service, the funding source and the budget request.

- Understand the main budget terms.
- Identify the fund and the approval route.
- Build costs from quantities and evidence.
- Explain the request and its service effect.

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

One budget map and one costed request that another officer can understand.

Module 3 | Presentation 1 of 5. Allow 45-60 minutes with exercises. All explanations are on the pages; check the cited sources before live use.

Five different questions about the same money

The lectures follow the financial process from planning to the final payment record.

Lecture	Main question	Practical output
8 | Budget	What do we need and what is provided?	A justified budget request.
9 | Powers	Who may approve this action?	A verified authority check.
10 | Control	What remains available and what is owed?	A spending and cash forecast.
11 | Accounts	Do the records agree?	A reconciliation and action list.
12 | Payments	Is this bill correct and properly payable?	A checked payment file.

The five lectures are self-contained. Read them in sequence, then use each as a working reference.

COURSE ROADMAP | Illustrative material is identified in the text.

A budget is part of a legal approval process

A service need explains why money is wanted. The legal process determines how expenditure is authorised.

At provincial level

- Articles 120-123 provide for the Annual Budget Statement, demands for grants and the authenticated Schedule of Authorized Expenditure.
- PFM Act section 33 links expenditure from the named provincial funds to sanction and authorised budget provision.

At hospital level

- Identify the institution, funding source, responsible department and applicable financial rules.
- An institution may also have its own lawful fund, budget process and delegation. A general lecture cannot assign those powers.

PFM means public financial management: the rules and processes for planning, controlling, recording and reporting public money.

Sources: **F7**: arts. 120-123 | **F1**: ss. 2, 33 | **F6**: ss. 13-15

Identify which fund holds the money

The name of the bank account alone does not establish the legal nature of the money.

Fund or arrangement	Plain meaning	Hospital check
Provincial Consolidated Fund	Includes provincial revenues, borrowing and loan repayments received by Government.	Use the authorised provincial budget and payment route.
Public Account	Other money received by or on behalf of the Province, including money held for others.	Identify the liability, purpose and withdrawal rules.
Institutional fund	A fund created under the institution's own legal framework.	Check its governing law, rules, grant conditions and delegation.

The 2003 institutions Act creates an institutional fund where that Act applies. It is not a universal description of every Punjab hospital.

Sources: **F7**: arts. 118-119 | **F6**: ss. 14-15

Make a financial identity sheet for your hospital

This working sheet tells the finance team which framework to apply.

01 Institution

Governing Act, notification and legal status.

02 Fund

Government grant, own receipts, restricted grant or other money.

03 Budget

Grant, cost centre or DDO code and financial year.

04 Authority

Budget approval, spending sanction and bank mandates.

05 Accounts

AG/DAO route or authorised institutional accounts.

06 Current orders

Delegations, release terms and financial instructions.

DDO = Drawing and Disbursing Officer. AG = Accountant General. DAO = District Accounts Officer. Verify the actual arrangement.

WORKING METHOD | Illustrative material is identified in the text.

Know the financial year and the planning horizon

The Government financial year runs from 1 July to 30 June. A multi-year plan is still subject to each required approval.

Annual budget

- Identify the exact year on the allocation, release and bill. Do not mix figures from different years.
- Under PFM Act section 33(2), the unspent authorised expenditure within its scope lapses at year-end.

Medium-term plan

- PFM Act section 4 provides for a three-to-five-year planning horizon and a framework covering at least three financial years.
- Show future staffing, service and maintenance costs. A forecast does not authorise a future contract.

Do not apply the year-end treatment of a Government appropriation automatically to every institutional bank balance or restricted fund.

Sources: **F4**: sec. 2.6, financial year | **F1**: ss. 4, 33

Separate four figures that are often confused

Each figure answers a different question.

Term	Plain meaning	It does not by itself prove
Budget provision	The amount provided for a stated purpose and period.	That cash has been released or spending sanctioned.
Release / authorisation	Permission or availability under the applicable fund-release arrangements.	That every proposed use is lawful.
Commitment	An obligation to make a future payment, such as an authorised order.	That goods have arrived or payment has been made.
Actual expenditure	Expenditure recorded under the applicable accounting rules.	That no other bills or obligations remain.

