

## Explanation and Interpretation

### Payment Vouchers

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#### Background

One of the fundamental risk management principles is for adequate segregation of duties in transaction processing. More than one individual should be involved in the approval and verification of documents supporting a payment and, in particular, the functions of procurement and receiving should be separated.

Consequently, the approval requirements for payment vouchers depend on the degree of segregation of duties in the approval and verification processes for the documentation supporting the payment. Where independent checks are compromised, risks are increased and, correspondingly, the approval requirements are more stringent.

#### Routine Payments

Most purchases of goods are processed through purchasing and received by receiving. In this case, the independent checks in the system are provided by a “three way” match of the:

- purchase order or contract;
- independently verified documentation for receipt of the product; and
- the invoice submitted by a third party vendor.

When this documentation is adequate, the invoice is processed for payment without the need for further approval.

In future, payments to some suppliers will be made based on the purchase order and the receiving record, without the requirement for a vendor invoice. This is known as the evaluated receipts settlement process.

#### Non-Routine Payments

Payments that are not supported by the three-way match or are not processed by evaluated receipts settlement must be approved by a signing officer other than those individuals involved in the approval and verification of the supporting documents. This would apply where the payment voucher is supported by at least one of an approved requisition, contract, purchase order or a verified receiving report.

The policy also permits third party vendor invoices not exceeding \$10,000 to be approved by a single signing officer.

For some transactions, approval by a single signing officer is insufficient and a control process known as one-over-one approval is required. One-over-one approval means the requirement for

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---

approval by a second, organizationally more senior, signing officer in addition to approval by the primary functional signing officer.

When a payment voucher is not supported by any one of an approved purchase requisition; purchase order; contract; or by verified evidence of the receipt of goods or services, one-over-one approval of a payment vouchers is required in two situations:

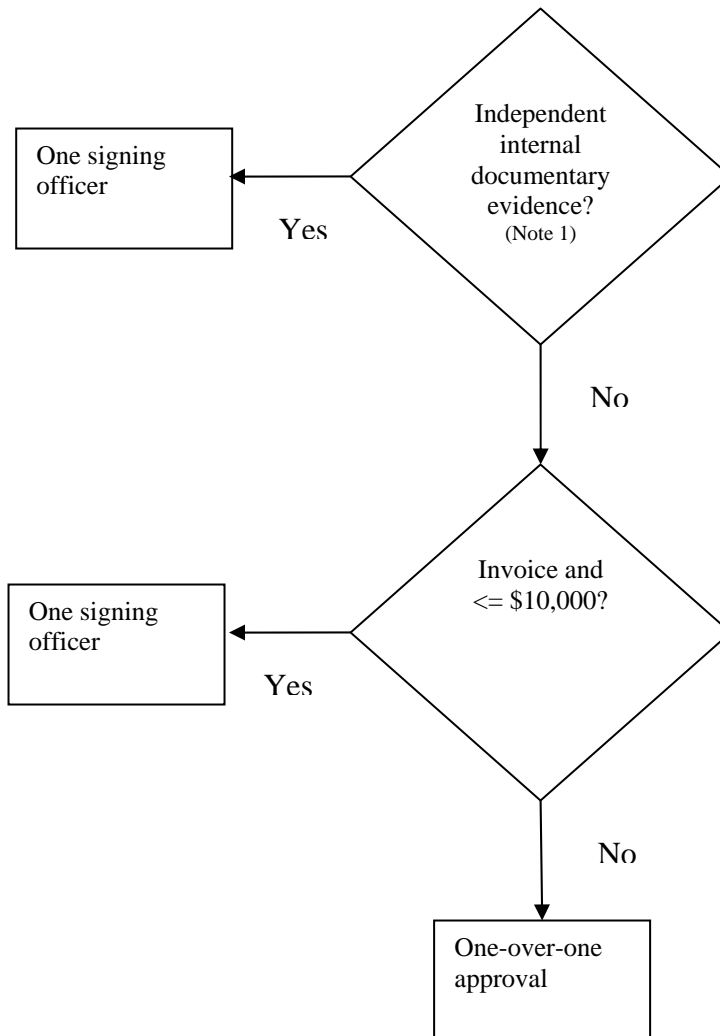
- where the payment vouchers exceeds \$10,000; or
- in the absence of a third party vendor invoice, or equivalent document.

Appendices 1 and 2 show the approval requirements for non-routine payment vouchers both as a decision tree and in matrix form.

If you are unsure of the requirement, contact the payments section of the finance department for assistance.

#### Appendix 1 - Payment Voucher Processing

The following approval requirements apply to payment vouchers (including third party invoices) that are submitted for payment without having been processed through the normal purchasing and receiving channels:



*Note 1: Independent internal documentary evidence* means either:

- i) a purchase order issued by the purchasing department in accordance with established policy; or
- ii) a requisition, contract or receiving report that has been evidenced as approved or verified by a responsible individual who is not involved in any other approval or verification processes with respect to that financial transaction.

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#### Appendix 2 - Summary of approval requirements:

Documentation	Documentary Evidence Exists?				
		At least one of	No		No
Approved Requisition	-	At least one of	No		No
Purchase Order or Approved Contract	Yes				
Verified Receiving Report	Yes				
Invoice or other Independent Documentary Evidence of Liability	Yes	-	Yes		
Transaction Value	-	-	<=\$10,000	>\$10,000	-
<i>Approval Requirements:</i>	<i>None</i>	<i>Approval by one signing officer</i>	<i>Approval by one signing officer</i>	<i>One-over-one approval</i>	<i>One-over-one approval</i>

Yes: Independent documentation exists

No: Missing or not independently approved or verified

None: No further approval for the payment voucher

This chart excludes payments processed by evaluated receipts settlement.