For a live case, use the wording of the actual budget and release orders and the accounting recognition rules.

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

Know who does what in the financial chain

These are functions to identify, not an automatic list of powers for every hospital.

Role	Main financial function	What to verify
Administrative department / PAO	Oversees the departmental budget and financial management.	The notified Principal Accounting Officer and reporting route.
Hospital leadership / Board	Plans services and exercises the institution's lawful powers.	The applicable Act, rules and actual delegation.
DDO / finance team	Prepares claims, maintains records and applies required checks.	DDO appointment, scope and designated staff.
AG / DAO or institutional accounts	Processes and records payments under its authorised arrangement.	Which office handles this particular fund.

The MS designation alone does not make its holder the PAO, the DDO or the authority for every financial sanction.

Sources: **F1**: ss. 6, 39 | **F4**: secs. 1.4, 2.2 | **F6**: ss. 13-15

Read the whole budget address

A rupee amount must be linked to the correct place in the authorised budget.

01 Year

The financial year to which the amount relates.

02 Grant / fund

The source and the applicable restrictions.

03 Entity

Department, institution, cost centre or DDO.

04 Function

The public service to which spending relates.

05 Object

What is being paid for: staff, supplies, assets or repairs.

06 Status

Original provision, authorised change, release and actuals.

An object code describes the expenditure. It does not create the power to incur it.

Sources: **F5**: fund, function, entity and expenditure sheets | **F1**: ss. 2, 6

Recognise the broad expenditure headings

These are selected broad headings in the cited official Chart of Accounts; they are not a complete coding guide.

Code	Official heading	Typical question
A01	Employee Related Expenses	Is the charge an authorised pay or allowance item?
A03	Operating Expenses	Which detailed operating-expense code fits?
A09	Expenditure on Acquiring of Physical Assets	Is an asset being acquired or enhanced?
A13	Repairs and Maintenance	Is the work maintaining an existing asset?

Confirm the current detailed object code. Do not charge an item to a convenient head simply because it has a balance.

Sources: **F5**: expenditure sheet, headings A01, A03, A09, A13

Development status and asset type are different questions

First identify the authorised programme or project. Then classify the actual expenditure correctly.

Current and development budget

- Current spending supports ongoing Government services. Development spending follows the approved development programme and project route.
- A hospital project can need equipment, staff and running costs. Its approval and budget treatment must be checked.

Assets and running costs

- Buying equipment creates a different accounting question from buying consumables or paying for maintenance.
- A high price alone does not determine whether an item belongs to a development project or a particular object head.

Do not use development funds to meet an unrelated running-cost gap without the required lawful approval and classification.

Sources: **F1**: ss. 27-30 | **F4**: sec. 2.6, capital expenditure; ch. 10 | **F5**: expenditure headings

Start with the service, then calculate the cost

A useful budget request explains both the amount and the result expected from it.

1	**Define the service**	State the patient group, activity and minimum safe service to be maintained.
2	**Establish the baseline**	Use actual activity, reconciled spending, stock and known liabilities.
3	**Cost the change**	Calculate quantities, support needs and the period. State assumptions.
4	**Identify the decision**	Name the funding gap, proposed route and consequence if funding is not provided.

Use the current budget call circular and prescribed departmental forms. This teaching sequence supports those requirements.

Sources: **F1**: ss. 4, 6-7

Convert activity into a yearly requirement

Teaching example: one routinely used supply item. There is no growth or wastage allowance in this simplified calculation.

Monthly use	Verified teaching consumption: 1,000 units.
Annual use	1,000 x 12 months = 12,000 units.
Stock adjustment	Usable opening stock: 2,000. Confirmed incoming stock: 1,000. Required closing stock: 1,000.
Purchase need	12,000 + 1,000 - 2,000 - 1,000 = 10,000 units.
Reason	Add the desired closing stock; subtract stock already usable or reliably on its way.

Use usable stock, not the total on the shelf. Verify expiry, safety stock, lead time and whether an incoming order is already committed.

TEACHING CASE | Illustrative material is identified in the text.

Convert the required quantity into a cost

Teaching continuation: the estimated unit cost is PKR 120, assumed to include all charges for this example.

Calculation	10,000 units x PKR 120 = PKR 1,200,000.
Check the price	Record the source and date of the estimate. An estimate is not a quotation award or a purchase sanction.
Check omissions	In a live request, identify taxes, delivery, installation or other charges not included in the unit price.
Avoid duplication	If the 1,000 incoming units remain unpaid, their cost is a separate existing obligation; do not lose it from the cash forecast.

A quantity calculation supports a budget estimate. Procurement method, supplier selection and financial sanction require their own checks.

TEACHING CASE | Illustrative material is identified in the text.

Build the staff budget from lawful posts and entitlements

An expected service need is not evidence that a post or payment has been approved.

Establishment evidence

- Use sanctioned posts, actual employees, vacancies, appointment terms and pay-fixation records.
- Show likely joining, retirement or transfer dates and the applicable period of cost.

Cost and approval evidence

- Calculate pay and allowances from the applicable orders. Identify employer costs and recurring effects.
- Separate a proposal for new posts, overtime or additional payments from amounts already authorised.

Attendance evidence supports payroll checks. It does not by itself establish the amount or legal basis of an allowance.

Sources: **F4**: secs. 4.6.1, 4.6.5-4.6.6 | **F2**: r. 2.31

Price the full first year of a new service asset

Teaching example only. Every amount below is an invented planning figure.

Component	PKR million	Question before approval
Equipment	6.0	What specification and verified estimate support it?
Installation and training	0.6	Are site works and training included?
First-year support	0.4	What support is needed outside warranty?
First-year consumables	0.6	What activity and unit cost support this amount?
Total first-year estimate	7.6	Which approvals and funding sources cover each part?

PKR 1 million = PKR 1,000,000. Later years may have different running costs; equipment purchase funding does not fund them automatically.

TEACHING CASE | Illustrative material is identified in the text.

Estimate income without assuming spending permission

Income forecasts and authority to use the receipts are separate matters.

Forecast the receipt

- Identify the lawful fee, charge, grant or donation and the expected activity. State exemptions and likely collection shortfalls.
- Count a grant only with its actual approval status visible. A hoped-for donation is not confirmed funding.

Check the use

- Identify where receipts must be deposited and whether they may be retained or spent by the institution.
- Check grant conditions, restricted purposes and the authority for refunds, concessions or fee changes.

Do not spend collections directly or net them against expenses unless the applicable law and authorised process permit it.

Sources: **F1**: ss. 5, 11, 31-32 | **F2**: r. 4.1 | **F4**: sec. 4.3.7

Read actuals, budget estimates and revised estimates

The columns describe different time periods or statuses. Read the year and unit above each column.

Column	What it means	What the MS should ask
Previous actuals	Recorded results for a completed period.	Are figures reconciled, provisional or audited?
Current budget estimate	The original estimate or provision for this year.	What authorised changes have followed?
Revised estimate	An updated estimate for the current year.	What changed in cost, activity or timing?
Next-year estimate	The proposal for the coming year.	What baseline and assumptions justify it?

A revised forecast is not, by itself, proof that an additional appropriation or spending sanction has been issued.

Sources: **F1**: ss. 6, 12-14, 33

Read an invented non-salary budget

Teaching Hospital B has a PKR 24 million annual operating allocation for the four purposes below.

Purpose	PKR million	Share of total
Critical supplies	12	50.0%
Utilities	6	25.0%
Repairs and maintenance	4	16.7%
Other operating costs	2	8.3%
Total	24	100.0%

This is one teaching budget, not the entire budget of a tertiary hospital. The shares are rounded.

TEACHING CASE | Illustrative material is identified in the text.

A PKR 24 million budget is not PKR 24 million of free cash

Teaching snapshot: release to date is PKR 9 million; recorded expenditure is PKR 6 million.

Two simple differences

- Budget minus recorded expenditure: 24 - 6 = PKR 18 million.
- Release minus recorded expenditure: 9 - 6 = PKR 3 million, before other release-related adjustments.

The missing information

- Neither difference shows unpaid bills, outstanding orders or restricted amounts.
- Lecture 10 adds those obligations and builds a forecast. Do not approve new orders using the larger number alone.

Here release is assumed to be a cumulative usable expenditure authorisation. In a live case, verify the exact release terms and balance.

TEACHING CASE | Illustrative material is identified in the text.

Connect the budget to the service result

These are working measures to discuss alongside expenditure, not statutory performance targets.

01 Activity

What service was planned and delivered?

02 Availability

Were staff, supplies and equipment available?

03 Access

Did waiting or cancellation change?

04 Safety

Were required clinical safeguards maintained?

05 Cost

What was spent, committed and still forecast?

06 Explanation

Why did results differ and what action is needed?

Low spending may reflect efficiency, delay or failure to deliver. The percentage alone does not tell you which.

Sources: **F1**: ss. 4(6), 7, 41

Write a request that a decision-maker can assess

Working format for one costed hospital request. Replace every general description with verified local evidence.

Need	State the service gap and the evidence period.
Proposal	Describe the service, quantity, start period and duration.
Cost	Show the calculation, current provision, existing obligations and funding gap.
Authority	Identify required institutional approval, departmental route and financial sanction.
Decision	Ask for the precise approval or allocation and explain the service consequence of delay.

Keep assumptions and unresolved approvals visible. A long attachment cannot repair an unclear request.

Sources: **F1**: ss. 4, 6, 33

Check the budget submission before sending it

Use the prescribed forms and attach a short explanation of material changes.

- [ ] **Basis**

  Activity, prices, stock and staffing evidence are identified.

- [ ] **Completeness**

  Existing liabilities and future running costs are included.

- [ ] **Classification**

  Fund, year, entity and object heads are correct.

- [ ] **Authority**

  Approval and submission powers are verified.

- [ ] **Realism**

  Income, timelines and assumptions are supportable.

- [ ] **Decision**

  The amount and decision requested are precise.

Give the final figures, not several inconsistent versions. Preserve the submitted version and its approval record.

WORKING METHOD | Illustrative material is identified in the text.

Three budget questions

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

01 | Purchase quantity

Annual use is 12,000 units; usable opening stock is 2,000; confirmed incoming stock is 1,000; desired closing stock is 1,000.

How many additional units are needed?

02 | Release

The budget is PKR 24 million and release to date is PKR 9 million. Recorded expenditure is PKR 6 million.

How much release remains before other adjustments?

03 | New equipment

A proposal gives only the equipment price and omits site preparation, training and running costs.

What must be added?

Separate a planning calculation from permission to purchase, commit funds or make payment.

TEACHING CASE | Illustrative material is identified in the text.

Answers and reasons

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

01 | 10,000 additional units.

12,000 + 1,000 - 2,000 - 1,000 = 10,000. Check that the incoming stock is dependable and its unpaid cost is still recorded.

02 | PKR 3 million.

9 - 6 = 3. This teaching release balance is different from the PKR 18 million budget balance and is still subject to conditions and obligations.

03 | A complete service cost and approval plan.

Show installation, training, staffing, support, consumables, later-year costs and the funding source. Identify all required approvals.

A sound budget is a supported plan. It becomes usable through the applicable approval, release and spending-control process.

TEACHING CASE | Illustrative material is identified in the text.

Prepare a budget request for one service

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

1 | Budget map

Identify the fund, year, coding, current provision and responsible offices.

2 | Cost sheet

Calculate quantity and full cost. Show stock, staff and existing obligations.

3 | Decision brief

Explain the funding gap, service effect and exact decision requested.

Review question: can another officer reproduce the amount and identify the next approval?

Next planned lecture: Spending Powers and Financial Sanctions. It will explain who may approve the proposed action.

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**

F7

Constitution of the Islamic Republic of Pakistan

National Assembly, Fourteenth Edition, 2025. Articles 118-124 describe provincial funds and the budget authorisation process. References concern those financial provisions.

National Assembly 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**

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Sources and continued use | 2

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

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**

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**

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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